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FINANCE

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Weak banks that are restructuring will be the target of mergers and acquisitions (M&A) deals in the near future as the Government is strongly promoting the restructuring of the country's finance and banking industry.

Vietnam has been continuously listed among the group of 30 countries and territories with the largest import and export value on a global scale, according to the rankings compiled by the World Trade Organization (WTO).

The country's trade ranking has been improved constantly over the years, making a continuous presence in the group of countries and territories boasting the largest import and export value.

Most notably, although the ranking of ASEAN member countries has yet to increase over the past few years, Vietnam's ranking has made remarkable progress.

Accordingly, the Vietnamese export value of goods last year was at 23rd in the world, while imported value ranked 20th globally.

Since 2019 the country has been placed second in ASEAN, surpassing both Thailand and Malaysia, and standing behind Singapore.

The General Department of Vietnam Customs reported 1995 marked Vietnam's comprehensive integration into the world as it officially joined ASEAN, the ASEAN free trade area (AFTA), and the World Trade Organization (WTO), as well as normalising diplomatic relations with the United States.

The past 30 years has witnessed the Vietnamese economy make significant changes by gradually implementing a foreign policy of multilateralisation and diversification of foreign relations, thereby fully tapping into further opportunities for trade, investment, integration, and technology transfer, as well as economic development.

Most notably, the total import-export value in 2007 stood at US$100 billion, and the figure rose to US$200 billion in 2011, US$400 billion in 2017 and US$600 billion in November 2021. By mid-December 2022 the total import-export value is anticipated to reach US$700 billion. VOV

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ADB raises 2022 economic growth projection for Vietnam to 7.5%

The Asian Development Bank (ADB) has raised its economic growth forecast for Vietnam this year to 7.5%, despite regional and global gloom, the bank said in a regular supplement to the Asian Development Outlook (ADO) 2022 released on December 14.

In its ADO update for September, the bank forecast that the Vietnamese economy would expand by 6.5% this year. The ADB said in its latest report that it has also revised the Vietnamese inflation forecast for the year down to 3.5% from 3.8% as projected in September.

ADB experts noted that while the local economy is currently performing well amid global uncertainties, risks to the country's economic outlook have increased. They said although local trade continues to expand, there are indicators of weakening global demand for the nation's exports. Moving forward, growth for 2023 has therefore been adjusted down to 6.3% as major trade partners weaken.

The bank also lowered its economic growth forecasts for developing Asia and the Pacific amid an increasingly negative global outlook. The regional economy is therefore set to grow by 4.2% this year and 4.6% next year, slightly down from its September forecasts of 4.3% in 2022 and 4.9% in 2023.

According to the bank, monetary policy tightening by central banks both regionally globally, the protracted Russia-Ukraine conflict, and recurring lockdowns in China continue to hamper Asia's recovery from the COVID-19 pandemic. Restrictions under the "zero-COVID" approach, along with a struggling property market, have led to another downgrade of China's growth outlook.

"Asia and the Pacific will continue to recover, but worsening global conditions mean that the region's momentum is losing some steam as we head into the new year," said Albert Park, chief economist of the ADB. He added, "Governments will need to work together more closely to overcome the lingering challenges of COVID-19, combat the effects of high food and energy prices—especially on the poor and vulnerable—and ensure a sustainable, inclusive economic recovery."

The ADB lowered its forecast for inflation in developing regions in Asia and the Pacific this year to 4.4% from 4.5%. However, the bank raised its projection for next year to 4.2% from 4.0%, largely due to lingering inflationary pressure from energy and food. The Chinese economy is forecast to expand by 3.0% this year compared with a previous projection of 3.3%. The forecast for next year has duly been cut to 4.3% from 4.5% as a result of the global slowdown.

