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Highlight

Samsung opens its largest regional R&D center in Vietnam

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What's in it today?

FINANCE

Vietnam optimises monetary policy for inflation control, macroeconomic stability

Vietnam central bank buys dollars to shore up reserves after sell-off

INVESTMENT

Samsung opens its largest regional R&D center in Vietnam

Japanese manufacturer Kyocera to expand semiconductor investment in Vietnam

RETAIL

Retail industry faces difficulties because consumers tighten their wallets

E-COMMERCE

E-commerce tax collection still "modest"

ENERGY

Prices for renewable energy still being negotiated

LOGISTICS

Hong Kong delivery platform Lalamove doubles growth in Vietnam

Vietnam to enhance competitiveness of logistics industry

FINANCE

Vietnam optimises monetary policy for inflation control, macroeconomic stability

For the first time in history Vietnam's 2022 import-export value has surpassed the US$700 billion mark, up 15% year on year. This year has seen the State Bank of Vietnam (SBV) operate a flexible monetary policy aimed at controlling inflation, supporting further economic recovery, adapting to market fluctuations, and ensuring the safety of the banking system.

The State Bank of Vietnam has done a good job this year, helping Vietnam control inflation, stabilise the macroeconomy and ensure stable operations of the banking system.

Since the beginning of the year, the SBV has closely followed macroeconomic and monetary developments in a bid to promptly adjust policies and apply necessary tools, thereby helping to stabilise the macro-economy, control inflation at a low level, support continued economic recovery, and ensure stable operations of credit institutions.

While roughly 80 countries worldwide recorded two-digit inflation, Vietnam has competently controlled inflation at a low level of around 3%, thereby creating the foundation to maintain macroeconomic stability and ensure the major balances of the economy.

This represents an important basis for international organisations to make a positive assessment of the Vietnamese development situation and prospects, said a SBV leader.

Amidst pressure from continued globally-rising inflation, the central bank has twice moved to raise operating interest rates in an attempt to control inflation and stabilise the macro-economy and currency.

This is a timely solution in line with the general trend around the world to stabilise the foreign exchange market and to ensure system safety, said the SBV leader.

The central bank also directed credit institutions to reduce operating costs, administrative procedures, and unnecessary expenses to reduce lending interest rates as a way of supporting businesses and people to overcome difficulties, added the leader.

After the SBV's decision to adjust the credit target for the year by about 1.5% to 2%, the credit of the entire economy reached over VND11.78 quadrillion by December 21, representing an increase of 13.96% compared to the same period from 2021. Credit institutions prioritised lending capital for production and business operations, whilst credit for potentially risky sectors was put under close scrutiny. Credit balance for 23 policy credit programmes as of November 30 reached nearly VND280 trillion, representing an increase of 12.81% compared to 2021, with more than 6.4 million outstanding loan customers.

Moving forward to 2023, the SBV plans to continue to operate the monetary policy prudently, flexibly, and synchronously, in close association with fiscal policy and other macroeconomic policies, contributing to controlling inflation at around 4.5%, stabilising the macro-economy, and ensuring major balances for the economy.

It will manage credit growth reasonably in line with macroeconomic developments, helping to control inflation, supporting economic recovery and growth, and concentrating capital on production and business, especially priority areas. It will also keep a tight grip on credit into risky fields whilst improving credit quality.

Another important task is to continue to review, amend, and supplement the legal framework, mechanisms, and policies on monetary and banking activities, ensuring the money market and credit institutions operate in a safe, healthy, smooth, and sustainable manner.

Finally, the central bank will continue to encourage cashless payments, accelerate digital transformation, apply new business models, and provide convenient and safe technology products and services which are capable of meeting the needs of both people and businesses. VOV

Back to top

Vietnam central bank buys dollars to shore up reserves after sell-off

Vietnam's central bank said in 27 December it was making efforts to shore up foreign exchange reserves by buying up more U.S. dollars, after it was forced to sell a large amount of greenback earlier in the year to support its dong currency.

"There have been positive signals on the foreign exchange market that allow the central bank to continue its purchases of foreign currencies," its deputy governor, Dao Minh Tu, told a news conference, without elaborating.

Vietnam does not provide regular disclosure on the size of its foreign exchange reserves. Late in 2021, it put the figure at $100 billion.

The State Bank of Vietnam (SBV) earlier this year was forced to sell a large amount of U.S. dollars to the market to support the dong, which has hit record lows in recent months from capital outflows as the U.S. Federal Reserve repeatedly raises interest rates to tame inflation.

