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VIETNAM BUSINESS REVIEW

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FINANCE

Vietnamese GDP set to rank third in ASEAN by 2027

Vietnam's gross domestic product (GDP) in ASEAN is expected to expand considerably over the next five years, with its rankings rising from sixth this year to third by 2027, according to the latest forecast made by the IMF.

Specifically, Indonesia's GDP leads the way in the ASEAN region, reaching approximately US$1.29 billion, followed by Thailand with US$522.01 billion this year.

Elsewhere, Malaysia, Singapore, the Philippines, and Vietnam will have GDPs of US$439.37 billion, US$424.43 billion, US$411.98 billion, and US$408.95 billion, respectively.

Moving forward to 2023 and 2024, the IMF forecasts that Vietnam's GDP will rank fourth in the ASEAN-6, hitting US$462.64 billion and US$615.6 billion, respectively.

Throughout the 2025 to 2027 period, Vietnamese GDP is projected to continuously rank third among the ASEAN-6, grossing US$571.12 billion, US$629.62 billion, and US$690.11 billion in three years respectively.

Meanwhile, the Center for International Development at Harvard University, in its July report on Growth Forecast of Economies to 2030, listed Vietnam among the 10 fastest growing economies in the world over the next eight years, with GDP anticipated to expand 5.56% per year, ranking sixth in the world and second in the ASEAN-6.

According to Harvard Growth Lab, Vietnamese GDP is anticipated to rank sixth in ASEAN this year, fifth in 2023-24 and third in 2025-27. VOV

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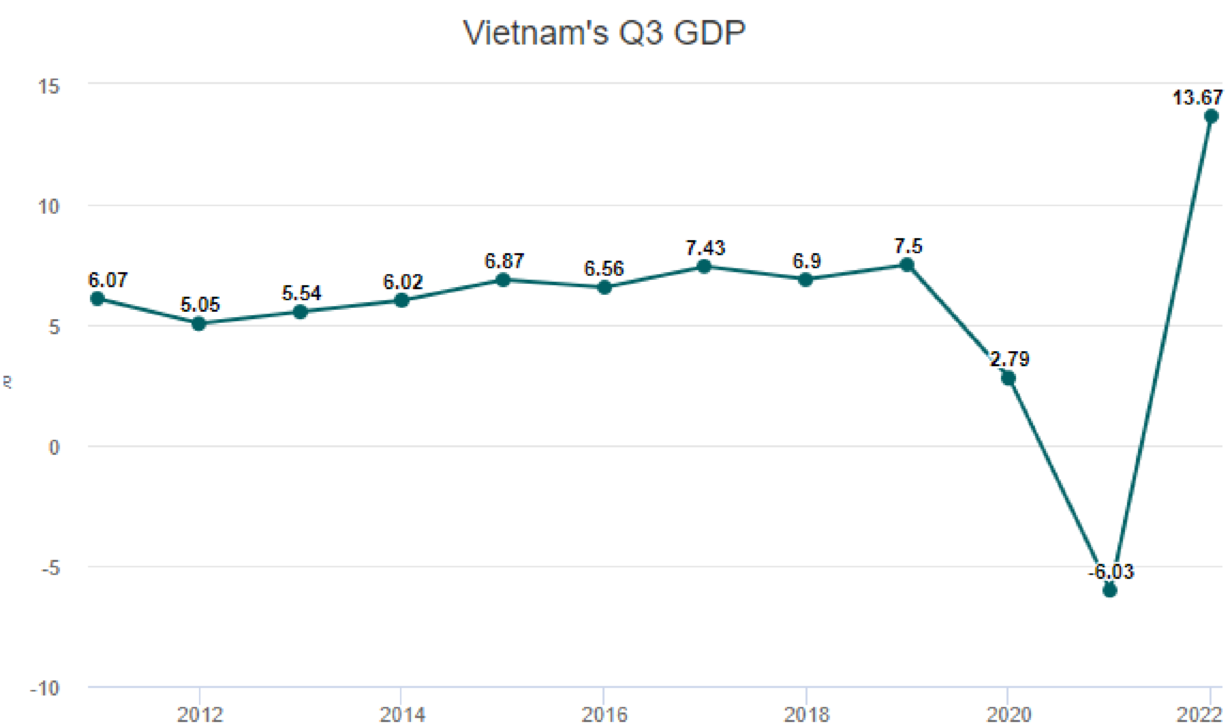
Vietnam to post highest GDP growth in Southeast Asia in 2022

After reaching its highest nine-month growth in the past 12 years, Vietnam is poised to become Southeast Asia's fastest growing economy this year.



