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VIETNAM BUSINESS REVIEW

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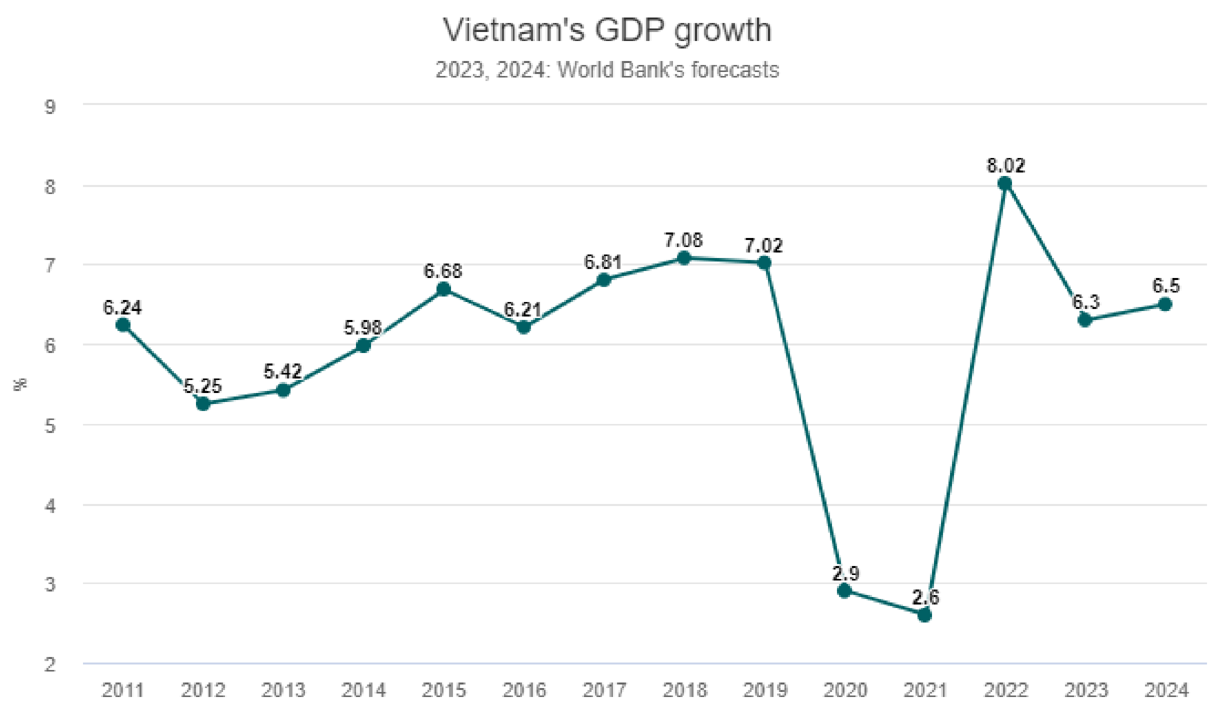
FINANCE

World Bank reduces Vietnam growth forecast sharply

Vietnam’s economic growth is set to slow down from 8% last year to 6.3% in 2023, the World Bank has forecast, pointing to internal and global headwinds.



It said in its latest report: "The near-term outlook remains favorable but subject to risks. Domestic demand is expected to be affected by higher estimated inflation (4.5% average) in 2023, which may erode household purchasing power. Rising interest rates may weigh on private investment."

The global situation would continue to weigh on the Vietnamese economy, with growth projected to decelerate to 1.7% this year, the third weakest pace in nearly three decades.

This reflects simultaneous policy tightening to contain high inflation, worsening financial conditions and the continued effects of the war in Ukraine.

Weaker than expected growth in Vietnam’s major export markets like the U.S., China, and the Eurozone could affect export prospects.

Persistent inflation in the US and the eurozone could lead to tighter financial conditions, affecting Vietnam’s financial sector.

Domestically, persistent price increases could cause inflation expectations to rise, feeding into destabilizing pressures on nominal wages and production costs and affecting demand.

