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FINANCE

Vietnam targets becoming an upper middle-income country by 2030

Vietnam aims to become an upper middle-income country with a modern industrial base by 2030.

After nearly a year of operation, Hanoi's first metro project, the Cat Linh – Ha Dong urban railway has served more than 7.2 million passengers

This is part of the national master plan for 2021-2030, with a vision towards 2050, which has just been approved by the Government and will be submitted to the National Assembly for approval.

The country's GDP growth is expected to reach 7% per year in the 2021-2030 period and 6.5-7.5% annually in the 2031-2050 phase.

The GDP per capita is projected to increase to US$7,500 by 2030 and US$27,000-US$32,000 by 2050.

By 2030, the service sector will contribute 50% of the GDP while industry-construction and agriculture, forestry, and fishing sector account for 40% and 10%, respectively.

There will be northern and southern locomotive zones, with Hanoi and Ho Chi Minh City as the growth poles, along with the North-South, Lao Cai-Hanoi-Hai Phong-Quang Ninh, and Moc Bai-HCM City-Vung Tau economic corridors. The urbanisation rate will exceed 50%.

The plan targets national digital transformation, digital government, digital economy and a digital society, with the digital economy to account for around 30% of GDP.

Vietnam will have a population of around 105 million and its human development index (HDI) will be maintained at 0.7 and the country expects to be among the top 10 countries with the best education services in Asia.

The country is also striving to catch up with other countries in the region with advanced medical services, with an average 35 hospital beds and 19 doctors for every 10,000 people.

By 2050, Vietnam is aiming to become a developed country with upper income status, an equal, democratic and civilised society, and harmonious, modern infrastructure. It is working hard to move towards the circular, green and low-carbon economy.

To achieve these goals, the Government has chalked out key tasks.

The country needs to form a basic framework of national infrastructure, focusing on transport infrastructure, energy, urban areas, digital infrastructure, environmental protection, irrigation, disaster prevention, adaptation to climate change and cultural and social infrastructure.

It should accelerate the restructuring of the economy and development spaces, ensuring productivity, and quality and efficiency improvement; and prioritise the development of a number of industries and fields that have the potential and advantages, so that they can serve as a driving force for growth and enhance the national economy's self-reliance.

It is necessary for the country to develop locomotive zones and important growth poles, and select a number of regions and urban areas with special advantages to build economic and financial centres, and special administrative-economic units with special mechanisms and policies to improve international competitiveness.

The country will also form and develop economic corridors connecting seaports, airports, international border gates, major trading hubs, urban centers and economic centres. VNA

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Vietnam likely be among Asia's fastest growing economies next year

Vietnam will likely be among Asia's fastest growing economies next year, despite a weaker currency and falling foreign reserves, according to a recent article published on the Wall Street Journal (WSJ).

According to the author, Megha Mandavia, after the tough years of 2020 and 2021, Vietnam spent much of 2022 in the sweet spot - still-low inflation and rapid growth.

Times will get a bit tougher now, but the country is poised for fast growth next year - Natixis is forecasting 6.5%, while Capital Economics expects more than 7% - and the weakening currency may help soften the blow from weaker export demand.

The article assessed that the situation could get even trickier for Vietnam if the world slides into a recession. However, thanks to investments in infrastructure, aggressive trade liberalisation and relatively cheap wages, its manufacturing engine remains intact.

Vietnam also has the advantage of starting from an enviable growth position: roaring at 13.7% year on year in the third quarter of 2022 on the back of strong exports to the US.

The author noted that the country has also been partly insulated from the global surge in food prices - it is among the leading rice producers and exporters globally. VNA

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E-COMMERCE

Escalating competition in e-commerce pushes up IPOs

Escalating competition in the e-commerce, logistics and fast delivery sectors is causing players to speed up the IPO process. At the same time, the capital market is also witnessing multiple challenges, uncertainties and is waiting for 'blockbuster' IPO deals.

According to Do Ventures, there are at least 50 start-ups in Vietnam that are providing door-to-door delivery services in the field of e-logistics. Some of the most notable competitors include Temasek-backed GHN, J&T Express, Ninja Van, and Shopee Express under Shopee, besides ViettelPost, VNPost, Ahamove, BEST Express, and Lalamove.

Mobility apps such as Grab, Gojek, and Be have also jumped in the race to provide delivery services, directly connecting customers with the drivers in the nearest location, competing in terms of express delivery service with short distances in the inner city.

Many big players have sped up the IPO process at home and abroad.

For example, the deal in which Shinhan Financial Group (Korea) became the third largest shareholder of Tiki after buying a 10 per cent stake in May 2022, has helped Tiki accelerate its IPO plan in the US.

