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FINANCE

Vietnam's economy is facing strong headwinds

Vietnam's economy is facing strong headwinds due to slowing external demand, rising inflation and tightening domestic financial conditions, according to the World Bank.



Export growth slowed to a 12-month low of 4.8% year-on-year as external demand weakened amid high inflation, tightening global financial conditions, and heightened global uncertainties, the bank reported. Industrial production and retail sales moderated in October as both domestic and external demand slowed.

The industrial production index increased by 6.3% year-on-year in October, compared to 10.3% a month earlier, with weaker external demand likely an important factor, as growth in the EU, U.S. and China is slowing. The Purchasing Managers' Index, which measures manufacturing activity, fell from 52.5 in September to 50.6 in October 2022, the lowest reading since October 2021. Retail sales increased by 17.1% year-on-year in October, compared to the 32.3% a month earlier.

This reflects weakening domestic demand as the consumption rebound experienced in the first three quarters of the year appears to be fading amid rising inflation." The Consumer Price Index (CPI), which measures inflation, rose from 3.9% in September to 4.3% in October, driven by a faster rise in food prices, which account for one-fifth of the CPI basket. This is the first time since April 2020 the CPI exceeded the central bank's target of 4%.

Credit growth moderated to an estimated 16.5% year-on-year in October amid tightening domestic financial conditions. FDI disbursement rose 8.1% year-on-year thanks to a jump in investment in electricity, gas, and water supply. Although the Vietnamese dong has lost 9.1% of its value against the U.S. dollar since the beginning of the year, this depreciation was lower than other countries.

"The economy faces strong headwinds. Slowing external demand and tightening global financial conditions are affecting the exchange rate. Rising inflation and tightening domestic financial conditions could affect domestic demand during the next months," the World Bank said. As the U.S. Fed is expected to continue raising interest rates, Vietnamese monetary authorities could consider allowing further flexibility in the exchange rate, including through a quicker pace of depreciation of the reference rate, the bank said.

This could be complemented with continued use of reference interest rates, especially if faster depreciation leads to higher inflation and inflation expectations rise, it added. The bank had earlier pegged Vietnam's GDP growth at 7.2% this year, the highest among major economies in the Asia Pacific. The government has forecast growth of 8%. Vnexpress

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Vietnam no longer in the US's monetary manipulation monitoring list

Vietnam has been removed from the US's monetary manipulation monitoring list, according to the State Bank of Vietnam (SBV).



The bank said that the decision was announced in the US Department of the Treasury's Report to Congress on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the US, which was released on November 10.

Vietnam had previously surpassed the thresholds for all three criteria as noted in the December 2021, April 2021, and December 2020 Reports, in each of which the US Treasury conducted enhanced analysis of Vietnam.

The US Treasury continues to engage closely with the SBV to monitor Vietnam's progress in addressing its concerns and remains satisfied with the progress made by Vietnam.

According to the SBV, from the beginning of 2021, the US Department of Treasury has conducted enhanced bilateral contact with Vietnam and reached a general agreement in July 2021 to address the US side's concerns about the issues related to currency and exchange rate.

In this report, the US Department of Treasury continues to recognise the progress of Vietnam. At the department's delegation visit to Vietnam on October 3, 2022, the US side highly valued the SBV's management of monetary and exchange rate policies amid many difficulties and challenges in the global economy.