Le Trung Hieu, deputy general director of the General Statistics Office, said the agency expects Vietnam's economy to grow by 8% in 2022 despite the not-so-positive economic status of the last quarter. The economy grew by 8.83% in the first nine months, the highest for the period since 2011-2022, thanks to a 13.67% surge in the third quarter.

Frederic Neumann, co-head of Asian Economic Research at Hong Kong-based HSBC Holdings, said Vietnam was a bright spot amidst a gloomy global economy. Neumann said the global economy was facing high inflation, and consumer demand in Europe was reducing as a result of high energy prices.

China's sluggish real estate sector and its zero-Covid policy was also affecting purchasing power. While this situation also impacts Vietnam, the country remains resilient, Neumann said.

Therefore, HSBC estimates Vietnam's 2022 growth at 6.9%, the highest in Southeast Asia, while the Asian Development Bank (ADB) maintains its 6.5% growth forecast for this year. The World Bank predicts Vietnam's GDP could grow by 7.2% in 2022, the highest in East Asia and the Pacific region. "Vietnam will continue to be Southeast Asia's fastest growing economy in 2023 and even beyond," Neumann said.

Speaking at an event in Ho Chi Minh City last Thursday, EuroCham chairman Alain Cany said Vietnam's prospects were still quite good. Brook Taylor, CEO of VinaCapital Asset Management, said Vietnam's long-term prospects were promising. "We forecast Vietnam to grow 8% this year and 6% over the next decade."

However, Vietnam would also be affected by global issues including high energy prices and input material costs. Cany said consumer goods, textiles and electronics items were becoming increasingly expensive due to supply disruptions caused by the Russia-Ukraine crisis and China's zero-Covid restrictions.

"Vietnam may struggle to import raw materials if China maintains its widespread lockdown, because 55% of Vietnam’s imported materials and accessories come from the country," he noted. Meanwhile, Vietnam’s exports may be hurt because of lower demand from the European, American and Chinese markets, said HSBC’s Neumann.

Vietnam’s stock market has not been faring well of late. According to Brook Taylor, CEO of VinaCapital Asset Management, the market has dropped 23% from the beginning of the year, fueling conflicting investor sentiment. Some investors are seeking profits from other emerging markets or the U.S. as the Fed raises interest rates. To rein in runaway inflation, the Fed raised its benchmark interest rate by 0.75 percentage points on Sept 21, the third such increase, taking the Fed rate to 3%-3.25%. Vnexpress

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E-COMMERCE

Prime Minister urges for more effective tax management over e-commerce

Prime Minister Pham Minh Chinh has issued a telegram calling for better tax collection management over e-commerce and business on digital platforms.

The request came amid a boom in e-commerce in Vietnam, which is estimated to have reached 13.7 billion USD in 2021, up 16% from the previous year and accounting for 6.5% of total retail sale revenue.

The rapid growth of e-commerce and business on digital platforms are presenting new challenges to state management, especially in the collection of taxes.

As such, the PM has asked the Ministry of Finance (MOF) to work with the relevant agencies to fine-tune the tax management mechanism for emerging business activities in the digital economy, the sharing economy and cross-border transactions.

The MOF was also required to provide support for individuals doing business on e-commerce platforms to make tax filings and pay taxes, and instruct Foreign Service providers to comply with Vietnamese law when doing business in Vietnam.

For its part, the Ministry of Industry and Trade was tasked with fine-tuning the legal framework in e-commerce to facilitate tax management regarding the business activities of individuals on e-commerce platforms.

The State Bank of Vietnam is responsible to directing credit institutions and intermediary payment service companies to provide information on foreign providers with no established facilities in Vietnam as well as organisations and individuals with income from cross-border platforms, as required by Vietnamese law and the guidance of tax agencies. NDO

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ENERGY

Vietnam and EU seek to boost cooperation in green and sustainable growth

Vietnamese enterprises should focus on meeting quality requirements and ensuring green and sustainable growth, experts said at the Vietnam-EU Trade Forum held in Ho Chi Minh City on September 29.

Speaking at the event co-organised by the Vietnamese Ministry of Industry and Trade, and the EU Delegation to Vietnam, Minister of Industry and Trade Nguyen Hong Dien said that over the past more than two years since the EU-Vietnam Free Trade Agreement (EVFTA) took effect, the two sides have witnessed fluctuations of the global economy as well as the economies of the EU and Vietnam amid the COVID-19 pandemic, regional and global geo-political instability.