So far Tiki has successfully raised US$450 million, with a business valuation as of December 2021 of $832 million. Most recently in November 2021, Tiki successfully raised $258 million in an investment round led by AIA Insurance, with the aim of expanding its e-commerce market share as well as serving its future IPO plan.

Tiki's continued success in raising foreign capital shows the confidence of foreign capital inflow in Vietnam's market growth and potential. Tiki plans to list in the US market in 2025, but founder and CEO of Tiki Tran Ngoc Thai Son wants to push this plan one year earlier.

Son told Investment newspaper that investment from funds had gradually become less effective, due to the company's continuous loss. A successful IPO in the US could bring great benefits in raising capital for Tiki. If the IPO is successful, Tiki could pave the way for an increased inflow of foreign investment into Vietnam's nascent tech sector.

Meanwhile, another player, Giao Hang Tiet Kiem, is also aiming for a domestic IPO by the end of this year or early 2023 to raise capital and cope with increasing competition in the logistics sector, with an estimated valuation of $1 billion.

In a document called Project GNext sent to potential investors, Giao Hang Tiet Kiem is selling about 23 per cent of its stake in the second raising round.

In June 2020, 42 per cent shares of Giao Hang Tiet Kiem were transferred to Parcel (Singapore). In the 2020 financial statements of Kerry Logistics (Hong Kong), it is shown that the company owned 42 per cent of Giao Hang Tiet Kiem. By February 2021, China's leading delivery company, SF Holding, acquired 51.8 per cent of Kerry Logistics with plans to expand investment in Vietnam, Thailand and Malaysia.

Pham Hong Quan, Chairman of the Board of Directors and CEO of Giao Hang Tiet Kiem, did not deny this, but only confirmed to the media that Giao Hang Tiet Kiem was a Vietnamese company, run by Vietnamese people and developed by Vietnamese technology. Foreign shareholders would not hold more than 49 per cent of the shares and only act as financial partners.

Fierce competition

A year ago, logistics "giant" DHL decided to terminate the business operation of the e-commerce service segment after four years of fierce competition in Vietnam.

Launched in July 2017, DHL eCommerce Solutions is tailored to suit the current e-commerce boom, while helping small, medium and large online businesses grow their market share in the e-commerce segment in Vietnam.

At that time, DHL eCommerce said it would invest heavily to get a good market share in Vietnam. The company has warehouses located in the two largest cities in the country and distribution centres across the country. Like other delivery companies, DHL eCommerce accepts Cash on Delivery (COD).

By mid-2018, DHL eCommerce suddenly announced that it would close this service segment in the Vietnamese market.

The EY Global report shows that year-to-date, the tech sector continues to lead the way in the number of IPOs, although the average deal size has fallen from $261 million to $123 million.

Compared to the same period in 2021, IPOs in Europe, Middle East and Africa decreased by 50 per cent and 52 per cent respectively in volume and proceeds; the Middle East was a rare bright spot with proceeds increasing by 209 per cent, despite a 51 per cent drop in the number of transactions.

The Asia-Pacific region is less affected by inflation and geopolitical issues, so exchanges are performing relatively well, accounting for 5 of the top 10 global IPO markets.

According to the analysis of experts, the cost burden in the Vietnamese market is among the largest in the region. Vietnam's logistics cost/GDP is more than 20 per cent, twice as high as the world average, due to limited infrastructure. The new cash-in-receipt habit common in Vietnam can also cause problems and increase operating costs.

The loss of enterprises in this field in 2020 - 2021, even 2022 is increasing. This is the time when many businesses pour millions of dollars into large-scale warehouses, while the impact of the pandemic also led to many short-term costs, not to mention inflation and geopolitical instability.

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ENERGY

Danish firms shake hands to develop offshore wind power

Vietnam's Doosan Vina and Denmark's Ørsted have signed a memorandum of understanding (MoU) to develop the offshore wind power supply chain in Vietnam.

The signing was witnessed by Deputy Minister of Industry and Trade Dang Hoang An and Danish Crown Prince Frederick and Crown Princess Mary Elizabeth who are on a three-day visit to Vietnam on November 1-3.

Under the MoU, Doosan Vina and Ørsted agree to engage in non-legally binding discussions to develop the offshore wind foundation supply chain in Vietnam with a primary focus on, but not limited to, the offshore foundation structure monopiles, with the aim of satisfying requirements relating to the development of Ørsted's portfolio of offshore wind farm projects in Vietnam, with a specific focus on the Tuy Phong and Hai Phong projects, and abroad, and also the terms and conditions relating to material sourcing, manufacturing, and supply by Doosan Vina.