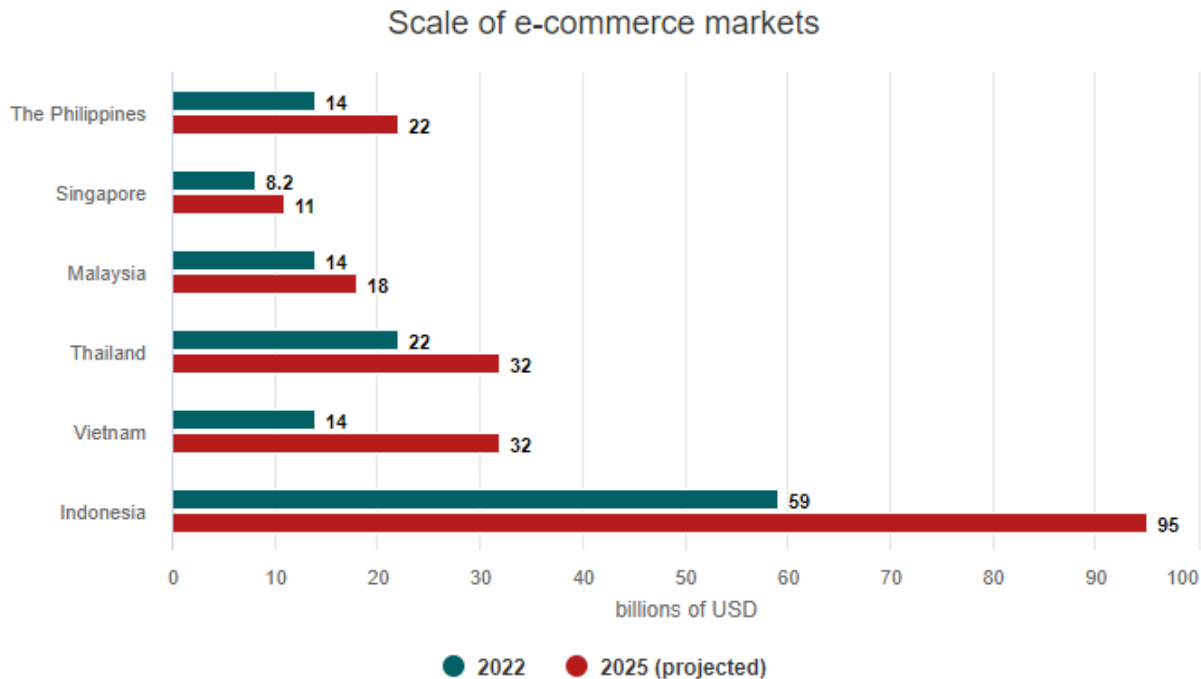
In the report, the US department identifies its trade partners basing on signs of a significant bilateral trade surplus with the US, a material current account surplus, and engaged in persistent one-sided intervention in the foreign exchange market.

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E-COMMERCE

Double Day e-commerce sales likely to be muted this quarter

Double Day sales this quarter will not match those of past years since inflation remains a worry for consumers, businesses have said.



Sales on days such as November 11 and December 12 are the year's highest as many firms and e-commerce companies run massive promotion programs. According to data from French online display advertisements provider Criteo, online retail sales on November 11, December 12 and Black Friday last year were 128%, 143% and 92% higher than on normal days. However, on October 10 sales in Vietnam increased by only 48% compared with 125% last year.

Sales on November 11 and December 12 would not rise by as big rates as before, Mark Gubbels, Criteo's commercial head for Southeast Asia, said, noting that consumers would be more cautious in spending.

Retail sales increased only 17.1% year-on-year in October compared with more than 36% the previous month. Inflation accelerated after the end of the third quarter, surging by 4.3% year-on-year in October.

Nguyen Chanh Chung, owner of cosmetics brand Lagivado, said demand would not be as strong this year as in the past, while e-commerce platforms would not offer as big promotions in the last quarter as they normally do. To attract customers, Shopee and Lazada are organizing live online music shows, while the former is also offering vouchers and discounts. Nguyen Manh Tan, marketing director of Haravan Technology Corporation, said consumers currently like omnichannel (combining online and offline sales), the direct-to-consumer model, conversational commerce, and livestreams on social networks.

"E-commerce businesses should apply these four business models to approach and attract customers, increase revenues and cut costs and build their brand reputation." There are around 100 e-commerce platforms in Vietnam with hundreds of thousands of vendors.