Data from the General Department of Vietnam Customs showed that the EU is now a leading trade partner, the third biggest export market and the fifth largest import market of Vietnam. Meanwhile, Vietnam surpassed Singapore to become the biggest trade partner of the EU in ASEAN and the world's 11th biggest supplier of goods to the bloc.

From August 2021 to July 2022, two-way trade between Vietnam and the EU reached 61.4 billion USD, up 11.9% from the first year of EVFTA enforcement. Of which, Vietnam shipped 45 billion USD worth of products to the EU, up 17%.

In the first eight months of this year, the figure hit 42.4 billion USD, marking a 14.85% rise year-on-year. Vietnam mainly exported machinery, garment and footwear, coffee, aquatic products, fruits and vegetables, pepper and rice to the EU.

Dien added that the Vietnamese Government is keen on expanding the markets and boosting its comprehensive partnership with the EU and its member states, thus making it easier to expand bilateral ties, not only in trade but also other economic areas. Chairman of the European Chamber of Commerce in Vietnam (EuroCham) Alain Cany said in order to be able to compete in the EU and fully tap advantages from the signed FTAs, Vietnamese enterprises need to comply with strict environment standards and meet demands for green and sustainable consumption trend, which is inevitable in the world and a mandatory path for them to deeply join the new value chain.

The EU encourages the development of green and renewable energy sources in Vietnam, he said, adding that European firms want to be present in Vietnam to share their experience, technology and investment. VNA

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Investors remain determined to develop thermal power plants

Many investors are facing difficulties in implementing thermal power plants, however, they remain determined to develop projects.

The Ministry of Industry and Trade (MoIT) has reviewed the list of thermal power plant projects to report to the government, which is a requirement for approving the Power Development Plan VIII.

At present, five projects are in the preparation process but the investors reported that they face many difficulties. Four projects have foreign capital namely Song Hau 2, Nam Dinh 1, Vinh Tan 3, and Quang Trị 1, while Cong Thanh is invested by a local investor.

At the Vinh Tan 3 thermal power plant, its investors involve Vietnam Electricity, Pacific Group, and OneEnergy Asia Ltd., a partnership of Hong Kong's CLP Holdings and Japan's Mitsubishi Group.

In February this year, Mitsubishi withdrew from the Vinh Tan 3 thermal power plant in the central province of Binh Thuan due to increasing global concerns about climate change.

At the Nam Dinh 1 thermal power plant, in July 2017, a consortium of Saudi Arabian ACWA Power and South Korean Taekwang Power Holdings Co., Ltd. officially received an investment certificate for the $2.3-billion Nam Dinh 1 thermal power project. However, ACWA Power withdrew from the project.

The Quang Tri 1 thermal power plant, which is invested by EGAT International Co., Ltd. (EGATi), has the total investment capital of $2.39 billion. In November 2019, EGATi kicked off the construction of the plant; however, the construction has yet to be implemented because the investor is waiting for the approval of the Thai government to invest overseas.

The $3.5 billion Song Hau Coal-fired power plant II is invested by Toyo Ink Group. The project's construction is expected to commence in 2023. At present, the investor is delaying paying fees for land clearance and compensation costs due to difficulties in arranging capital. The remaining project is the Cong Thanh thermal power plant, which is invested by the Cong Thanh Thermal Power JSC. The investor is face difficulties in mobilising capital. According to MoIT, despite problems, the investors remain determined to develop these projects.

Currently, there are 39 thermal power plants in operation. Several projects are now under construction, such as Thai Binh 2, Long Phu 1, Quang Trach 1, Van Phong 1, Vung Ang 2, An Khanh, and Na Duong 2.

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RETAIL

Central Retail to double Vietnam stores in last 4 years

Thailand's Central Retail plans to more than double the number of its stores in Vietnam from the current 340 to 710 by 2026 to capitalize on a growing market.

The main retail arm of Thai conglomerate Central Group will spend 30 billion baht (US$790 million) for the expansion, which it hopes will make it Vietnam's biggest food and property retail platform, Nikkei has reported.

"We always put ourselves in the center of consumers' lives," Olivier Langlet, CEO of Central Retail Vietnam, said.

The company eyes sales of 100 billion baht following the expansion, up from the current 38.6 billion baht, he added. Central Retailed first came to Vietnam 10 years ago and now has 10 retail brands, including Go! Mall, Nguyen Kim, SuperSports, and Top Market, which sell a range of products from food to electronics.

