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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Vietnamese economy recovers with bright prospects ahead

The General Statistics Office (GSO) reports that Vietnam's economy in the first eight months of this year has gradually regained the growth rate it enjoyed before the pandemic. Economic growth has been strong in industrial production and export and import, and inflation is under control. The most visible sign of economic recovery has been purchasing power. GSO statistics show that trade and service activities recovered in all sectors and stood at high rates compared to the same period last year. In August total retail sales of consumer goods and services increased 0.6% from July and were 50.2% above August of last year. Travel and tourism revenues were 65 times what they were last August.

Strong purchasing power has boosted domestic production. The Index of Industrial Production (IIP) increased 15.6% in August and was 9.4% above August of last year. With favorable economic conditions, businesses have increased investment, production, sales. Since the beginning of the year 150,000 enterprises have newly registered or resumed operation. In the first eight months of the year, export turnover was 17.3% above the same period last year, showing that Vietnam continues to be a major goods supplier to the global market.

Vietnam's membership in 15 FTAs (with 2 more FTAs under negotiation) has created a lot of opportunities to expand exports and take advantage of preferential tariffs. A Fitch Solutions report says Vietnam is emerging as an important manufacturing hub in East and Southeast Asia, supported by government-led economic liberalization efforts and integration into global supply chains through trade agreements and membership in international blocs. Dr. Le Duy Binh, executive director of Econimica Vietnam, noted, "The trade surplus level has greatly supported the implementation of Vietnam's monetary policies, especially in the context of pressure on the Vietnamese currency recently. The growth rate was recorded in the context that the consumer price index increased only 2.5% and basic inflation increased 1.6%." The macroeconomic indicators in August increased strongly compared to the same period last year. The main reason is that Vietnam has reopened after a long period of COVID-19. The current situation shows signs of higher GDP growth in the third quarter.

Standard Chartered predicts Vietnam's GDP in the third quarter may reach 10.8%. A number of experts say there are good reasons to believe Vietnam will see double-digit GDP growth in the third quarter. In order to maintain its economic growth rate and minimize negative impacts from the policies of world powers, experts say Vietnam should speed up its public investment disbursement, flexibly manage its fiscal and monetary policies, and support the recovery of businesses.

Associate Professor, Dr Phan Chi Anh, director of the Center of Business Administration Studies at the Hanoi National University of Economics and Business, said, "The business and service sectors account for 40% of annual GDP growth. If we cannot solve the problem of supporting this sector, it will lead to possible risks for GDP growth." Stable macro-economics in 2022 has helped Vietnam achieve its yearly growth target and create momentum for sustainable economic growth in 2023. VOV

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## Moody's has upgraded Vietnam's rating from Ba3 to Ba2

Credit rating agency Moody's has upgraded Vietnam's rating from Ba3 to Ba2 thanks to its growing exports and manufacturing sector, and changed its outlook from positive to stable.



investment and driven a rapid rise in per capita income, it said.

"The upgrade to Ba2 reflects Vietnam's growing economic strengths relative to peers and greater resilience to external macroeconomic shocks that are indicative of improved policy effectiveness," it said in a statement.

The increasing demand for Vietnamese exports through the coronavirus pandemic underpins the growing competitiveness of the country's manufacturing sector, which has outperformed regional peers in attracting foreign direct

Trade tensions between the U.S. and China, and the supply chain disruptions due to the waves of lockdowns in China have accelerated manufacturing investment in Vietnam given the similarity of Vietnam's exports compared with China's among Asia-Pacific economies and its ample supply of relatively low-cost labor, it said.

But structural risks to the economy could emerge over the next five to 10 years as the existing stock of port, airport, electricity, and railways infrastructure and the working age population, which would peak around 2035, might be insufficient to absorb large-scale shifts in supply chains to Vietnam from China and other higher-wage locations of production, it warned.

Despite below-potential growth in 2021, Vietnam's fiscal performance was stable with a deficit of 3.4% of GDP as revenue collection exceeded targets by 16.8% partially due to companies' lower than expected uptake of stimulus measures such as corporate income tax deferrals, it said.

In 2022 Moody's expects the deficit to edge up to around 3.8%.