Ørsted will provide guidance and support, and help Doosan Vina access markets in other countries throughout the Asia-Pacific and Europe, while the Vietnamese firm will give "preferred customer" status to Ørsted.

According to Kim Hyo Tae, General Director of Doosan Vina, the signing of an MoU with a leading corporation in the wind power sector is an important event for the company.

In addition to offshore wind power, Doosan Vina is also in the preparation stage for producing fuel cells and hydrogen in line with the orientations and commitments of the Vietnamese Government on a carbon-neutral future by 2050. VIR

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Potential of acquisition of offshore wind technology in Vietnam

Wind power is increasingly important as countries embrace their sustainable development journeys. Henri Wasnick, renewable energy advisor for GIZ Energy's Support Programme (German Cooperation), digs into what Vietnam should do to achieve the country's energy mix target in the shortest possible time.

Vietnam has a long coastline with the utmost feasibility to install offshore wind power projects. As per the World Bank's Offshore Wind Roadmap for Vietnam, the country has the potential to meet 12 per cent of its total electricity demand by 2035.

However, to continue sustaining this growth in renewables, improvements are needed in terms of energy system expansion planning and regulatory frameworks for procurement to ensure an affordable renewable energy supply.

Offshore wind projects are increasing globally and the World Bank indicates eight new potential markets. Right now, there are about 10 experienced international companies that are able to develop offshore wind projects, which leads to serious competition among countries that want to go for offshore wind.

These companies tend to allocate their resources to countries which have a legal framework in place first. Over and above that, the steel price is also increasing. Therefore, for Vietnam, it is now more important than ever to develop a legal framework so developers can dive deeper into the planning and allocate their resources within the country.

The proposed PDP8 draft focuses on renewable energy

As per the latest National Power Development Plan (PDP8) draft, Vietnam aims to forego building any new coal-fired power projects after 2030. This will reduce the dependence on coal to 9.5 per cent by 2045 compared to 15-19 per cent.

Vietnam is also planning for a 50 per cent share of wind and solar power by 2045 compared to the previous target of around 40 per cent. The current draft shows 7GW of offshore wind until 2030. This rapid expansion has opened many opportunities for investors, however, there are still certain areas that need to be improved to attract their interest.

Challenges along the way

Applying for an offshore survey license for wind power projects still presents many obstacles as the ability to upgrade the national power grid system, legal frameworks, and technical standards for the licensing of surveys is almost non-existent.

In addition, regulations on bidding mechanisms and investor selection for power source projects have not been completed yet and power purchase agreements (PPA) still lack the ability to borrow international capital.

Along with this, the interference and overlapping related to survey privileges need to be clarified. As per the current draft decrement No.11/2021/ND-CP, it is possible to allow many project developers to conduct surveys on a non-exclusive sea area. However, when looking globally, most governments only allow one investor to conduct offshore survey activities in a certain area for a specific period. This approach ensures serious, long-term commitments from capable project investors.

In the current draft of decree No.11/2021/ND-CP, it is mentioned that the developers should share their survey results with the authorities. As such surveys are large-scale investments, there are calls for compliant regulations for exclusivity for a certain time and international-standard regulations to ensure data security for survey documentation during the project development process. Vietnam is one of many countries that want to attract resources and investments in offshore wind. In this global competition for this technology and investment, it is critical to recognise that the developing companies and investors who have access to these resources will only make serious investment decisions and allocate resources in Vietnam if appropriate frameworks are in place.

In addition, rating criteria for projects and project developers to achieve survey rights and project licenses need to be transparently developed and correspond with international standards. The same goes for approval processes, which need to be developed.

Approval of all these regulations will make sure that Vietnam can lead the completion of legal framework development and consequently allow investors to take serious action in the direction of supporting Vietnam to achieve its energy mix target.

Policy recommendations

To achieve the goals of the PDP8 and National Energy Master Plan for 2021-2030, specifically related to offshore wind, a relevant legal framework needs to be in place within the next year to have 7GW of offshore wind by 2030. Along with this, a detailed implementation plan must be developed based on the World Bank's Offshore Wind Roadmap for Vietnam. Pricing mechanisms need to be developed to enable investors to make decisions. An investment for 600MW of offshore wind will typically need cooperation from more than 20 international banks. Without a suitable PPA that complies with international standards, it will be hard to fulfil due diligence criteria.

Moving forward, the limited grid capacity of the country needs upgrading as it currently stifles the renewable energy sector. Electricity of Vietnam currently maintains a monopoly over electricity transmission but this could be opened up to private investors to enable further development.

