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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Vietnam enjoys trade surplus of over US\$ 2.8 Billion in two months

Total import-export revenue in the first two months of this year is estimated at \$96.06 billion, down 13.2% year on year, with a trade surplus of \$2.82 billion, reported the General Statistics Office (GSO).



According to the office, so far this year, the country has exported \$49.44 billion worth of goods, down 10.4% over the same period last year, with \$37.92 billion coming from the foreign-invested sector, accounting for 76.7%.

In February alone, total export revenue is estimated at \$25.88 billion, up 9% over January and 11% year on year. In the first two months of 2023, eight kinds of products recorded exports of over \$1 billion, accounting for more than 69.9% of the total. Particularly, three enjoying revenue of over \$5 billion. The manufacturing-processing sector contributed \$44.38 billion to the country's total export revenue, accounting for 89.8%, while agro-forestry sector made up 6.9%, fisheries 2% and fuel and minerals 1.3%.

In January and February, the country spent \$46.62 billion on importing goods, down 16% year on year, mostly on production materials. In February, the figure dropped 6.7% over the same period last year to \$23.58 billion.

In the first two months of this year, imports of 13 groups of goods exceeded \$1 billion, with two recording exports of more than \$5 billion. So far this year, the US has remained the largest export market of Vietnam with a revenue of \$13.1 billion, while China has been the biggest import market with a value of about \$14.6 billion. In the January-February period, Vietnam's trade surplus with the EU is estimated at \$4.8 billion, up 1.8%. Meanwhile, the country has suffered a trade deficit of \$6.4 billion with China, \$4.7 billion with the Republic of Korea, \$1.5 billion with ASEAN countries, and \$237.2 million with Japan.

To meet the target of about 6% growth in export revenue this year, the Ministry of Industry and Trade has asked businesses to actively improve the competitiveness of their products, while expanding their export markets. The ministry will strengthen the exploitation of potential markets nearby, while switching to official export channels in association with the building of trademark. The ministry will also renovate its trade promotion activities and develop digital infrastructure to increase distributions through e-commerce platforms.

Besides, the ministry will organize training courses for businesses and supporting them to make full use of free trade agreements. VNA

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## E-COMMERCE

### Project helps expand sales on transnational e-commerce channels

There is ample room for Vietnam to boost export and direct distribution of goods in foreign retail systems, heard a conference recently held by the Vietnamese Ministry of Industry and Trade (MoIT).



At the event, which discussed the implementation of the Government's project on promoting Vietnamese enterprises' direct participation in foreign distribution networks by 2030, representatives of foreign distribution giants said Vietnamese exporters need to ensure stability in output, quality, and price of goods; and meet requirements of environmental protection for their products.

Shiotani, General Director of Japan's Aeon Topvalu Vietnam said his firm annually imports tens of thousands of tonnes of bananas with a total value of US\$100 million, with up to 70% of the volume used to be from the Philippines because banana supplies there are stable in terms of price and quality.

However, in 2018, Aeon signed a memorandum of understanding with the Vietnamese Ministry of Industry and Trade (MoIT) and began to import fresh bananas from Vietnam. With positive feedback from customers, the volume of Vietnamese products exported to Japan increased significantly last year, accounting for more than 50% of the company's total banana imports. Shiotani said his company chooses banana suppliers based on their circular production model, adding that the model of this kind should be expanded.

To be accepted at foreign distribution systems, suppliers must meet the requirements of sustainable development and environmental protection besides product quality and price factors, he noted. Aly Ansari, senior director in charge of supply at Walmart Group of the US, also said the firm is interested in suppliers who focus on sustainability factors. He said Walmart places great emphasis on products made by ethical suppliers, who pay their workers fairly and attach special importance to ensuring food safety.