Referring to its decision to lower Vietnam's outlook, it said downward pressures could emerge from external uncertainties related to slowing global growth and risks in Vietnam's financial system that could weigh on the economy.

"Although Moody's expects Vietnam's economy to continue to benefit from FDI inflows and supply chain shifts in the Asia Pacific region, Vietnam's structural balance of payments surpluses may narrow over the next two years due to higher commodity prices, slower growth in Vietnam's largest export markets, rising domestic investment needs, and higher input costs owing to occasional supply chain disruptions".  
Vnexpress

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## E-COMMERCE

### E-commerce is the key to increase bilateral trade between Vietnam and the UK

Vietnamese firms are urged to use online platforms to expand their market reach in the UK now that the UK-Vietnam Free Trade Agreement (UKVFTA) has come into effect, experts said.



With revenue of US\$117.7 billion in 2021, the UK is the fourth largest market for e-commerce in the world, placing it ahead of Germany and behind Japan, according to global provider of market and consumer data Statista.

Last year, the UK e-commerce market contributed to a worldwide growth rate of 15 per cent with an increase of 12 per cent, Statista said. The biggest player in the UK e-commerce market is amazon.co.uk. The store had revenue of \$17.1 billion in 2021. It was followed by tesco.com and argos.co.uk which gained respective revenue of \$9.5 billion and \$6.3 billion. Altogether, these top three stores account for 30 per cent of online revenue in the UK.

Meanwhile, Vietnam is regarded as the second largest e-commerce market in Southeast Asia, only after Indonesia, according to a global e-commerce report in the first half of 2022 by Metric.vn. The prolonged COVID-19 pandemic has also given fresh impetus to the country's e-commerce industry which recorded growth of up to 53 per cent in 2021, making it the optimal form of transactions for individuals and firms.

With such rapid growth, experts said it is time for both sides to raise the bar on this platform in order to facilitate online business. According to Bùi Thanh Hằng, head of the International Cooperation Office under the Ministry of Industry and Trade's E-commerce and Digital Economy Agency, the UKVFTA has allowed new means of market entry to emerge, notably e-commerce. B2B and B2C are traditional forms of business for this platform, but new forms are also beginning to take root, including online showrooms and national pavilions, she said. In order to help firms keep pace with these innovations, the government is urged to continue to refine the legal framework and develop programmes that improve firms' capacity. At the same time, firms themselves should embrace digital transformation and put it on top of their agenda to be able to expand their market footprint via e-commerce. In a bright spot, Vietnamese businesses have effectively taken advantage of Amazon's innovations to strongly develop and build the "Made-in-Vietnam" brand on the world map, thereby leaving a strong mark of the country's economy on the international market including the UK.

At the same time, several Vietnamese goods have affirmed their positions in another e-commerce platform in the UK, alibaba.com. In 2021, the UK positioned itself among the top 10 buyers of food and beverage, top six for clothes, and came in fourth in terms of furniture from Vietnam. Notably, it was the second-largest buyer of Vietnamese cosmetics on that e-commerce website. VNS

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## ENERGY

### Vietnam to import power from Laos due to electricity shortage

Anticipating an electricity shortage, the Ministry of Industry and Trade (MOIT) has asked permission from the Prime Minister to import electricity from Laos and develop transmission lines to bring electricity from Laos to Vietnam.



Citing reports of Electricity of Vietnam (EVN), MOIT said EVN has calculated the power capacity in the north in 2022-2025 to assess the electricity supply capability in accordance with peak capacity growth scenarios.

In a basic usage scenario, the demand for peak capacity of the northern electricity system will grow by 9.5 percent per annum in 2022-2025.

In a high usage scenario, the peak capacity demand of the northern power system may grow by an average of 11 percent per year in 2022-2025. EVN's calculations all confirmed the shortage of peak capacity in the last months of the dry season (May, June and July) and the capacity shortage increased gradually in following years. The biggest shortage, about 7,600 MW, may occur in 2025 in high usage scenario.