Elsewhere, the growth forecast for the Caucasus and Central Asia this year was upgraded to 4.8% from 3.9%, while the projection for the Pacific was raised to 5.3% from 4.7% due to the strong recovery of the tourism sector in Fiji. VOV

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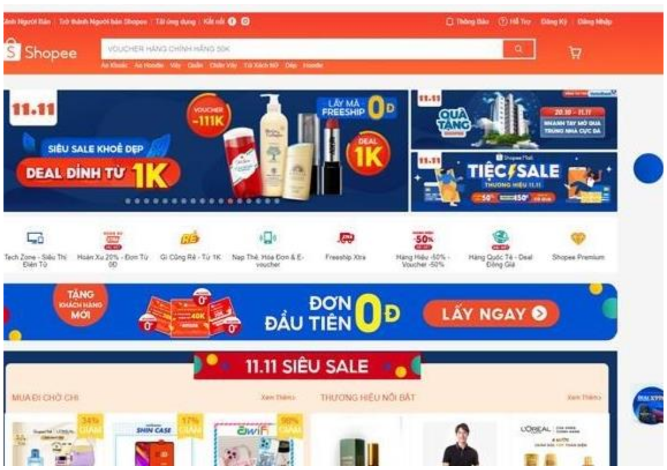
E-COMMERCE

Vietnam B2C retail e-commerce revenue to exceed 16 billion USD this year

Vietnam's B2C retail e-commerce revenue this year is estimated at 16.4 billion USD, marking the first year to reach this landmark, reported the Vietnam E-Commerce White Book 2022.



A representative of the Vietnam E-commerce and Digital Economy Agency (Ministry of Industry and Trade) said that Vietnam E-commerce White Paper was built to provide a comprehensive view of the situation of the country's e-commerce application under the impact of the pandemic in the global e-commerce picture this year, along with new legal regulations taking effect.

Similar to previously published publications, this White Paper is built from the results of a survey of nearly 5,000 consumers and about 10,000 businesses, along with aggregate data from a number of reputable organisations around the world. The COVID-19 pandemic has seriously affected trade and service activities of Vietnam and the world last year, said the Vietnam E-commerce and Digital Economy Agency.

The negative growth of some service industries accounted for a large proportion, reducing the overall growth rate of the service sector and the whole economy. In that context, Vietnam's e-commerce still maintained a stable growth rate at 16%, retail revenue reached 13.7 billion USD last year.

The proportion of e-commerce retail revenue in the total retail sales of goods and services reached 7%, up 27% over the same period in 2020. Entering 2022, the Government's Decree No 85/2021/ND-CP dated September 25 last year amending and supplementing a number of articles of Decree No 52/2013/ND-CP dated May 16, 2013 on e-commerce officially came into effect.

The legal framework for e-commerce activities has been improved to meet development requirements, especially in the context of Vietnam's e-commerce growing rapidly and strongly in recent years, accounting for an increasing proportion in the domestic trade system, contributing to building trust for consumers, as well as ensure the management role of the State. Vietnam's e-commerce value will reach 39 billion USD by 2025, ranking second in terms of e-commerce growth in Southeast Asia.

Total revenue of Vietnam's internet economy is forecast to reach 57 billion USD by 2025, second only to Indonesia. Vietnam also has the second highest percentage of consumers shopping online in the region, after Singapore. In addition, according to data published in the Vietnam E-commerce White Paper 2022, it is forecast that Vietnam's e-commerce economy would see a number of annual records this year.

Specifically, it is estimated that for the first time, the number of online shopping consumers in Vietnam will reach 57 million people and may reach 60 million.

The value of online shopping for the first time reached 260 - 285 USD per person. The proportion of B2C e-commerce revenue will exceed 7%, reaching from 7.2% - 7.8% market share in the total retail sales of consumer goods and services in Vietnam. On a global scale, the Vietnam E-commerce White Paper 2022 forecasts that retail e-commerce revenue will reach 5.545 billion USD this year, up about 12.7%. It is forecast that this number would reach 7.385 billion USD by 2025. VNA

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ENERGY

Vietnam needs to prepare financing for a just energy transition

The United Nations Development Program believes that increasing the capacity of domestic financial institutions to mobilise long-term capital is at the core of the climate transition in Vietnam.

For an economy like Vietnam, international financing will at most provide a supplemental source of capital. Most of the investment requirements will have to be met by domestic sources. As such, increasing the capacity of domestic financial institutions to mobilise long-term capital is at the core of the climate transition.

This was highlighted by the United Naitons Development Program (UNDP) resident representative Ramla Khalidi in her opening remarks at the workshop “Financing for development – the role of domestic financial institutions” organised in Hanoi by the Ministry of Planning and Investment (MPI) and the UNDP on December 8.