Improving the services sector is a key solution for economic growth as productivity in this area remains lower than in regional countries.

The services sector labor productivity (measured by value added per worker) was US$5,000 in constant dollars in 2019, far lower than that of Malaysia ($20,900), the Philippines ($9,300) and Indonesia ($7,300).

Vietnamese manufacturing businesses are relatively limited in their use of services—the value of services as domestic inputs is only 14% with a mere 1.6% of manufacturing firms using global innovator services such as information and communications technology, professional and financial services.

The country should reduce restrictions on services trade and foreign investment, encourage technology adoption and upskill labor, the bank added. Vnexpress

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VPBank to sell US$ 1.4B in shares to Japanese megabank

Vietnamese lender VPBank is expected to sign a deal with Japan's Sumitomo Mitsui Financial Group later this month to sell a 15% stake worth some US$1.4 billion to the Japanese bank.

The Vietnamese bank will sell over 1 billion shares to SMBC Consumer Finance Co. under Sumitomo Mitsui, for VND32,000-$33,000 (US$1.3- US$1.4) per share, Bloomberg reported Saturday citing people familiar with the potential deal.

VPBank is among the seven biggest Vietnamese banks in terms of pre-tax profit in 2022, including Vietcombank, Techcombank, BIDV, MB, VietinBank and Agribank. Each bank recorded more than VND20 trillion in profits last year.

VPBank's pre-tax profit surged 48% over 2021 to VND21.22 trillion. Sumitomo Mitsui, Japan's second-largest banking group, is seeking to capture growth in Asian emerging markets through acquisitions, spurred by limited business opportunities at home, ultra-low interest rates and an aging population, Reuters reported. Sumitomo Mitsui said last November it would buy an additional 15% of the Philippines' Rizal Commercial Banking Corp.

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E-COMMERCE

Retail market motivates e-commerce gain momentum

Vietnam's retail market has seen positive signs of recovery, especially domestic demand, after COVID-19. In the new context of the market, many businesses and retailers in Ho Chi Minh City have carried out plans to improve e-commerce infrastructure in both online and offline channels.

Statistics showed that in 2022, the retail sector's net leasing area in the southern metropolis remained unchanged compared to the same period in 2021 with 1.5 million sq.m.

According to the Vietnam Association of Realtors (VARs), demand for retail space in shopping centres in big cities such as Ho Chi Minh will continue to strongly grow thanks to brand expansion.

Experts said, growth momentum for 2023 was based on economic bright spots like Ho Chi Minh City's retail turnover in 2022 of VND626 trillion (roundly US$26.5 billion), up 21% year on year.

The total retail sales of consumer goods and services in Ho Chi Minh City in January 2023 increased by 5.7% compared to the same period last year. The growth of retail sales has contributed greatly to rental capacity in the southern hub. In addition, consumers are increasingly interested in brands in the health care setor, sports and outdoor activities, leading to the increasing demand for premises of these industries.

Deputy Managing Director of Savills Vietnam Troy Griffiths said that the COVID-19 pandemic also changed consumers' shopping habits to online shopping, making retailers to reach clients through e-commerce. Vietnam's e-commerce activities have become an important distribution channel, as they help retailers approach loyal and potential customers faster and more conveniently. With a growth rate of about 20% per year, Vietnam is ranked among the top five countries with the world's top e-commerce growth.

The growth of e-commerce has motivated businesses and retailers to make an effort to boost offline sales and logistic services. Many units operating in the logistics industry believe that Asia in general and Southeast Asia and Vietnam in particular have great opportunities in logistics. There is opportunity for delivery businesses to catch up with trends in a timely fashion, build long-term competitive advantages and strengthen market position.

Stakeholders in the industry are asked to pay more attention to investing in technology and warehousing systems, expanding the number of post offices and connecting multi-party businesses, and creating a complete ecosystem to bring more benefit for businesses, traders and consumers. VNA

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ENERGY

Investors in renewable energy expressing worries over electricity pricing structure

Investors of transitional solar and wind power plants have written to the prime minister expressing concerns that the electricity pricing mechanism would cause possible disruptions of their financial plans.