In the north, since the added power capacity is always lower than electricity demand growth, it is very difficult to ensure the sufficient supply of capacity. The peak capacity shortage may occur in May, June and July, the months at the end of the dry season, where the usable capacity of hydropower plants decreases. MOIT has also warned that in case of breakdowns with electricity generation units and 500 KV transmission line (especially from Ha Tinh to Nho Quan), this may pose risks to the supply of electricity in the north in upcoming years.

As such, the ministry pointed out that importing electricity from Laos is a necessity, especially for Northern provinces, which will help ensure the sufficient supply of electricity to Vietnam in 2022-2025 and the years after 2025. MOIT asked the Prime Minister to agree to the import of electricity from five projects/clusters of projects which have proposed selling electricity prices and agreements on connections among investors with the total capacity of 705.5 MW. These include Nam Ou 5 (240 MW), Nam Ngum 4 (240 MW), Nam Chiane (104 MW), Nam Mo cluster (Nam Mo 2A – 15 MW; Nam Pung – Nam Kiao – 20 MW; Nam Say – Nam Boak – Nam Yeim – 29 MW; Nam Pheuk – 20 MW, Nam Pheuk 2 – 15MW; Hoa uy Kao ban – 22.5 MW. The export is expected to be implemented in 2023-2025.

The ministry has also proposed the building of a new 220 KV transmission line of Dien Bien – Nam Ou 5 (the section in the Vietnamese territory) with the length of 20 kilometers to serve connections and receive power from Lao power plants. The connection components in the Lao territory will be developed by Lao investors. Vietnamnet

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## Foreign investors are increasing activities in renewable energy in Vietnam through new tie-ups

Foreign investors are increasing activities in renewable energy in Vietnam through new tie-ups, with a focus laid on self-use electricity due to the country's global commitments to a greener future.



On August 24, Thailand-based smart energy provider Banpu NEXT acquired 49.04 per cent of shares in SolarESCO as it aims to capture a 25 per cent market share of rooftop solar power in Vietnam. At least 106MW will be deployed within the next 18 months.

SolarESCO is a member of SolarBK Group, which specialises in investing and providing a full-pledged solar power platform covering production, design, and more. As of the first quarter of 2022, SolarBK Group supplied solar power systems to the market with a total of 250MW.

Bubpachart, a representative of Banpu NEXT, said, "Realising the potential of Vietnam, the company started expanding its clean energy business in the country in 2018. We have continued to invest in solar and wind power plants with a total capacity of 218MW. Such a partnership with SolarBK Group will strengthen our business in Vietnam. The company also continues the expansion of its regional portfolio including Thailand, China, Japan, and Indonesia to enhance the betterment of people's lives to foster a net-zero society."

In Vietnam, Banpu NEXT is developing 100MW of solar (Ha Think, Chu Ngoc, and Nhon Hai) and 118MW of wind energy (Vinh Chau and Mui Dinh).

Meanwhile, Japanese group JERA bought a 35.1 per cent stake in the Ho Chi Minh City-listed Gia Lai Electricity (GEC) from existing shareholders last month, with the aim to reach a renewable generation capacity of 5,000MW by 2025. The stake in GEC will add 190MW, bringing the company's total

renewable capacity to 1,900MW. JERA will also consider jointly developing solar and onshore wind projects with GEC.

JERA Asia CEO Toshiro Kudama said, "Since our investment in Phu My in 2005, we have viewed Vietnam as an important market in ASEAN and have sought opportunities to strengthen ties between our two countries. Our objectives are to contribute to both economic growth and decarbonisation across Asia, and this investment represents another milestone in this effort."

JERA recently established a new corporate vision for 2035 to scale up its clean energy platform of renewable and low greenhouse gas thermal power. The group views Vietnam as a priority country where it has strong potential to engage in both liquefied natural gas and renewable energy projects that will contribute to both decarbonisation and a stable supply of energy that supports the country's growth.

Vietnam anticipates green energies like wind and solar power to contribute one-third of the energy mix in 2030, up from 14 per cent at present, to help it achieve its goal of net-zero emissions by 2050.

The nation also aims to reduce the proportion of coal-fired power in its power installation from 32 per cent by the end of 2020 to 9.6 per cent by 2045. A plan to halt building new coal-fired power plants starting in 2030 is now being reviewed by the Vietnamese government.