Other foreign retailers who have announced plans to expand in Vietnam include Japan's Aeon and South Korea's Lotte. Aeon Mall, which has six outlets, plans to open 16 more, including three or four in Hanoi. Vnexpress

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LOGISTICS

Vietnam Logistics key to capitalising on EVFTA benefits

Logistics remain a key factor in Vietnam's ability to capitalise on the benefits of the EU–Vietnam Free Trade Agreement (EVFTA), said experts and policymakers.

Two years since the FTA went into effect, the Southeast Asian economy has still been struggling to overcome the shortcomings and limitations of its logistics infrastructures, said industry experts.

Vietnam's import-export turnover was recorded at over US$700 billion in the year 2021. The country has managed to top all ASEAN economies in trade with the EU with key commodities including textile, footwear and seafood, all of which were made possible with the development of the logistics industry.

Improved trade ties with the EU have allowed Vietnamese logistics firms access to modern EU logistics technologies, increased exchanges of expertise with EU partners and opportunities to join the EU's logistics value chain.

Mai Tran Thuat, director in charge of supply chain solutions from Bee Logistics Group, said there have been more investments by EU firms in the industry since the signing of the EVFTA, even amid the pandemic. "Our company has been in constant talks with major players in the industry to increase our presence in the EU market," he said. Ngo Chung Khanh, deputy head of the Multilateral Trade Policy Department under the Ministry of Industry and Trade (MoIT), said along with opportunities Vietnamese firms must also face a number of challenges since the EVFTA went into effect.

The biggest threat, according to Khanh, is the EU logistics industry entering Vietnam in full force. There is a real possibility that Vietnamese firms may lose their home turf to EU firms if they failed to modernise and improve. "A major weakness among Vietnamese firms is the lack of capital, technology and high-skilled labour force," he said.

Taking control of the industry is crucial to Vietnamese commodities' ability to stay competitive in the international market, according to Le Hoang Khanh Nhut, CEO of Rubber Joint Stock Company Da Nang.

He said logistics costs amount to a large part of the industry's input and output. During the pandemic, there were times in which logistics costs skyrocketed (as much as ten times in some instances), creating huge challenges for the company's balance sheet. In addition, his company must spend more to meet quality and safety demands set by EU standards.

Thuat from Bee Logistics Group was optimistic about Vietnamese firms' prospects in the future. However, he stressed the importance of preparation, long-term planning, capital, technology and training. On a national scale, Vietnam should give priority to the building of major logistics hubs along the coast to first meet the demand of its sea-bound trade. In the long run, the country must support the development of its ship-building industry and large logistics companies, according to Trần Thanh Hải, deputy head of the import-export department under MoIT.

"Technologies is the key to transform the industry, to improve efficiency and competitive capacity," he said. According to Hai, MoIT has been working on a long-term strategic development plan for the industry which aims at providing greater support to Vietnamese logistics firms and boosting exports.VNS

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Vietnamese fleet to handle 20% of exports by 2030

Vietnam has set an objective to build up its merchant fleet to handle as much as 20 percent of the country's exports by the year 2030, according to deputy minister of transport Nguyen Xuan Sang. He said the main goals included the development of a modern fleet, improvement of efficiency and quality and greater integration into the international market.

The short-term focus was to build up a fleet of container ships for the Asia-Pacific region, with an objective to gain operational experience and set the foundation for long-distance routes in the future. In addition, the Vietnamese maritime authorities could use the experience to improve their management capacity, legal framework, implementation of science and technology and administrative procedures to better support economic enterprises.

He said Vietnam was to increase collaboration with countries around the world and enter into international maritime treaties, especially a speedy conclusion to maritime transport agreements with neighbouring partners including China, Cambodia and Thailand.

Earlier, the ministry mentioned several tax cuts for container ships with a capacity of 1,500 TEU or greater, ships fuelled by green energy and ships specialised in the transport of LNG. Crew members who operate on domestic routes may also be eligible for income tax exemptions.

Sang said the country had been and would stay committed to the development of Vietnamese shipping companies. He urged Vietnamese companies to form alliances, pool resources and build up their expertise to reach farther destinations such as Europe and America.

In addition, Vietnam would stay on course with its transition to green energy in maritime transport in accordance with a roadmap set out and agreed upon during the 2021 United Nations Climate Change Conference (COP26).

A report by the Vietnam Maritime Administration (VinaMarine) shows that along with an average annual growth of 12 per cent of export-import turnover in 2016-21, the cargo throughput of the country's seaports saw a stable increase in the period. In the first seven months of this year, the throughput growth slowed down but still showed a year-on-year rise of 2 per cent, reaching about 63 million tonnes.