In 2020 Shopee had 210,000 vendors and Tiki had 8,800, according to tax authorities. The e-Conomy Southeast Asia 2021 report by Google, Temasek and Bain & Co. forecast Vietnam to surpass Thailand by 2025 to become the second biggest Internet economy in Southeast Asia at US\$57 billion after Indonesia (\$146 billion). Vnexpress

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ENERGY

The Ministry of Industry and Trade clarifies solar energy administration

In order to rectify the existing inadequacies, Vietnam might have to adopt a long-term strategy to develop solar energy.



Hoang Tien Dung, director of the Electricity and Renewable Energy Authority at the Ministry of Industry and Trade (MoIT), told VIR on November 15 about the audit of solar power in four localities saying, "The auditors worked so swiftly that we have not yet had the chance to explain. Now we shall proceed with the explanation". The Vietnam State Auditor (VSA) has identified certain current issues with the MoIT's administration.

According to the VSA, the MoIT has authorised projects whose limits match those of other plans in the province, such as the Phuoc Huu-Dien Luc 1 Solar Power Plant, the Phuoc Minh Adani Solar Farm, the Thuan Nam Duc Long Solar Power Plant, and the SP Infra Solar Power Plant 1.

The approval of extra planning has determined that the land area required for the 45MWp Phuoc Ninh Solar Power Plant project to be implemented is 68.5 hectares, which is 14.5ha higher than the minimum needed. The VSA also mentioned that the MoIT has accepted the planning site for Long Son and Trung Son solar power plants, which have a comparable area of more than 54.5ha and 8.8ha respectively.

In addition, the MoIT evaluated and authorised the inclusion of the Central Solar Power Plant project in the electrical development planning of Khanh Hoa province for the 2011-2015 period, up to 2020, despite the fact that the aforementioned plan had expired at the time of approval.

In the subsequent planning of Khanh Hoa for the 2016-2025 period with a vision towards 2035, the Central Solar Power Plant is not included on the list of power projects.

In addition, the VSA reported that the MoIT evaluated and authorised further planning for minor hydropower plants but did not identify projected progress or the investment and construction order of priority for these projects. This makes it impossible to evaluate the conformity between the investment execution plan for the building of hydropower projects, the energy development strategy authorised by the prime minister, or the load and power grid conditions in the area.

According to the VSA, the MoIT has submitted a request for approval to the prime minister to add the Song Cau Solar and Wind Farm project to the National Power Development Plan VII, with adjustments made when a portion of the project's planning boundary overlaps with the programme's Afforestation of Coastal Protection Forests in Phu Yen Province project.

In addition, the VSA highlighted deficiencies in state management of the operation of renewable energy facilities throughout the 2015-2021 period.

Under the Vietnam Electricity Regulatory Authority, there are four solar power plants in Khanh Hoa. State-run Electricity of Vietnam was nevertheless able to connect the operation to the national electricity grid despite the absence of formal permission for the test and acceptance from the competent authorities at the time of the operation. The projects have been informed of the inspection findings and acceptance of the project prior to the audit.

In addition, based on the outcomes of inspections and comparisons at four energy providers, it was determined that certain projects lacked construction permits or documents confirming the structure and load-bearing safety, that there was no authorised approval of fire protection in accordance with regulations, and that a number of rooftop solar power systems on agricultural farms had been put into operation despite the fact that the land-related documents and procedures did not meet the requirements. Localities lack a comprehensive answer to this situation.

The auditing agency urged the MoIT to examine collective and individual obligations as well as manage, in accordance with regulations, the number of authorised projects that exceeded the master plan and strategy. The VSA requested that the MoIT gather appropriate collective and individual experiences for the remaining concerns.

According to the VSA, a long-term strategy to promote renewable energy, including a proper development plan for rooftop solar power, is essential to decrease societal costs and improve access to clean energy sources. Concurrently, the coordination with ministries and sectors to issue guiding documents for the inspection and acceptance prior to connection in order to prevent certain deficiencies in legal procedures, land management, and basic construction need to be promptly checked by the competent authorities.