SolarBK's CEO Nguyen Duong Tuan said that although Vietnam waits for the approval of the Power Development Plan VIII, renewable energy and rooftop solar power is still attracting the attention of both domestic and foreign investors.

"More domestic and overseas-based groups, especially in manufacturing here, have implemented various plans towards sustainable development, in which the application of renewable energy has become an indispensable factor," Duong said. VIR

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## RETAIL

### Germany's Geuther to fuel boom of Vietnam's mum and kid market

Geuther, a premium kid's furniture brand from Germany, has officially joined Vietnam's mum and kid market, which has been rising very fast and attracting many domestic and foreign corporations.



According to Grand View Research, the global kid furniture market size was valued at \$38.82 billion in 2021 and is expected to expand at a compound annual growth rate of 18.9 per cent from 2022 to 2030.

In Southeast Asia, Vietnam is the country with the highest proportion of families with children, with 32 per cent of them having children aged 1-2 years old.

With the philosophy of making life with kids easy and carefree, Geuther provides a wide range of baby products from 0-6 years old, including baby beds, safety gates, high-chairs, playpens, seating sets, playing sets, and textiles and accessories.

Michel Bertsch, CEO of Geuther Vietnam said, "The mum and baby market is growing rapidly, and consumers have more and more demanding needs in their busy lives based on many sources of information. In Vietnam, the kid furniture market offers a lot of options for consumers on both online and offline channels. However, there are not many brands specialising in R&D for this industry. We want to fill in that gap by bringing to the market high-quality, safety-tested, beautifully-designed wooden products at fair prices."

Geuther is one of the leading brands in Europe specialising in wooden kid's furniture and accessories. Well-known for putting safety first and following strict EU and American safety standards, Geuther expects to win Vietnamese hearts with a wide range of baby products made of natural solid wood and modern design that fit the needs and habits of young kids.

"With more than 140 years of experience in meeting the most demanding requirements of parents around the world, Geuther is proud to bring Vietnamese parents high-quality choices at a reasonable cost for all kid's furniture and accessories. Geuther chooses Vietnam as the pioneer market in Southeast Asia after months of research and planning. With its legacy, Geuther expects to boost the market growth and add more benefits for Vietnamese consumers. In the near future, we hope to find more business opportunities and become a top-of-mind kid's furniture brand in the region," Bertsch added.

Since 2016, Geuther Vietnam has been operating a production plant of 1.5-hectare factory in Binh Duong and employs 239 people.

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## LOGISTICS

### Mitsui E&S Machinery joints with Dong Tam Group to transform Long An International Port

Leaders of Long An province and Dong Tam Group from September 4 to 10 had a working session with Japan's Mitsui E&S Machinery to promote bilateral investment between Vietnam and Japan.

A delegation led by leaders of Long An Province, Dong Tam Group, and Long An International Port has joined a working session with the representative leader of Mitsui E&S, a subsidiary of Mitsui Group.



The delegation has visited Mitsui E&S Machinery Factory in Oita, Japan to survey the manufacturing progress of 24 world-class container cranes including six ship-to-shore cranes and 18 rubber tyre gantry cranes, which will be completed and ready to be shipped to Long An International Port in October.

At the factory, Nguyen Minh Lam, standing member of the Provincial Party Committee and vice chairman of Long An Provincial People's Committee shared, "At the end of 2021, Long An province awarded Dong Tam Group with a certificate of merit titled Pioneer in Digital Transformation. The recognition was a testament to the group's significant investment efforts to expand operations based on the application of new technology and multiple proposals to promote economic development, increase labour productivity, and diversify services."

Long An International Port is a crucial project that will attract further investment in Long An province. The port is expected to offer huge support to companies in the Mekong Delta as a centre for the import and export of goods in the southern region. Therefore, Long An province aims to transform this

international port into an ideal destination for investors. The port is designed as a harmonious combination of a seaport service complex with an industrial park, a service zone, an urban area, and other projects. The port is expected to add value to customers and contribute to the formation of a multi-purpose and modern seaport city complex.

The development of the port is on the right track amidst the rising global demand to strengthen supply chain resilience, boost logistics automation, and last-mile delivery. The port also features a container bus shuttle which will bring practical value to businesses in the area by reducing logistics and product costs while increasing competitiveness and global integration.