Due to the severe impact of Covid-19, 84 renewable energy projects with a total capacity of 4,871.62 MW, comprising 4,184.8 MW of wind energy and 491.82 MW of solar energy, have fallen behind the commercial operation date.

Construction and trial operation have been completed for 34 transitional projects, including 28 wind energy projects and six solar power projects. They have nearly 2,091 MW in capacity.

The delay has led to many projects failing to enjoy feed-in-tariffs as stipulated in Decision 39 of the prime minister on wind energy and Decision 13 of the prime minister on solar energy.

According to the investors, they have had to wait a long time for the new electricity pricing mechanism, which will be treated as a foundation for reaching agreements on electricity prices with the Vietnam Electricity Group, stated their document.

However, policies for transitional projects recently issued by the Ministry of Industry and Trade have shown many inadequacies in legal matters and financial effectiveness for the investors, which could drive the investors into a business loss or bankruptcy.

The investors said that the delay or suspension of the projects due to the inadequate framework for electricity prices would further delay the country in realizing its commitments to energy transformation.

For the above reasons, they petitioned the prime minister to direct the Ministry of Industry and Trade to research and issue a more satisfactory transitional framework for electricity prices.

The investors also proposed the Government mobilize the capacity of the electricity projects which have completed their construction while waiting for a revised electricity price framework, convert the currency used for purchasing electricity into U.S. currency and adjust it subject to the fluctuation of foreign exchange rates. Saigontimes

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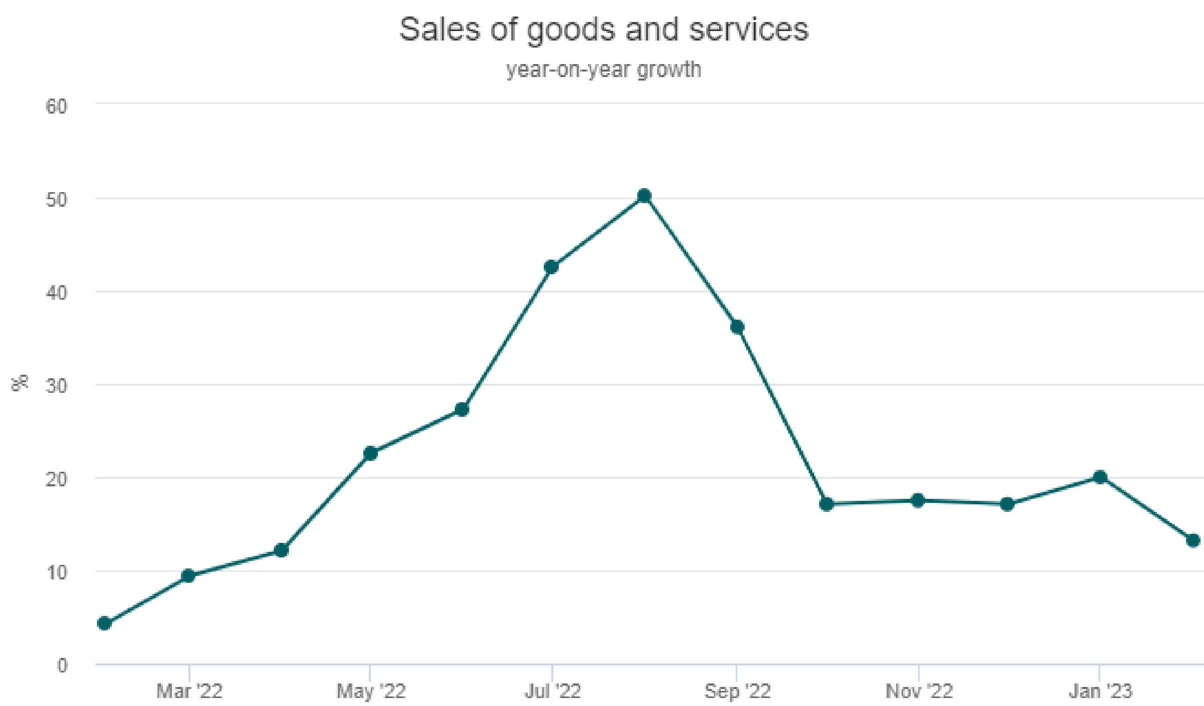
RETAIL

Vietnamese consumers are cutting back on their spending on shopping

Vietnamese consumers are cutting back on their spending on shopping and eating out due to rising inflation and unemployment.