Market analysts said the SBV had sold about $20 billion worth.

Strong foreign direct investment inflows and a large trade surplus this year have helped slow the weakening of the dong, which has so far this year lost about 3% against the dollar.

Tu also said the inflation rate should be below 4% in 2022, and that non-performing loans in the banking system were under control. In a statement earlier on Tuesday, the SBV said it will manage monetary policy in a flexible way to keep inflation at 4.5% next year, aiming to "stabilize the monetary and foreign exchange markets to ensure the safety of the banking system".

Lending by Vietnamese banks rose 12.87% as of Dec. 21 from the end of last year, it said. The central bank early this month raised its 14% cap on credit growth for the banking system this year by 1.5 to 2.0 percentage points, following a credit crunch in the property sector and its financial markets.

Vietnam has one of the fastest-growing economies in Asia, backed by strong manufacturing and exports, with gross domestic product growth of 8% forecast this year. Its economic expansion also relies heavily on strong credit growth.

The Southeast Asian country is forecast to record a trade surplus of $11 billion this year. The government on Tuesday said foreign direct investment inflows are expected to rise 13.5% from last year to $22.4 billion. Vnexpress

Back to top

E-COMMERCE

E-commerce tax collection still "modest"

Tax revenue from e-commerce activities has increased gradually over the years, but is still modest compared to the actual development of this activity.

The Ministry of Finance reported that revenue from e-commerce activities through organisations in Vietnam declared and paid on behalf of contractor tax since 2018 has reached nearly VND 5.6 trillion (US$233.3 million).

This revenue tends to grow over the years with the average rate of revenue in the 2018-2021 period reaches 130 per cent.

The revenue soared from last year, reaching VND 1.6 trillion, an increase of 39 per cent compared to 2020.

The Ministry of Finance said there were currently 37 foreign suppliers around the world registered to pay corporate income tax and value added tax directly through the portal for foreign suppliers of the General Department of Taxation, with the declared tax amount, paid tax over VND 3.1 trillion.

Among them, some foreign suppliers declare and pay large taxes such as Meta (Facebook) paying over VND 1.7 trillion and Google paying nearly VND 1 trillion.

Nguyen Bang Thang, Director of the Department of Large Taxpayers, said that in order to manage taxes for foreign suppliers who were not based in Vietnam, the tax authorities had indirectly worked embassies, as well as large audit consulting organisations through which to mobilise and communicate.

During the implementation process, foreign suppliers have been very active and proactive in co-ordinating with tax authorities in understanding policies, declaring and paying taxes through the portal for abroad suppliers by the General Department of Taxation.

In addition to tax collection of foreign suppliers in Vietnam, managing tax collection for Vietnamese organisations and individuals earning income from e-commerce businesses is also promoted by the General Department of Taxation.

Accordingly, revenue increased over the years, especially rapidly from last year with VND 261 billion. In the first eight months of this year, it rose sharply to VND 520.7 billion, twice as much as the revenue last year.

However, Nguyen Thi Lan Anh, Director of the Tax Administration Department of small and medium enterprises and individual and business households, said it was the rapid and explosive development with many new forms in the past that had posed challenges to the tax authorities.

These challenges include difficulties in fully managing revenue sources, tax payers, and in determining the tax base.

In addition, it was difficult to clearly distinguish the type of income as a tax base because in the digital economy it is difficult to distinguish some types of income, especially copyright, service fees and business profits, said Anh.

The next issue was controlling business transactions to manage tax collectors for e-commerce business, she added.

In addition, it was not easy to control cash flow when the payment system in the form of COD (cash on delivery) was more popular than non-cash payment methods, she said.

In order to continue to improve the efficiency of tax collection management for e-commerce activities, in early October, the Prime Minister issued Official Letter 889/CĐ-TTg directing ministries, branches and localities to improve effective tax collection management for e-commerce activities and business on digital platforms.

Following the direction of the Prime Minister, the Ministry of Finance and the General Department of Taxation have closely co-ordinated with ministries and branches to build a database for e-commerce activities; and at the same time apply modern technologies in tax registration, tax declaration, and tax payment for e-commerce and business on digital platforms.

Anh also said that the tax industry continued to modernise tax administration; upgrade information technology infrastructure to connect and store information to support and connect with taxpayers in a direct electronic form at the website of the General Department of Taxation. VNS

Back to top

ENERGY

Prices for renewable energy still being negotiated

Negotiations about wind and solar power prices must observe the principles of publicity, transparency and consensus with investors.