Both investors and the government are being asked to come up with reasonable strategies to ensure that the wind energy industry does not enter boom-bust cycles. Finally, both the government and the private sector need proper education and training to fully understand offshore wind power.

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RETAIL

International retailers expand foothold in Vietnam

Despite global fluctuations some big international retailers are making ambitious plans to expand their foothold in the Vietnamese market, mainly due to a stable growth structure in Vietnam.

Key market for retailers

When referring to big foreign retailers in Vietnam then three names immediately crop up, namely, Lotte from the Republic of Korea (RoK), Aeon from Japan, and Central Retail from Thailand. Currently all three of these giant retailers are planning to expand in Vietnam as they consider it a key market.

Lotte considers Vietnam as its third most important market after RoK and Japan. Aeon wants to triple the number of its commercial centers in Vietnam by 2025.

Their plan to expand in the Vietnamese retail market was revealed by Nikkei in early October. A senior Aeon manager said that they view Vietnam as its most important market overseas.

Central Retail also wants to expand its market share in Vietnam and has announced plans to spend about Baht 300 billion in increasing its retail network to at least 710 stores by 2026, from current 340 stores.

The general director of Central Retail Vietnam said that the company aims to have revenue of Baht 100 billion by 2026. Last year Central Retail earned Baht 38.6 billion and considers the Vietnamese market as its largest revenue source, outside of Thailand.

The reasons that make Vietnam more and more attractive in the eyes of foreign retailers, is because of a stable economic growth, at a time when the global markets are constantly fluctuating.

Recently, the Financial Times published an article titled "Seven economic wonders in an anxious world", stating Vietnam among seven outstanding countries along with Indonesia, India, Greece, Portugal, Saudi

Arabia, and Japan. Previously, the World Bank (WB) had forecast that Vietnam's economy would grow by 7.2% this year.

In fact, Vietnam's GDP growth in the third quarter of 2022 reached 13.67%, with the 9-month GDP increasing by 8.83%, the highest increase in the 2021 to 2022 period. Consumer purchasing power is recovering strongly in Vietnam.

In the first nine months of 2022, the total retail sales of consumer goods and services reached more than VND4.1 trillion, up 21% compared to the same period last year. Many businesses have now achieved outstanding business results as before the COVID-19 pandemic.

Another important reason is that Vietnam has committed to joining the CPTPP, which will officially come into effect by 2024 and will remove the regulations on Economic Needs Test (ENT) for retail businesses from CPTPP member countries.

This regulation requires that foreign retailers must apply for permission every time they open a store with an area of over 500 square meters. This requirement can now be removed which is a huge relief for retail giants. VOV

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LOGISTICS

Government considers to build 250 kph transnational railway

The Ministries of Planning and Investment and Transport will study the possibility of building high-speed rail across Vietnam to transport both passengers and cargo.

The dual-gauge railway, with design speeds of 250 kilometers per hour and operational speeds of 180-225 kph, is required as rail only carries 6% of passengers and 1.4% of cargo on the north-south route, the planning ministry said.

When completed it would be a key means of transport capable of carrying large volumes of cargo, connect major economic centers and boost growth, it said.

It suggested that the railroad be built under a public-private partnership and funded partly by auctioning lands near the 50 stations along the route. The 250-kph option has been suggested by a consultancy consortium over a 350-kph option which can only transport passengers.

Though costing more to build, it would have a higher chance of recouping the investment thanks to cargo transport, the consortium comprising the University of Transport and Communications Consultancy and Construction, Germany's Evo mc, Ove Arup & Partners Hong Kong, and Hung Phu Trading and Construction Consultant said.

They will respectively cost US$62.7-64.8 billion and $58.7 billion. Since 2019 officials have been considering the transnational rail since roads and airports are becoming increasingly overloaded.

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INVESTMENT

CapitaLand Investment is betting on emerging markets like Vietnam

In the midst of a volatile macroeconomic climate, Singaporean fund CapitaLand Investment is seeking opportunities in emerging economies, including Vietnam and India.

Andrew Lim, CFO of CapitaLand Investment, said that such markets may grow in significance as businesses seek to fortify supply chain and energy infrastructure in the face of globalisation shocks like the pandemic, according to Nikkei Asia.

“Countries with plentiful manufacturing and a low-cost, highly educated workforce may offer you an alternate destination from your current market,” Lim stated. “These are markets that are primed to offer alternative manufacturing destinations for links in the supply chain.”

He also believed that Vietnam boasts immense potential. Furthermore, the country “in the new scheme of things will also begin to assume greater importance as a destination for capital and investment.”