Source: Vnexpress

Sales in the food and beverage sector began to decline in the last quarter of 2022 and have continued to weaken since then, with several malls in Hanoi and Ho Chi Minh City now having empty spaces as tenants stopped renting. In addition, sales of big-ticket items like cars are seeing a decline. The cutdown of jobs explains the decrease in spending, with nearly 547,000 workers having their work hours reduced or suspended temporarily due to plunging orders.

Despite sales of goods and services nationwide still growing. Inflation in February was 4.3% year-on-year, against the target of keeping it under 4.5%. Businesses are expecting a stronger demand in the last quarters of the year. Vnexpress

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Central Retail plans to acquire a large shopping mall chain in Vietnam

Central Retail, owned by the Thai billionaire family Chirathivat, is reportedly negotiating to acquire a large shopping mall chain in Vietnam, as part of its expansion in the Vietnamese retail market.

The company has spent billions of dollars on M&A deals in Vietnam, including the takeover of Big C Vietnam from the French Casino Group in 2016. Central Retail has been expanding its network of smaller-scale food stores to directly compete with traditional markets and convenience stores.

Central Retail joined the Vietnamese market in 2012 as a fashion retailer, with just several branches. To scale up its business in Vietnam, it spent billions of dollars on M&A deals.

In April 2016, Central Retail took over Big C Vietnam from the French Casino Group in a deal worth 920 million Euros, or $1.05 billion.

In 2021, Central Retail completed the renaming of supermarkets to Tops Market and hypermarkets to Go!, eliminating the Big C brand in Vietnam after 22 years.

Central Bank has been expanding its network of smaller-scale food stores which directly compete with traditional markets and convenience stores.

In 2015, Central Retail acquired Lan Chi Mart, the chain that is mostly present in northern rural areas. The value of the deal remains a secret. Lan Chi mart was established in 1995, comprising 24 stores. The current legal representative of the supermarket chain is a Thai citizen.

In another deal, the Thai billionaire spent VND2.6 trillion to acquire Nguyen Kim, a household appliance retail chain. The owner and operator of the chain was NKT Company, established in 2014 with charter capital of VND800 billion. Nguyen Kim once led the Vietnamese household appliance retail market segment as it was the first to appear in the market.

Through Nguyen Kim, Central Group also acquired the e-commerce website Zalora Vietnam from the German Rocket Internet in May 2016. One year later, Central Group stopped Zalora and turned it into Robins.vn. Vietnamnet

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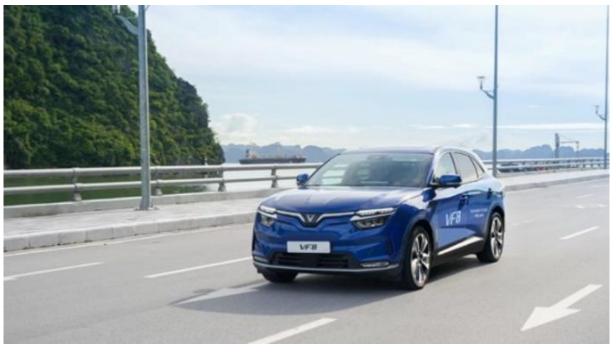
LOGISTICS

Vingroup is setting up electric vehicles rental business

On March 6, Vingroup announced the formation of Green-Smart-Mobility JSC (GSM), a company that will utilize VinFast electric vehicles and scooters for taxi and rental services with the aim of promoting electrified mobility and a green lifestyle in the community.