According to the Ministry of Industry and Trade (MOIT), 62 wind power projects with the capacity of 3,479MW out of 150 projects with the total capacity of 8,100MW have signed power purchase agreements with the Electricity of Vietnam (EVN), but exact electricity prices have not been set because the FIT (feed in tariff) price expired on November 1, 2021. In addition, 452 MW has been built and installed, but electricity prices have not been defined yet.

These projects need re-negotiations about electricity prices. However, it will be very difficult to negotiate as many questions must be answered. How should we deal with projects located next to each other but have different prices? Will projects put into commercial operation first be cheaper than later commercial projects?

The time period for negotiating power-purchase agreements will also lead to a failure to control the opening of wind and solar power projects in the future. MOIT in the past suggested that EVN negotiate electricity prices and power-purchase agreements with investors under MOIT's electricity price frames and instructions.

However, EVN said there were difficulties for negotiation and recommended applying a competitive/auction mechanism. Most recently, EVN proposed an electricity price framework to be applied to wind and solar power projects failing to apply FIT prices.

The maximum solar power price is VND1,187.96 per kwh, and onshore wind power is VND1,590.88 per kwh. EVN recommended that MOIT continue using independent experts or consultants to consider EVN's calculations and proposals before approving the framework for determining prices through auctions.

The prices suggested by EVN are much lower compared with the previous - VND2,000 per kwh for wind power and VND1,680-2,200 for solar power (2019-2021). According to MOIT, wind and power prices are decreasing rapidly and are expected to continue to fall. Under the eighth national electricity development plan, onshore wind power price would drop from VND1,834 per kwh before 2025 to VND1,504 prior to 2030 and VND1,256 prior to 2050.

Meanwhile, offshore wind power prices would fall from VND2,393 to VND1,990 by 2030 and 1,232 by 2050. As for solar power, the prices would drop from VND1,303 by 2030 and VND804 by 2050.

According to an investor, when the Prime Minister set the preferential purchase wind power price of 8.5 cents per kwh, investors rushed to pour capital into renewable energy projects.

They borrowed money from domestic banks at high interest rates. However, as Covid-19 broke out, banks stopped lending. As a result, investors had to seek high-interest rate sources to continue implementing their projects. The investment rate, therefore, increased sharply. Investors hope this factor is a consideration to help them avoid losses.

Operational projects

When the government's mission visited a site to survey coastal wind power projects in Hoa Binh district in Bac Lieu province on December 4, Prime Minister Pham Minh Chinh noted that renewable energy investors earn high profits while the state and people had to bear high electricity prices. It is necessary to reconsider electricity prices and re-negotiate operating wind power project prices to harmonize benefits for investors, the state and people.

In August 2022, MOIT suggested contracts between EVN and investors in order to harmonize benefits of involved parties. EVN also sent a document to MOIT saying that the power purchase agreement (PPA) signed are sample agreements released by MOIT. Therefore, adjustment of PPA content needs thorough consideration.

An investor said: "We understand that the State wants investors to re-negotiate on a voluntary basis, but it doesn't force anyone to do this. Investors can agree or disagree on this.". VNN

Back to top

RETAIL

Retail industry faces difficulties because consumers tighten their wallets

The pent-up consumption trend during the pandemic is gradually decreasing in the context of rising interest rates and a weakening Vietnamese dong making consumers' to tighten their purse strings.

The consumer outlook report from VNDirect Securities Corporation shows that the pent-up consumption trend during the pandemic is gradually decreasing in the context of rising interest rates and a weakening Vietnamese dong making consumers tighten their purse strings.

Besides, the report said that the fading of the "wealth effect" - the psychological phenomenon that refers to a change in consumer spending patterns following a rise in the value of unrealised assets.

All investment channels including the stock market, property market, bond market, and digital asset market enjoyed a robust rise last year. As all these markets have entered a sharp correction this year which scaled down the unrealised asset value, thus will dent consumer spending power. Most labour-intensive industries are facing headwinds.

The country's export growth is expected to decelerate amid weakening global demand, thus textile, footwear, aquaculture, and wood processing have to scale down their production. With signals from the market, large retailers are slowing down or postponing their business expansion amid growing concerns over a downturn. MWG's An Khang pharmacy chain expansion has been delayed since the third quarter of this year. The number of Bach Hoa Xanh and Circle K stores also saw a reduction to prove the caution of retail chains to the current market status. Thus, listed consumer companies tend to maintain better financial health shape with low leverage and net cash position.