Khanh Hoa, Lam Dong, Ninh Thuan, and Phu Yen are included and the duration of the auditing period was six weeks, from August 8 to September 21. VIR

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Tokyo Gas and Marubeni establish joint venture for LNG project in Vietnam

Japanese companies Tokyo Gas and Marubeni have joined forces with Petrovietnam Power and local machine manufacturer Colavi to establish a joint venture for an LNG-to-power project in Vietnam.



The joint venture company Quang Ninh LNG Power JSC (QNLP) will conduct a feasibility study and a project development plan for the LNG to power project in the Cam Pha District of Quang Ninh Province after receiving an Investor Registration Certificate from the Vietnamese government on July 11.

The combined cycle gas-fired power plant will be the largest of its kind in Vietnam with a 1,500 MW generation capacity. It acts as an onshore LNG receiving, storage, and regasification facility for the Vietnam Electricity Group.

Once shareholders have made a final investment decision, QNLP will evaluate the economic and technological viability of the project with the goal of bringing it to full operation. The project is slated to be put into commercial operation in the second half of 2027.

Vietnam has high expectations for newly-constructed, large-scale power plants with great efficiency due to its increasing demand for electricity as a result of its rapid economic growth. Vietnam is boosting gas-fired power as part of its efforts to transition away from coal- and oil-based energy. However, the country does not import any LNG.

Tokyo Gas, Japan's biggest city gas supplier, has engaged in LNG and natural gas-related projects in Australia, North America, and Southeast Asia. Meanwhile, Marubeni owns and manages power generation facilities with a combined capacity of about 12GW in 21 nations, including Japan.

Japanese companies will support the development of the LNG-to-gas project in Vietnam with a view to supporting sustainable economic growth for the country based on the knowledge and expertise accumulated via these businesses. VIR

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RETAIL

Muji has launched its fourth store in Vietnam

Japanese retailer Muji has launched its fourth store in Vietnam and second in Ho Chi Minh City at Crescent Mall in District 7.



The move aims to expand the brand's operations and gradually move its manufacturing chain to the country.

Opened Thursday, the new store has 1,200 square meters of retail space across two stories. It sells a variety of products including clothes, cosmetics, furniture, household appliances and food.

Starting now, MUJI will increase the number of products designed specifically for Vietnamese consumers, partnering with local manufacturers in the process.

This transition will lower the chain's costs and, accordingly, retail prices. "In the big picture, localization of the manufacturing chain will not only benefit Vietnamese consumers but also contribute to Vietnam's development. There will be more jobs and new partnership opportunities for local manufacturers," said MUJI Vietnam CEO Tetsuya Nagaiwa.

The company has partnered with Vietnamese designer Linh Trinh and the Vietnam Afforestation and Reforestation Social Company to create tote bags with an environmental theme.

MUJI was established in 1980. It has 1,000 stores globally, with the first in Vietnam launched in November 2020. Vnexpress

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LOGISTICS

Logistics industry held back by poor infrastructure and technology

Despite its great potential for growth, poor transport infrastructure and high costs are holding back the logistics industry, insiders said at the Vietnam Logistics Transformation forum held in HCM City last month.



A young and growing population of around 100 million people, stable and supportive Government policies, extensive trade agreements with other countries, and favourable trends in manufacturing, exports and domestic consumption are driving logistics services, Chih Cheung, founding managing partner at SLP Vietnam, said.

But at the same time there were a lot of inefficiencies in the industry, he said, adding that logistics costs represent 20% of GDP in Vietnam while it is 7-9% in mature markets.

Vietnam ranks 11th out of 50 countries in the 2022 Emerging Market Logistics Index released by logistics and freight provider Agility. The country's freight and logistics market is expected to grow at a compounded annual growth rate of 5.5% in 2022 – 2027. Its economy has posted a strong recovery this year, growing at 8.93% in the first nine months.

Vietnam's foreign trade was worth 557 billion USD in the period, representing a large freight and logistics market. Dao Trong Khoa, deputy chairman of the Vietnam Logistics Business Association, said the logistics industry is benefiting from free trade agreements and the rapid growth of e-commerce. E-Logistics has leveraged the efficiency of logistics services, he said.