The country's ports in recent years have been developed and are now able to accommodate the world's largest ships. The country's merchant fleet ranks third among ASEAN nations and 28th in the world. VNS

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INVESTMENT

Foreign hi-tech firms expand investment in Vietnam

Molex, the world's leading supplier of connectors and interconnect components, has unveiled its ambitions to expand its existing manufacturing plant in the Vietnamese market by developing its plant in Hanoi.

Molex's factory expansion is anticipated to generate at least 200 new jobs in the high-tech manufacturing sector.

This expansion is being done as a means of helping Molex to meet the growing demand for its products used in multiple fields, including smartphones, TVs, household appliances, medical and testing equipment.

Joe Nelligan, CEO of Molex, revealed that the company has been operating in the Vietnamese market for more than 15 years, adding that the expansion of the manufacturing plant in Hanoi will serve to accelerate its growth plan and improve production capacity in the Asia-Pacific region, as well as offering additional employment opportunities for highly-skilled workers.

Vanti Fan, director of Delta Electronic, said the nation is currently attracting investment from several countries around the world such as the United States, China, the Republic of Korea, and Singapore, affirming that Vietnam is the company's key strategic market. He noted that the country enjoys a number of advantages such as a highly-skilled workforce, the development of a strategy for Industry 4.0 trends, and involvement in multiple Free Trade Agreements (FTAs) with the European region.

Delta is aiming to become one of the most successful and reliable solution providers by 2027 and grow to be among the top five automation solution providers in the Vietnamese market.

Sharing this viewpoint, Shi-Chi Ho, general director of Techman Robot Company, emphasized that Vietnam has had a high GDP growth rate which is projected to reach 7.5%.

At present, many large corporations worldwide are seeking to move their factories from China to other countries, including Vietnam. According to a report released by TMX, the Asia-Pacific region's leading business transformation consultancy, Vietnam represents one of the markets with the lowest average operating costs in the Asian region, just higher than Cambodia and Myanmar.

In line with this, nation's average total operating costs range between US$79,280 and US$209,087 per month. Moreover, Vietnam also ranks fifth in terms of competitive scores compared to other countries in the spheres of business climate, talent, logistics, and digitalization, behind Singapore, Malaysia, India and Thailand. VOV

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Foreign Direct Investment poured into real estate sector doubles

Real estate sector attracted 3.5 billion USD in foreign direct investment (FDI) the first nine months of this year, accounting for mearly 19 percent of total FDI that the country lured in the period, coming second among sectors in terms of FDI attraction.

According to Foreign Investment Agency under the Ministry of Planning and Investment (MPI), as of September 20, registered FDI totalled 18.7 billion USD, down 15.3 percent year on year.

The figure includes 7.12 billion USD poured into 1,355 new projects, respectively falling 43 percent and rising 11.8 percent. More than 8.3 billion USD was poured into 769 existing projects, up 29.9 percent and 13.4 percent, respectively. Meanwhile, foreign investors spent over 3.28 billion USD on purchasing shares in Vietnamese companies, up 1.9 percent.

Experts from real estate firm Savills Vietnam held that along with the country's economic growth, the real estate sector has eyed great development opportunities.

According to Savills Vietnam, some factors have positively impacted on the country's industry, such as the early application of policy to open the border that has created favourable conditions for foreign firms to work in Vietnam, and great advantages from free trade agreement, especially the EU-Vietnam FTA, making it more attractive to foreign enterprises.

Savills Vietnam also pointed to other factors that make Vietnam a safe investment destination for investors, including the stability in VND/USD exchange rate.

Statistics from Savills Vietnam showed that in September, the supply of industrial real estate in Hanoi and Ho Chi Minh City were almost completely filled. With the advantages in infrastructure and transport, industrial real estate in the two biggest cities of Vietnam are more competitive.

Savills Vietnam also noted that the Vietnamese Government has given directions for the development of the sector and added more real estate supply across the country.

In the first half of 2022, the construction of nine new industrial parks were approved and they are scheduled to be put into operation in the 2023-2025 period with total area of 2,472 hectares and total investment of 29.4 trillion VND. In Hanoi alone, 2-5 industrial parks have been approved to be built in the 2021-2025 period in outskirt districts.

However, Deputy Minister of Planning and Investment Nguyen Thi Bich Ngoc said that in order to attract more investment in the sector, it is necessary to deal with problems in ground clearance and land rent. VIR

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