Recovery in the second half of next year

VNDirect expects Vietnamese consumption will be hit hard in the first half of next year and gradually recover to growth momentum from the third quarter as rising interest rates slow down as the Fed rate gradually eases; a gradually stabilising macroeconomy in Vietnam, helping to increase people's confidence in consumption; and the recovery of consumption in the EU and the US regions to bring back orders to Vietnamese industrial zones.

In addition, the National Assembly passed a Resolution in November on the state budget estimate for next year with the base salary to be increased by 20.8 per cent compared to the current VND1.8 million (US$75) per month from July 23, which can increase the income of the cadres and civil servants in Vietnam. VNDirect said that the current Vietnamese retail market in general still had a positive trend.

According to General Statistics Office, total retail sales of goods and services grew a healthy 25.3 per cent year-on-year in 10 months, largely thanks to the low base last year. If excluding the price factor, retail sales rose 16.8 per cent year-on-year, even higher than the pre-pandemic level.

Vietnam resumed international flights from the first quarter, and revenue from tourism doubled last year, recovering to 78 per cent of the pre-pandemic level. Google data showed that the country's mobility to retail and recreation has exceeded the pre-pandemic level by 4.6 per cent, and mobility to grocery and pharmacy has increased by 27.5 per cent compared to pre-pandemic. According to Statista, Vietnam's personal luxury goods market reached US$976 million last year and is expected to grow 6.7 per cent per annum to US$1 billion by 2025. Another report by Knight Frank said that there were about 72,135 individuals in Vietnam who had liquid assets of more than US$1 million last year.

Retail in the race

Analysts said that the retail market was entering a period of "symbiosis" of mutual benefits. Foreign enterprises when entering the Vietnamese market often look for a local partner. Domestic partners are enterprises that understand the market, culture and business environment to choose a site, devise a development strategy in accordance with consumer tastes, and contribute to the success of investors.

Experts said that in the long term, the Vietnamese retail market was also driven by other factors, in which the strength of the domestic market with 100 million people and a developing middle class were factors that attract many foreign investors. When foreign enterprises see the potential retail market, domestic enterprises are also trying to take advantage of their home-field strengths to make a breakthrough.

The Vietnam Retailers Association said that although the retail market in the country has had the participation of many foreign investors, the enterprises holding market share were still mainly domestic brands such as Masan and MWG. It can be seen that the picture of the retail industry is bright with competition between domestic and foreign enterprises.

And in this fierce competition, Bui Ta Hoang Vu, Director of HCM City Department of Industry and Trade, said that domestic retailers should have a very methodical development strategy to keep market share, and maintain the existing advantage. In addition, Vu said that in order to compete effectively in the new situation, domestic retailers needed to be more proactive in the digitalisation process. If not applying information technology through e-commerce, they would lose a huge advantage, he added. VNN

Back to top

LOGISTICS

Hong Kong delivery platform Lalamove doubles growth in Vietnam

Hong Kong delivery platform Lalamove has claimed its year-on-year growth in Vietnam doubled in the first 11 months this year. But it has not released figures for either year.

Vietnam is a key and positive market, its CEO Paul Loo said during a recent visit to the country, and his company has seen opportunities in long-distance delivery grow. It now covers 40 localities.

"Inter-province delivery still accounts for a small ratio of our revenues but it is growing very fast," Loo said. The e-commerce boom has also contributed to the growth, he said.

Vietnam's e-commerce market is estimated at $14 billion this year, up 14% from 2021, and is set to reach $32 billion in 2025, according to a report by Google, Temasek and Bain & Company. The report said 85% of urban residents use online delivery services. Lalamove, which operates in over 350 cities in mainland China, has a presence in 11 global markets. Since entering Vietnam in 2017 it has signed up over 100,000 drivers and 20,000 business partners.

Businesses are now reluctant to invest in their own vehicles and drivers due to fear of risks amid an uncertain future, which is why they rely on delivery services to transport their products, Loo said. His company is investing in technology to improve the algorithm connecting vehicles and customers, he said. With $700 million invested in online private transportation companies in the first half of this year, the sector is believed to have high competition. There is great potential to increase market share as long as a company meets the needs of its customers and increases the value of its ecosystem, Loo added. Vnexpress

Back to top

Vietnam to enhance competitiveness of logistics industry

The logistics industry of Vietnam had large potential for development, given the heavy investments in infrastructure system including building and expanding expressways, airports, seaports, and logistics centres.