Vietnam's agro-aquaculture products will be prioritised if Vietnamese producers apply climate change adaptation solutions to farming, he said. According to Do Hong Hanh, strategic partner director of Amazon Global Selling Vietnam, in 2022, Vietnam's exports through Amazon sharply soared by 80%. Nearly 10 million Vietnamese goods items, mainly kitchen products, textiles, health care products, and consumer goods, were exported through e-commerce platforms, with export value rising by 45% from the previous year.

Do Thang Hai, Deputy Minister of Industry and Trade said by implementing the project, Vietnam's high-quality products have reached millions of consumers through distribution channels worldwide. Exporting to distribution systems of foreign retail groups has become an effective and sustainable solution to further expand the country's export, Hai noted.

In the coming time, the MoIT will focus on developing a network of strategic partners for the project, especially retail distribution companies that have a presence in Vietnam or those that are interested in shifting their supply chain to the Vietnamese market, Hai said.

The ministry will also pay heed to studying and proposing suitable policies to encourage Vietnamese enterprises to engage in direct export, he said.

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## ENERGY

### EU manufacturers eye offshore wind turbine plants in Vietnam

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European manufacturers are considering investing hundreds of millions of dollars in Vietnam to build wind turbine plants as the country gears up to exploit its large untapped potential in offshore wind, Reuters cited sources familiar with the situation as reporting.



*Power-generating windmill turbines are pictured at a wind park in Bac Lieu province. (Photo: Reuter)*

According to the World Bank Group, Vietnam is seen as a potential major player in the sector because of its strong winds in shallow waters near coastal, densely populated areas. Three industry sources, who declined to be named because the matter was confidential, named Danish turbine maker Vestas as one of the potential investors. The companies were looking for sites near ports but talks with local authorities and industrial parks were still preliminary as investors were waiting for the country to approve clear rules on offshore wind farms.

"We expect important investments to be decided this year by major global players in the offshore wind sector for the manufacturing of wind turbine components and Vietnam stands a good chance to welcome these," said Bruno Jaspaert, director of DeepC, an industrial zone in northern Vietnam.

Speaking on the sidelines of a wind conference in Hanoi on February 23, Erik Kjaer of the Danish Energy Agency said Vietnam has a strong steel output, therefore it would make sense to invest in the country as steel is key to making turbines. VOV

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## 2-year 'legal gap' lingers as rooftop solar systems stay disconnected from national grid

Businesses are still waiting for a new policy that will enable them to connect their rooftop solar systems to the national grid two years after Vietnam Electricity (EVN) stopped allowing such a mechanism.



Since Vietnam began encouraging solar power development in 2016, many businesses and households have been installing rooftop solar systems to sell to EVN for a 20-year incentive price. However, as the incentive policy ended at the end of 2020, new solar systems have not since been connected to the national grid.

Nguyen Thien Quan, CEO of solar power developer Sao Nam, said that blocking solar systems from connecting to the grid is unreasonable, as a solar system usually has strong capacity during the day and is weak during the night, which is when it needs to source from the national grid to ensure supply. A solar system is designed to supply to a closed network and it does not carry the risk of damaging the grid, which means even though EVN is not ready yet to finalize its policy on buying from generators, it can still allow them to safely connect to the grid, he said.

"We propose a policy to allow connections if a solar system has a zero export device installed," Quan said, referring to a device that can limit the amount of solar power exported to the grid. He also said that Vietnam's solar power development policy has been short-sighted, as shown by the two-year hibernation period in connecting rooftop solar systems to the grid.

Major cities, such as Ho Chi Minh City (HCMC), have a very high demand for solar power, and blocking them from connecting to the grid means hampering their development, even though the potential is great, Quan said. He added that with strong investment southern Vietnam can have enough power for domestic use and still export to Cambodia and Laos where energy shortages are reported. Do Minh Viet, CEO of solar power developer Dien Xanh, said that in the last two years neither the Ministry of Industry and Trade nor EVN has given businesses any specific guideline on connecting local solar systems with the national grid or on the self-supplication of industrial projects. "The lack of such guidelines can create negative responses from investors, especially in companies with foreign direct investment." Citizens are also upset with the legal gap.