Vietnam's landmark commitment to net-zero carbon emissions by 2050 is bold and visionary. In making this public commitment, the government recognised that the conversion from fossil fuels can deliver tangible economic benefits. There is now evidence to suggest that the transition to renewable energy will create more jobs than it destroys. However, the scale of the challenge facing Vietnam and other countries embarking on the journey to net-zero carbon emissions should not be underestimated. Reducing dependence on fossil fuels will affect every sector of the economy, from power generation to agriculture, construction, manufacturing, and transportation.

Much of the discussion focused on the financing requirements of achieving a just energy transition. Estimates of the costs vary depending on the assumptions used when making the calculations. Nevertheless, conservative estimates suggest that Vietnam will need to mobilise an additional $15-30 billion per year – that is, investment over and above the normal levels – to achieve the net-zero target and sustain rapid economic growth. Although Vietnam’s financial system has become more developed and diverse, the absence of deep and liquid secondary markets constrains the availability of long-term financing. As recent events in the bond market have shown, governance, corporate disclosure, and accountability are key constraints on the development of active secondary markets.

Proactive policies are needed to remove these and other obstacles to increasing the supply of long-term domestic financing for the energy transition and other uses.

"Vietnam is currently included in the priority list for energy cooperation and is in discussions with countries around the world on various international climate finance mechanisms in support of the energy transition,” said Nguyen Thi Hoang Yen, deputy director general of the MPI's Department of Science, Education, Natural Resources, and Environment.

"However, the funds that countries donate to Vietnam will only be a small part of the path to economic growth and energy transition. We need to strengthen domestic financial institutions to ensure financing for businesses, investing in socioeconomic development projects as well as those for the energy transition in the medium and long term," she added. The joint programme to assist Vietnam in developing an integrated national financing framework has the overarching goal of supporting the nation in its efforts to reform the mobilisation, usage, and management of development finance in order to realise its sustainable development goals by 2030.

Under the framework of this programme, the UNDP collaborated with the MPI's Department of Science, Education, Natural Resources, and Environment in conducting studies on Development Banking in Vietnam: Issues and Prospects and a review of the bottlenecks and recommendations for the development of domestic capital markets in the country. The UNDP, in collaboration with the United Nations Conference on Trade and Development, also conducted the study titled A Vietnam Climate Bank for Green and Just Transitions. These are initial studies to provide recommendations and policy discussions to develop capital markets for private enterprises, ensuring that public financial resources effectively contribute to the achievement of development goals. Most important are recommendations on how to mobilise resources and use investments effectively, thus bringing in sustainable results.

At the workshop, researchers from the Integrated National Financing Framework programme, economists from UNCTAD, SOAS, and the University of London, and experts with extensive experience in climate finance in different development settings shared global precedents and the potential contribution of development banking to Vietnam's energy transition. They proposed that a Vietnam climate bank be created to contribute to long-term energy financing by providing guarantees for commercial bank loans, organising structured finance for slow-gestating projects, and even taking equity stakes in projects that deliver important social benefits.

Thomas Marois, political economist and author of Public Banks at SOAS University of London, made the case for establishing a new Vietnam Climate bank to drive a green and just transition.

"A Vietnam Climate Bank could be a legacy institution. It could be a gift to the future by ensuring a green and just future," he said. "There is a need to get the mandate right – a green and just mandate with a public purpose. To be credible and effective, a Vietnam Climate Bank needs a representative board of governors."

Professor Uli Volz, director of the SOAS Centre for Sustainable Finance at SOAS University of London, highlighted how a public Vietnam climate bank could help tackle the problem of the high cost of capital that is holding back the low-carbon transition in Vietnam and other developing and emerging economies by working with international development finance institutions.VIR

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RETAIL

Vietnamese consumers prioritise domestic goods

The consumption of Vietnamese goods has been on the rise, with over 90% of consumers prioritising products made in the country, statistics show.

Vietnamese goods are currently accounting for more than 90% of products sold at distribution networks of domestic firms. This rate is 60 - 96% at foreign-owned supermarkets in the country, according to the Ministry of Industry and Trade’s steering committee for the “Vietnamese people prioritise Vietnamese goods” campaign.

Meanwhile, made-in-Vietnam goods make up at least 60% of all products for sale at traditional markets and convenience stores.

In particular, after the COVID-19 pandemic, 76% of Vietnamese consumers have developed preference for domestic goods, especially reputable ones.

More than 90% of consumers said they will prioritise Vietnamese goods when shopping, and 75% will recommend Vietnamese goods for their families and friends, according to the steering committee.