"We would love to do more in Vietnam, we are already very active in India," Lim said, cited Nikkei Asia. "What recent events have told us is that it's probably dangerous to put all your eggs in one basket," Linh said.

Headquartered and listed in Singapore, CapitaLand Investment is a leading global real estate investment manager with a strong Asia foothold.

CapitaLand Investment is one of Asia's leading real estate investment managers. Temasek, the sovereign wealth fund of Singapore, owns indirect holdings in CapitaLand Investment via different subsidiaries. VIR

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FDI attraction maintains recovery trend

Despite foreign direct investment (FDI) in Vietnam shrinking over recent months, the decline has started to slow, with domestic FDI attraction now catching up with the global recovery trend.

Worries at the beginning

Experts says FDI attraction in Vietnam, despite a fall in recent months, has started to catch up with the global recovery trend.

All eyes are now on reports made by the Government and the NA's Economic Committee presented at the ongoing National Assembly (NA) session as they have all expressed concern about the downward trend of FDI inflows.

According to the Government report, total registered FDI capital in the first three quarters of the year endured a decline of 15.3% year on year, of which newly-registered capital stood at only 57% of the figure recorded in the same period last year. This indicates that Vietnam has not taken full advantage of the various opportunities from the trend of shifting investment capital flows globally.

Meanwhile, the NA's Economic Committee in its report requested that the Government carefully assess the situation, and point out the causes and solutions. "The decrease in registered FDI capital may affect FDI disbursement and economic growth in the future," said Vu Hong Thanh, chairman of the committee.

Worries have been partly eased after the Foreign Investment Agency under the Ministry of Planning and Investment announced statistics which indicate the situation has gradually improved.

According to statistics, as of October 20 the total newly-registered capital, adjusted capital, and capital contributions from share purchasing made by foreign investors reached more than US$22.46 billion, a decline of just 5.4% over the same period from last year.

Vietnam attracted 1,570 FDI projects throughout the reviewed period, with total registered capital of nearly US$9.93 billion, down 23.7% year on year compared to a 43% fall during the initial nine months of the year.

Do Nhat Hoang, head of the Foreign Investment Agency, attributed this fall to COVID-19 restrictions occurring in foreign countries that jeopardised businesses' investment plans. In addition, global market fluctuations caused by the geo-political conflict in Europe, high inflation pressure, and supply chain disruption have negatively affected investment capital flows overseas of major economies, especially those that make up the nation's main investment partners.

Sharing this view, Alain Cany, president of the European Chamber of Commerce in Vietnam (EuroCham), played down concerns, noting that the country should not look at the registered capital, but instead focus on disbursed capital that is likely to hit a record high this year. He also revealed that European businesses operating in Vietnam remain much more optimistic than they were in the pre-pandemic period.

The Foreign Investment Agency reported that 10-month FDI disbursement was US$17.45 billion, up 15.2% year on year. If this level of growth is maintained in the remaining months of the year, the year-end figure will likely be between US$21 - 22 billion, an annual increase of about 6.4% to 11.5%.

Positive signals

During a recent trip to Vietnam, Mathias Cormann, secretary general of the Organization for Economic Cooperation and Development (OECD), highly appreciated the country's growth prospects moving forward, especially FDI attraction. Cormann outlined that OECD companies are seeking opportunities in the Vietnamese market as part of efforts to diversify their supply chains.

Meanwhile, Mark Ridley, CEO of Savills Global, stated during his recent visit to Hanoi that Vietnam is projected to become the fastest growing economy in Southeast Asia in 2023. The country's sound growth, according to Savills, can be viewed in stark contrast to the economic performance of other countries throughout Asia.

Vietnam is currently receiving a lot of attention from investors from across the world in the context that global growth is estimated to be at 2.5% in 2023, and major markets such as the UK and Europe are projected to decline in the following two quarters, said Ridley.

EuroCham's Business Confidence Index (BCI) survey in the third quarter of the year also indicated the same thing. Despite BCI in the third quarter falling to 62.2 points, up to 42% of European business executives polled said they would increase FDI inflows into the country by the end of the year.

Cany expressed his belief that Vietnam will certainly be in a better position over the next two or three years and would therefore prove itself to be a highly dynamic business and investment destination.

To attract greater FDI, the Government has recently promulgated regulations relating to special investment incentives, approved a set of selective FDI attraction criteria, and set up a special working group to remove difficulties for foreign investors, especially large corporations.

The Ministry of Planning and Investment will work alongside other ministries, agencies, and localities to continue to make recommendations, develop plans, and effectively implement breakthrough tasks to attract FDI in an effective and sustainable manner, said Minister Nguyen Chi Dung.VNA

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