Vietnam will focus on enhancing the competitiveness of the logistics industry and make it a high-added value services sector to promote socio-economic development, according to the Government's Decree No 163/NQ-CP issued late last week.

According to Tran Thanh Hai, Deputy Director of the Import-Export Department under the Ministry of Industry and Trade, the logistics industry of Vietnam had large potential for development, given the heavy investments in infrastructure systems including building and expanding expressways, airports, seaports, and logistics centres.

The heavy investment in infrastructure development was creating significant opportunities for logistics enterprises, Hai said. In addition, Vietnam's production and trade was recovering quickly with the country's import-export revenue hitting a new record of US$700 billion this year.

Mr. Hai, however, noted that 2023 would be a difficult year because the global economy was in a recession coupled with high inflationary risk, which would lead to a decrease in trade activities as well as logistics activities.

He urged enterprises to prepare for uncertainties in the context of the ongoing Russia – Ukraine conflict, natural disasters, diseases, or unexpected incidents. To promote the development of the logistics industry, the focus would be placed on promoting the logistics industry development with production, import and export activities. The drivers would come from the transportation and information technology infrastructure development, enhancing the competitiveness of logistics services companies and increasing linkages to make Vietnam an important logistics hub of the region.

It was also necessary to establish sustainable supply chains, improve the quality of human resources and promote digital transformation and technology application in the logistics industry. In addition, the policies of taxes and fees would be reviewed while customs procedures would be further simplified to create favourable conditions for logistics services providers.

Green logistics

The resolution also aimed to promote the development of green logistics.

Green logistics was arising to be a trend and an important indicator for the sustainable development of the logistics industry.

A report by the Ministry of Industry and Trade found that only 31 per cent of logistics enterprises used renewable energy in warehouses operation, 26.8 per cent did not have green development strategies and 35.2 per cent did not have activities related to environmental monitoring.

According to Trịnh Thị Thu Hương, Deputy Director of the School of Economics and International Business, the Government should consider building a strategy and planning for green logistics to 2030 with a vision to 2050, in which, the digital transformation should be sped up, infrastructure quality increased and conditions for multimodal transport improved.

Policies should also be raised to encourage small and medium – sized enterprises to switch to green logistics and use renewable energy, she said. VNS

Back to top

INVESTMENT

Samsung opens its largest regional R&D center in Vietnam

The US$220-million Samsung R&D Center in Hanoi, the Korean conglomerate's biggest research facility in Southeast Asia, was inaugurated 23 December 2022. With the new facility, Vietnam has now gone beyond its role as a global production hub for Samsung and become a strategic base for major research and development, the company said at the opening ceremony.

Construction of the 16-story facility began in March 2020. Prime Minister Pham Minh Chinh said at the event that Samsung's opening of the R&D Center in Vietnam is a testament to its orientation and commitment to long-term operation in Vietnam. "Samsung is the largest foreign investor in Vietnam with total registered investment of nearly $20 billion."

He added that its effective operation has made important contributions to Vietnam in terms of exports, jobs and taxes. Tae-Moon Roh, Samsung Electronics president, hoped the center would nurture the best Vietnamese talent. Samsung established its first smartphone factory in Vietnam in 2008 and has invested $18.2 billion so far. The figure could rise to $20 billion by the end of this year. Around half of all Samsung smartphones are made in Vietnam.

Back to top

Japanese manufacturer Kyocera to expand semiconductor investment in Vietnam

Kyocera Corporation, a Japanese multinational ceramics and electronics manufacturer, will double its previous three-year investment in semiconductor-related manufacturing and other industries in a number of countries, including Vietnam.

Japanese manufacturer Kyocera to expand semiconductor investment in Vietnam. The company expects to raise overall capital spending and R&D funding to around $9.78 billion during the three fiscal years through March 2026, according to Nikkei Asia.

Hideo Tanimoto, president of Kyocera, noted that the company would undertake significant investments in sectors such as ceramic components while maintaining a debt-free management approach since it expects the chip industry to increase in the medium term. The Japanese electronics company will borrow up to 1 trillion Japanese Yen by putting up its shares as security. Kyocera is also increasing its footprint in Vietnam, where it manufactures multipurpose machines and quartz components. The corporation will borrow money from banks partly by using its KDDI shares as security.

Samsung, the world's leading supplier of dynamic random access memory products, also plans to spend $850 million in Vietnam to manufacture flip-chip ball grid arrays.

Experts believe the fresh investment will make Vietnam one of four countries, together with South Korea, China, and the United States, to produce semiconductors for the world's largest memory chipmaker. VIR

Back to top

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