Le Viet Nga, Deputy Director of the Domestic Market Department at the Ministry of Industry and Trade, said the “Vietnamese people prioritise Vietnamese goods” campaign, launched by the Politburo, has changed businesses and consumers’ awareness of domestically produced goods.

She attributed that success partly to an awareness improvement among many enterprises which are working to win consumers’ trust by applying scientific and technological advances and adopting modern management solutions to reduce production costs, better product quality, and improve product designs and after-sales services.

A number of companies initially focusing on export have paid more attention to the domestic market and sold the products meeting choosy markets' standards to Vietnamese consumers. They have also managed to develop their own distribution networks or connect with distribution businesses to expand their products' presence in the domestic market, Nga noted.

To further promote the competitiveness of Vietnamese goods, experts suggested enterprises proactively equip themselves with cutting-edge technology to increase labour productivity, reduce production costs, guarantee quality, and diversify product designs.

Businesses should also improve their management capacity; enhance connectivity with other firms; ensure transparent product information; work with authorities to eradicate counterfeit, poor-quality, and smuggled goods; apply information technology and e-commerce; and concertedly carry out market research, product development, distribution, and trade promotion measures, which will help strengthen their foothold in the domestic and international markets. VNA

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LOGISTICS

American investors eyeing Vietnam's logistics sector

With investment opportunities widening in logistics, some US players in the sector have expressed interest in penetrating the Vietnamese market.

At the Vietnam-United States Trade Forum in Ho Chi Minh City in mid-November, Susan Burns, US Consul-General in Ho Chi Minh City, said that logistics is one of three sectors in Vietnam in which US businesses see great investment opportunities, following clean energy and health.

Burns pointed out that with strong financial potential and an understanding of US regulations, businesses that decide to invest in logistics in Vietnam have many advantages over domestic groups, with most of Vietnam’s businesses in the sector small- and medium-sized.

For instance, the US Federal Maritime Commission’s regulations on container shipping to the US are strict. Logistics businesses for the US need to research carefully regulations and operate high professionally to prevent risks of taxes, fees, and penalties at the place of delivery as well as transshipment. Therefore, US businesses that invest in logistics in Vietnam will have many advantages in transporting goods from Vietnam.

US-Vietnam bilateral trade reached nearly $113 billion in 2021, and the result is expected to be higher in 2022. Vietnam has become a significant link in the global supply chain, playing an important role in the US economy. Vietnam is currently the eighth-largest export market for US agricultural products, while the US is Vietnam's largest export market for agricultural products.

Under Vietnam's service sector commitments to the World Trade Organization, Vietnam has opened certain types of logistic services for foreign investors, previously in some cases with restrictions. For example, foreign investors can establish a 100 per cent foreign-owned company in some stages of logistics in Vietnam such as warehousing service, freight agency, and delivery services. Therefore, these are considered favourable conditions for foreign enterprises to invest in logistics in Vietnam.

A report on the emerging market logistics index released by Agility in February this year ranked the Vietnamese logistics market at 11th out of 50 emerging logistics markets globally. The annual growth rate in the period 2022-2023 of the Vietnamese logistics market is forecast to reach 5.5 per cent.

According to the World Bank East Asia and Pacific Economic Update for October, Vietnam's economy is expected to grow by 7.2 per cent this year, on the back of a rebound in domestic demand and solid performance by export-oriented manufacturing. The positive growth rate is also a factor attracting foreign investors to Vietnam's logistics sector.

With investment opportunities widening in logistics, some US players in the sector have expressed interest in penetrating the Vietnamese market. In September, Charles R Kaye, director general of US-based Warburg Pincus, had a working meeting with leaders of Binh Duong province to discuss the investment plan for a cross-border e-commerce project in the southern province.

Accordingly, Warburg Pincus and its joint venture partner Becamex IDC plan to build a 75-hectare cross-border e-commerce centre, which includes high-tech factories, warehouses for air freight, cross-border e-commerce goods, bonded warehouses, and so on. At the meeting, Kaye expressed his hope that Binh Duong authorities would create favourable conditions for the group to implement soon the project, which is considered creating a highlight to attract investment in the province.

After that, Binh Duong Department of Industry and Trade worked with World Trade Center Tacoma to co-chair a trade promotion conference in logistics at the end of October. The conference was held in the form of offline and online, seeing with the active participation of many enterprises from the two countries and industries' associations in the province.