As part of the Dong Tam Group, a prestigious brand with over 53 years of successful growth, Long An International Port is operated and developed by a young, professional, and dynamic team striving to expand the port logistics business in the Mekong delta region rapidly. Long An International Port aims to become one of the leading, internationally recognised ports of choice in Asia by providing safe, modern, integrated, end-to-end supply chain services including warehousing, bulk cargo handling, business parks, freight forwarding, and other full-service logistics products.

Most importantly, Long An International Port will provide a full suite of container handling services in the second quarter of 2023 with the addition of two new container berths, six quay cranes, and nine yard-blocks (including reefer capacity) able to handle over 500,000TEU annually, thus putting Long An International Port firmly on the regional, national, and international supply chain and logistics stage.

With unwavering support from Long An International Port's shareholders, a customer-focused way of working and an organisational culture with strong values, Dong Tam Group expects to achieve success through investing in and providing opportunities for growth in the safest, most environmentally friendly, and sustainable way. VIR

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## Vietnam's logistics industry potential yet to be maximised

Vietnam's logistics industry has yet to have its potential fully tapped, and the country needs timely solutions to meet the surging demand for logistics infrastructure.



A survey by Savills Vietnam showed that the logistics industry is enjoying significant growth thanks to the expansion of the national economy, manufacturing sectors, and e-commerce.

Vietnam ranked 11th in the 2022 Emerging Market Logistics Index released by logistics and transportation service provider Agility, following only Indonesia, Malaysia and Thailand in the Association of Southeast Asian Nations (ASEAN).

Vietnam's transportation and logistics market is expected to grow at an estimated compound annual growth rate (CAGR) of 7% in during 2021 - 2026.

Director of Savills Hanoi Matthew Powell held that Vietnam is now a destination for many manufacturing and logistics businesses, especially amid the e-commerce boom. This is coupled with soaring demand for high-quality industrial real estate.

He noted currently, many enterprises find it difficult to search for locations for their factories and warehouses. Industrial parks and logistics establishments, especially around big cities like Hanoi, have high occupancy rates, even up to nearly 100% in many places. Industrial property supply is falling short of businesses' demand.

Some experts said Vietnam needs timely solutions to meet logistics demand as it holds potential for developing this industry and becoming a logistic centre of the region.

Completing transport infrastructure is also important since it will create an impulse for the logistics industry, they said, elaborating that transportation is one the decisive factors of the success of a supply

chain. Businesses will seek places with completed transport infrastructure to locate their factories and warehouses to make it more conducive for transporting goods to the domestic and foreign markets.

Powell said investors in industrial real estate in Vietnam are paying more attention to the solutions helping enterprises optimising their operational efficiency. They are referring to experience in developed countries like the US, the UK, Singapore, Australia or Japan to make improvements to satisfy logistics demand.

In early 2022, Logos Property, an international logistics developer from Australia, set up a joint venture with Manulife Investment Management to develop a build-to-suit logistics project covering over 116,000sq.m. and worth over 80 million USD in Dong Nai province, a major industrial centre next to the country's biggest economic hub - Ho Chi Minh City.

Supply shortages provide an opportunity for international real estate developers, Powell opined, noting that foreign capital has been flowing strongly into industrial real estate, so the shortages will soon be resolved in the coming months. VNA

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## INVESTMENT

### The Vietnamese agricultural sector is on the radar of many Danish investors

The Vietnamese agricultural sector is on the radar of many Danish investors wishing to implement their fresh initiatives in the Southeast Asian market.

At a seminar nearly two weeks ago to connect Vietnamese businesses with 13 Danish businesses in the



agriculture and food sectors, trade counsellor of the Embassy of Denmark Troels Jakobsen said, "Danish companies and experts are very willing to share innovative ideas and technologies with their Vietnamese counterparts as well as look for opportunities to cooperate and make good and sustainable business together."