This newly established firm has a total charter capital of USD 129 million, with 95% ownership held by chairman Pham Nhat Vuong. GSM will offer EV rental services to both traditional taxi firms and tech-based ride-hailing service providers, as well as operating its own electric taxi business. Additionally, Vietnam's first pure electric taxi company, founded by GSM, is expected to start operating next month in Hanoi and expand nationwide throughout the year.

The company will use around 10,000 cars and 100,000 scooters, all VinFast electric vehicles. Nguyen Van Thanh, CEO of GSM JSC, hopes that this new development will further promote the green and smart mobility ecosystem in Vietnam, while providing people with more affordable options for using electric vehicles.

GSM aims to increase awareness about the convenience, intelligence and sustainability of EVs to encourage locals to adopt the habit of using electric vehicles.

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Vietnam faces challenges in joining multi-billion dollar logistics field

When joining the World Logistics Passport (WLP) program, enterprises will have favorable conditions in global logistics and trade activities. However, obstacles still exist in Vietnam.

Bader Abdulla Al Matrooshi, UAE Ambassador to Vietnam, said at the WLP Forum on March 1 in HCM City that UAE is Vietnam's biggest trade partner in the Middle East with two-way trade reaching $8 billion in 2022.

According to the Ambassador, under the WLP program that Vietnam has joined, trade turnover will increase through the improvement of economic and trade benefits of partners.

WLP is a global initiative led by Dubai (UAE), designed to facilitate the world's trade flow. WLP has added Vietnam to the list of regional logistics and trade hubs. Currently, the network comprises 29 hubs. WLP will customize benefits for members to cut costs, save time, and support the removal of trade barriers, thus facilitating traders.

Abdulla Alsuwaidi, director of WLP's Hubs and Global Partners, said as a transit and production center of the region, Vietnam will act as an important hub of the WLP network. Commenting about the benefits Vietnam can expect when joining WLP, Vietjet Air Deputy CEO Do Xuan Quang said in terms of air transport, when joining WLP, the air carrier can cooperate with Emirates SkyCargo to carry cargo to the Dubai hub and from there carry cargo to Europe and the US – markets that Vietjet doesn't have air routes with.

In HCM City, in addition to Vietjet, other enterprises have signed agreements on WLP deployment, including Saigon Premier Container Terminal (SPCT), Gemadept Port, Lotus Port and Sotrans Logistics. Also, 22 enterprises which are members of the Vietnam Logistics Association (VLA) have registered to become members of WLP. Nguyen Minh Hang from the Ministry of Foreign Affairs (MOFA) noted that nowadays, when the world's economy is facing difficulties, new markets like the Middle East have great potential for Vietnam to exploit.

Joining WLP means promoting trade with UAE, a potential partner, and through UAE, other partners in the Gulf. However, Le Quang Trung, deputy chair of VLA, recalled two noteworthy problems when applying for the program in Vietnam. First, the terminal handling charge (THC) in Vietnam is very low compared with the rest of the world, and it is the lowest in Southeast Asia.

Shipping firms collected $115-140/40-feet containers, and later paid back $52/container to seaports, or 30 percent of collected fee. At present, the rate is 80 percent in Singapore and 60 percent in Cambodia. Therefore, hubs in the rest of the world, with high THC, can lower the charges and support partners within the WLP program.

Meanwhile, the hub of Vietnam, which has low THC, cannot reduce the THC further. And it cannot apply a fee either too low or too high, as stipulated in MOT's Circular 54. Instead of cutting the THC, WLP in Vietnam will need to cut other costs. Second, customs procedures in Vietnam remain complicated when exporting or importing goods, especially in Cai Mep-Thi Vai Port in Ba Ria-Vung Tau.