The Vietnam Logistics Business Association showed the growth rate of the industry in the domestic market in recent years has reached about 14-16 per cent with a scale of $40-42 billion per year. Currently, in the field of transportation, warehousing, postal services, and delivery, Vietnam's logistics market is attracting more than 30,000 enterprises. Notably, there are 30 transnational logistics service providers operating in Vietnam, such as DHL, FedEx, Maersk, Maersk Logistics, and APL Logistics. VIR

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An additional nine airports have been proposed

The Civil Aviation Authority of Vietnam (CAAV) has proposed an additional nine airports to the master plan to broaden the development of its airport network by 2030.

According to the CAAV proposal submitted to the Ministry of Transport, the nine airports will be in Tan Quang (in Ha Giang), Yen Bai, Na Hang (in Tuyen Quang), Ha Tinh, Kon Tum, Quang Ngai, Khanh Hoa, Dak Nong, and Tay Ninh. The CAAV required localities to build the scheme to evaluate the efficiency, feasibility and methods to mobilise the social capital to build airports.

CAAV has removed Son La province's proposal to develop Moc Chau Airport, the second following Na San Airport.

Currently, there are 22 airports in Vietnam, comprising seven international and 15 domestic.

The CAAV proposed that by 2030, Vietnam will develop 26 airports only. Accordingly, in this phase, only four of the six originally planned airports will be implemented, while the construction of Na San and Lai Chau airports will be temporarily delayed. By 2050, Vietnam will have 30 airports, comprising 15 international and 15 domestic ones.

The total area of the 26 airports by 2030 will cover an area of 20,000 hectares, and the 30 airports by 2050 will cover around 24,000ha. In the period until 2050, the estimated costs for developing airports will be around $37.66 billion. VIR

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INVESTMENT

Vietnam and Korea sign 16 agreements worth US$15 billion

16 MoUs on corporation and investment agreements worth $15 billion were signed in the framework of the Vietnam – Korea Business Forum on December 6.

The forum was organised as part of the official visit of State President Nguyen Xuan Phuc to South Korea. Ministries, related authorities and localities of the two countries also signed eight MoU on promoting bilateral co-operation. The event attracted over 500 representatives of businesses from the two countries, including Korean enterprises operating in infrastructure, electronics, finance, transport, and education that expressed their interest in the Vietnamese market. Along with these sectors, Deputy Prime Minister Pham Binh Minh encouraged Korean groups to expand investment in Vietnam in digital technology, electronics, infrastructure, and industrial zones.

Previously on December 5, President Phuc received representatives of large enterprises from South Korea, such as LG, Samsung, CJ, Lotte, Hyundai Motor, and Daewoo E&C. Many of them committed to investing additional billions of dollars in Vietnam.Regarding Vietnamese businesses, they also prepared “solid nests” to welcome these large groups.

Dang Thanh Tam, chairman of KinhBac City Development Holding Corporation (KBC), who participated in the delegation of businesses visiting Korea on this occasion, said that KBC completed the land clearance and compensation for the 300-hectare land plots in Trang Due Industrial Zone of Haiphong to welcome LG’s expansion and its satellite suppliers. In the first eleven months of this year, Korea ranked third for investing in Vietnam with above $4.1 billion, accounting for 16.4 per cent of the total investment capital inflow to the country. Notably, there were 375 newly-registered projects worth $930.7 million, 330 existing projects with added capital worth 2.73 billion, and 1,124 projects of paid-in capital worth $456.4 million.

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Quang Ninh's FDI attraction surpasses US$2-billion

For the first time FDI into the northern border province of Quang Ninh this year has surpasses the US$2-billion mark, hitting US$2.18 billion.

The Quang Ninh LNG Power Plant project worth US$1.998 billion is the biggest contributor, receiving its investment license in July.

Csaba Bundik, vice chairman of the Central and Eastern European Chamber of Commerce in Vietnam, said that Quang Ninh is renowned among European investors thanks to its advantages related to logistics and geographical location.

The achievement does not come naturally, but as a result of a long-term strategy and vision, and practical experiences in the development of industrial parks and logistics, he stressed.

Nguyen Manh Cuong, director of the provincial Department of Planning and Investment, said that the province will reform its investment promotion and attraction methods, increase the efficiency of working groups in helping address difficulties, and speed up the progress of key projects. VNA

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