Danish investors believe that low labour costs, as well as other factors, make Vietnam an enticing prospect

Shirley Vincent Ramesh, head of regulatory affairs of Novozymes, the world's largest provider of enzyme and microbial technologies in the food and agricultural industries, said, "The aim of the collaboration is to discuss how we can work together to improve the regulatory processes such that Vietnamese marketers can also bring their levels up to the international benchmark and how we can contribute to better business between Denmark and Vietnam, as well as helping Vietnam reach a higher level in Southeast Asia."

Many representatives of Danish food production and processing enterprises admitted that they highly appreciated the development potential of the Vietnamese agricultural market, and set high expectations for cooperation opportunities with Vietnamese businesses.

Bovine products group VikingGenetics, which has a presence in more than 50 countries, decided to choose Vietnam as one of its key markets on the basis of the strong growth rate of Vietnam's dairy industry during the past 10 years. "We have many distributors all over the world. And we thought that the next step for us is to increase our presence in Asia, why not start by doing that in Vietnam?" said Ahmet Yilmaz, export and key account manager for VikingGenetics.

Vietnam's milk and dairy products were exported to 48 countries with a revenue of more than \$300 million in 2021. Vietnam is also leading in Southeast Asia in terms of industrialisation of the livestock and dairy industry, according to Tong Xuan Chinh, deputy director of the Department of Livestock Production under the Ministry of Agriculture and Rural Development (MARD).

With over 28,000 dairy farms and households with nearly 375,000 milk cows, Vietnam is one of the biggest markets that VikingGenetics is trying to partner with.

"We are here looking for potential distributors who are interested in working with us and can distribute our so farmers can boast cows that can produce more milk, live longer, get healthier, and become more fertile," Yilmaz added.

The interest of leading Danish agricultural processors in the Vietnamese market can be considered somewhat of a surprise because agriculture is not yet an attractive field in terms of foreign direct investment (FDI).

Statistics from the Foreign Investment Agency under the Ministry of Planning and Investment showed that during the first seven months of 2022, agro-forestry-fishery only attracted seven ventures with the total investment capital of \$22 million, accounting for less than 1 per cent of new projects and 0.37 per cent of total FDI in Vietnam.

One of the reasons why the agricultural sector is unattractive, according to many experts, is due to cumbersome administrative procedures and insufficient land.

Nguyen Anh Phong, director of the MARD's Information Centre for Agriculture and Rural Development, said, "Land is now mainly owned by farmers. Foreign enterprises are not eligible to receive the transfer of agricultural land use rights, are not allowed to rent agricultural land directly from households, nor are they allowed to use this leased land as collateral for loans."

Although there are limitations that need more time to be removed, some Danish investors see the advantages of Vietnam that can help their businesses grow faster in this market. "I think the low labour costs in Vietnam will make production more efficient," said Rasmus Ellefsen, managing director of SKOV Asia Ltd.

SKOV deals with climate control and farm management for global animal production. In addition to its headquarters in Denmark, the company has representative offices in more than 25 countries worldwide.

In Vietnam, SKOV is represented by a local sales office. Ellefsen added, "We already see big companies like C.P. Group going in and setting up very large operations that can aid export back into Vietnam. We see the big companies are doing it already and they are choosing to invest in Vietnam. So I'm sure there's a way forward for all these Vietnamese players". VIR

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## Lotte to invest nearly US\$ 1 billion into Eco Smart City complex in Ho Chi Minh City

The VND20.1 trillion (US\$ 856.69 million) Lotte Eco Smart City complex broke ground in HCMC's Thu Thiem New Urban Area on 2<sup>nd</sup> September.



Being built on an area of 74,500 square meters, it will have financial, commercial and general services center as well as housing.

The chairman of the city people's committee, Phan Van Mai, said at the groundbreaking ceremony that LotteGroup and Lotte Properties HCMC Co., Ltd. should fulfill its plans and make sure it has the resources for it.

Shin Dong Bin, chairman of Lotte Group, said the construction scale is going to be large with five basements and 60 floors that would include hotels and residential areas and other commercial areas.

The Thu Thiem New Urban Area, which faces downtown District 1 from across the Saigon River, spans 930 ha and is home to around 200,000 people.

It is expected to be developed into the most modern urban area in Southeast Asia, but many issues have cropped up to hamper implementation of this plan. Vnexpress

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