Nguyen Thi Le, chairman of People's Council of Ho Chi Minh City, said that in previous years many households have installed rooftop solar systems because they were able to supply themselves with electricity and even sell some to the government.

But since the policy ended many people have expressed dissatisfaction during meetings with authorities, she added. By the end of last year, HCMC had 14,151 rooftop solar power systems with a total capacity of 355.19 megawatt-peak, accounting for around 7% of the city's total generation capacity. Nearly 99% of the systems were installed for self-supply. Vnexpress

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## RETAIL

### Retail sales of goods, services up 13% in January and February

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Of the total, the retail sales of goods were estimated at VND781.8 trillion, up 10.1% year-on-year, of which the revenue from garment and textile rose by 18.4%, food and foodstuff 12.5%, and home appliances 4%.



Meanwhile, a decrease of 3.7% was seen in the group of cultural and educational products, the GSO said.

In the period, the revenue from lodging and catering services reached VND109.1 trillion, a year-on-year rise 31.6%.

Notably, tourism raked in VND4.7 trillion, a 2.2-fold increase compared to the same period of last year, as various activities to welcome the spring were organised across the nation.

The turnover from other services was valued at VND98.6 trillion, up 16.2% year-on-year.

Director of the Ministry of Industry and Trade's Domestic Market Department Tran Duy Dong said that the ministry is striving for an 8-9% increase in total retail sales of goods and services this year.VNA

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## LOGISTICS

### Vietnam to have 16 more railway lines by 2030

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Vietnam's railway network planning expects to have 16 new national lines with a total length of about 4,802km by 2030.



According to the Ministry of Transport, the planning for 2021-2030 will also upgrade seven existing lines, whose total length amounts to 2,440km.

By 2050, the number of new rail lines will be 25, which together are 6,354km long.

The completely upgraded and expanded network following the planning will connect strategic economic areas and corridors, urban centers, international sea ports, border gates, and airports nationwide, said a leader of the ministry.

Rail transport boasts several advantages. It requires less land areas, leaves little impact on the environment, and carries a large amount of goods and passengers. It is also fast, safe, and low cost.

However, the railway investment budget is enormous, while the State budget resources are limited. Due to the low financial efficiency of railway investment, it is difficult for the sector to attract capital from society. Vnexpress

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## Spain to pour funds into high-speed rail in Vietnam

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Following the World Bank, Spanish and Japanese investors are also setting their sights on high-speed railways in Vietnam, including the north-south high-speed project. Deputy Minister of Transport Nguyen Danh Huy met with Spanish Ambassador to Vietnam Pilar Méndez Jiménez on February 23 to discuss the railway cooperation.

Ambassador Jiménez said that the length of the Spanish high-speed railway ranks second globally (following only China), including 30 routes and 229 high-speed trains that can reach a speed of 350km per hour. "Our trains use renewable energy, contributing to environmental protection," said the ambassador. The Spanish railway also uses two parallel rail gauges, 1,435mm and 1,668mm, ensuring smooth operation thanks to an automatic gauge changer system to save costs.

Besides this, Renfe – Spain's national railway company – has also developed high-speed railways in the US, Saudi Arabia, France, and Mexico.

The Spanish ambassador would like to work with the Vietnamese Ministry of Transport (MoT) to develop the railway system in the country, especially the high-speed railway. She has therefore asked the MoT to provide information on all relevant projects.

MoT Deputy Minister Nguyen Danh Huy said that the ministry welcomes Spanish enterprises to consider investing in a prioritised transportation portfolio.

"The government of Vietnam has issued its railway network planning for 2021-2030, with a vision to 2050, with a total investment of about \$200 billion – including the investment cost of the north-south high-speed railway project," said Huy.

The north-south high-speed railway project has been researched since 2005. It is currently being reviewed while the pre-feasibility study is completed. Based on the appraisal results, the MoT will adjust and complete the study before submitting it to the relevant authorities for consideration and in-principle approval.