However, the country's logistics landscape is still fragmented and a master plan to attract investment and develop infrastructure to fully tap its potential is urgently required, he said. Most domestic businesses are small or medium-sized with limited capital, technology and automation, and face fierce competition from foreign companies. They only have a 30% market share with the remaining 70% held by foreign businesses, he said.

But domestic businesses are increasingly investing in infrastructure, modern warehousing and technology to increase their market share, he added. MPI

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INVESTMENT

Vietnam remains a key investment destination for German and European

Vietnam remains a key investment destination for German and European companies and many are seeking opportunities there, German Chancellor Olaf Scholz has said.

Speaking at the Vietnam – Germany Business Roundtable on Sunday evening he said the world economy would only succeed when each country takes advantage of its capabilities and potential, and Vietnam, with its abundant raw materials and trained labor, has succeeded in this.

Expressing happiness that the E.U.-Vietnam Free Trade Agreement had come into effect, he said it is the basis for the two countries' economies to recover and develop together by creating mutual trust in economic cooperation.

Many German businesses are looking for Vietnamese partners in trade, infrastructure and energy, and a lot of vocational training in Vietnam is based on the German model with support from German companies, he added. Prime Minister Pham Minh Chinh called on the German government and businesses to continue their support to Vietnam with technology transfer, research and development and collaborative programs to train and improve the quality of human resources and achieve digital transformation.

Amid the slowing economic growth in some Asia-Pacific countries and disrupted supply chains, he urged German businesses to shift their investment to Vietnam, a safe destination with a stable political situation, competitive costs, abundant human resources, and a favorable business environment.

"The Vietnamese government is committed to creating favorable conditions for German businesses to invest effectively and sustainably in the spirit of harmonizing benefits, sharing difficulties and risks."

He said trade and investment cooperation would remain an important pillar in the bilateral relationship and a driving force that would take the strategic partnership to a new level.

Since Germany has identified Vietnam as a global partner in its development cooperation strategy for until 2030, he sought its support to strengthen institutions and draft policies for mobilizing green financial resources, especially from G7 countries and multilateral institutions, to help Vietnam build a green economy, respond to climate change and fulfill its climate commitments.

Germany has 437 projects in Vietnam with a total investment of US\$2.34 billion, making it the 18th largest investor out of 141 countries and territories. Germany has provided official development assistance loans of more than \$2 billion to Vietnam. Germany is Vietnam's largest trading partner in the EU and Vietnam is its largest trading partner in Southeast Asia. Their trade in the first seven months of the year was worth \$7.3 billion, up 18.5% year-on-year. Vnexpress

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The UK companies keen on smart city development in Vietnam

The UK Government organised the trade mission as part of the partnership with the Vietnam Software and IT Services Association (VINASA), the Ho Chi Minh City Computer Association (HCA), and the British Chamber of Commerce Vietnam (BritCham VN).



During the five-day trade mission to Hanoi and Ho Chi Minh City, the UK companies are due to meet a wide range of authorities and stakeholders in both the public and private sectors, and will participate in business-to-business (B2B) matching sessions and a UK Smart Cities Day in Ho Chi Minh City.

Speaking on the visit made by the UK companies, British Ambassador to Vietnam Iain Frew said that via the trade mission, the UK is fully committed to bolstering trade and investment ties with Vietnam and supporting the country with the standardisation of smart cities development.

“This, in turn, will set a clear pathway to adopt approaches that put people at the heart of implementing Smart Cities,” he noted.

During a meeting held with the Ministry of Information and Communications (MIC), the two sides discussed the potential that exists in trade co-operation between Vietnam and the UK in the field of smart cities and the National Digital Transformation Programme. Other topics under discussion include digital transformation platforms and smart technology application as part of urban development.

Furthermore, the two sides also agreed to strengthen co-operation and exploit the Letter of Intent on co-operation in the field of the digital economy and digital transformation signed between the MIC and the UK’s Ministry of Digital, Culture, Media and Sport (DCMS). This aims to create a premise for greater bilateral digital cooperation in the future. VOV

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