Previously, also working with the MoT, leaders of the World Bank and the Japanese government expressed their intention to invest and cooperate with Vietnam to develop the north-south high-speed railway. The MoT and the Ministry of Planning and Investment have agreed to choose an investment plan for the north-south high-speed link with a double track measuring 1,435mm that can facilitate speeds of up to 225km/h. The total investment for this project is around \$76 billion. VIR

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## INVESTMENT

### Vietnam attracts nearly US\$535.4 million in FDI over two-month period

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Vietnam attracted nearly US\$535.4 million in foreign direct investment (FDI) in the first two months of the year, a decline of 85.1% against the same period from last year, according to the Ministry of Planning and Investment (MPI).

The total newly-registered capital, adjusted capital, and capital contribution and share purchases made by foreign investors stood at nearly US\$3.1 billion, a drop of 38% on-year.

The MPI attributed the decline in the total registered capital to a sharp decrease being recorded in the adjusted capital, while new investment capital, capital contribution, and share purchases still increased against the same period last year.

During the reviewed period, foreign investors have poured funds into 17 out of 21 economic sectors throughout the country. Of these, the processing and manufacturing industry continued to lead the way with a total investment of more than US\$2.17 billion, duly accounting for 70.1% of the total registered investment capital.

Furthermore, the real estate sector ranked second, with a total investment of nearly US\$396.9 million, followed by the wholesale and retail industries, transportation and warehousing sector with a total registered capital of approximately US\$202.1 million and roughly US\$141.9 million, respectively.

In terms of the number of new projects, the manufacturing industry also attracted the most projects, accounting for some 30% of the projects and the adjusted capital.

A total of 51 countries and territories injected money into the country in the first two months of the year. Of which, Singapore topped the list with total investment exceeding US\$978.4 million, accounting for nearly 31.6% of total investment capital, followed by Taiwan (China) with nearly US\$407.1 million and the Netherlands with nearly US\$369 million.

Moreover, foreign financiers have invested in 39 provinces and cities across the country. Bac Giang province topped the list with a total registered investment capital of more than US\$824.3 million, accounting for more than 26.6% of total registered capital, trailed by Ho Chi Minh City with over US\$369.1 million and other localities such as Binh Duong, Quang Ninh, and Dong Nai. VOV

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## Singapore is Vietnam's biggest foreign investor in January and February

Singapore poured US\$978.4 million into Vietnam in the first two months of this year, making it the biggest investor among 51 countries and territories investing in Vietnam, according to the Ministry of Planning and Development.



Singapore made up 31.6% of total foreign direct investment (FDI) approvals in Vietnam in January and February.

As of February 20, new FDI approvals in Vietnam, including newly-registered capital, adjusted capital and share purchases, totaled nearly US\$3.1 billion, down 38% year-on-year.

Taiwan came second with total pledged capital of US\$407 million in Vietnam, accounting for 13.1% of the total, and up nearly four times year-on-year.

The Netherlands ranked third with US\$369 million, accounting for over 11.9% of the total investment capital, followed by China, South Korea and Sweden.

China took the lead in the number of new investment projects in Vietnam, accounting for nearly 17.2%. South Korea ranked first in terms of capital adjustment (21.1%) as well as capital contributions and share purchases (30.5%).

Foreign businesses invested in 39 provinces and cities nationwide between January and February. Among those, the northern province of Bac Giang led the localities in FDI attraction with US\$824.3 million, making up 26.6% of the total, up 8.4 times over the same period in 2022.

HCMC came second with 103 new projects worth US\$369.1 million, accounting for nearly 12% of the total, followed by Binh Duong, Quang Ninh and Dong Nai.

Economic experts said that Vietnam needs to improve efficiency in investment promotion activities, as well as develop suitable investment policies to attract large FDI projects in the coming time. Saigontimes

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