Meanwhile, in WLP's trade flow, customs clearance plays a very important role. At present, the time needed to get customs clearance at Vietnam ports is 52 hours and the country is striving to cut the time to 50 hours in 2023. Though expenses on customs procedures are not high, the procedures are complicated. "The WLP program needs to consider the reality when applying in Vietnam," he said. Vietnamnet

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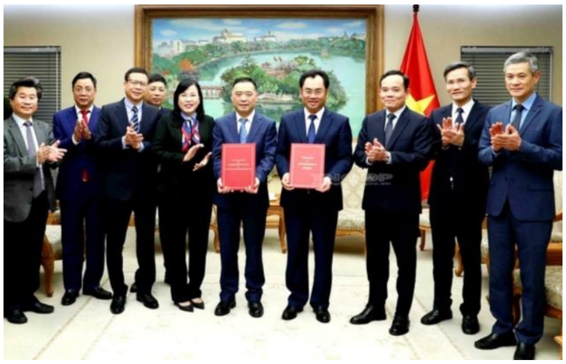
INVESTMENT

China's Sunny Group is planning to invest US$ 2.5 billion in Thai Nguyen

China's Sunny Group is planning to invest US$2.5 billion in an industrial project in the northern province of Thai Nguyen.



At the Vietnamese Government's Office on March 8, Thai Nguyen Province and Sunny Group signed a memorandum of understanding to develop an industrial center at the Yen Binh industrial park in Pho Yen District under the witness of Deputy Prime Minister Tran Luu Quang.

The project is expected to attract 15,000 workers and generate US$5 billion in revenue each year, the local media reported.

In Vietnam, Sunny Group has been developing four projects, with total registered capital of US$130 million, at industrial parks in Thai Nguyen, Vinh Phuc and Hanoi City to produce infrared cameras for autos, phone camera modules and surveillance cameras.

Speaking at the event, Deputy PM Quang said that Thai Nguyen has potential for hi-tech development, so he expected Sunny to call on other hi-tech enterprises to tap the province.

The deputy prime minister also told the firm to create conditions for Vietnamese companies to supply supporting components, helping Vietnam's industry thrive.

Besides, the Government representative suggested Sunny Group should weigh on investing in a research and development center to facilitate its operation and make it easier for Vietnam to access new technology. Thesaigontimes

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VinaCapital has entered into a real estate investment deal with Ryobi Kiso Holdings

VinaCapital announced in 09 Mar that it has signed an MoU with Ryobi Group to work together on suitable real estate projects, venture capital, infrastructure, energy, and other investment opportunities in listed and private equity in Vietnam.

Brook Taylor, COO of VinaCapital, said, "As one of the fastest growing economies in the world, Vietnam continues to present enormous investment opportunities across a wide range of sectors, from real estate and renewable energy to logistics and IT. I am honoured that Ryobi has once again selected VinaCapital to be its partner."

Toshiyuki Matsuda, president of Ryobi Group, stated that Ryobi and VinaCapital first worked together about 10 years ago on a successful equity investment.

"At that time, VinaCapital's CEO Don Lam presented us with several other investments that, in retrospect, we would have done very well had we invested in them all. But I am delighted that we have maintained a trusted relationship between our two companies and now have exciting new opportunities to work together across a variety of sectors in Vietnam," said Matsuda.

According to Toshiyuki Tamura, director of Casco Investments Limited, Ryobi Group has engaged in many real estate projects in Japan, but does not have a lot of experience in overseas projects. "Because of this, we decided to proceed with this investment thanks to generous support from Vina Capital Group, one of the most reliable companies in Vietnam," said Tamura. One potential project for collaboration is the development of low-rise residential projects in satellite cities surrounding Ho Chi Minh City being undertaken by VinaLiving, the real estate investment arm of VinaCapital.

The southern metropolis continues to be one of the primary drivers of Vietnam's robust economic growth. The construction and enhancement of infrastructure such as roads and highways are increasing accessibility and development to a wider area beyond the city limits. This in turn is creating the need for more homes and commercial space in the satellite cities that are expected to grow rapidly as more businesses move to these up-and-coming areas.

VinaLiving is a pioneer in developing luxurious residential projects targeting Vietnam's rising middle class. Ryobi was founded as a railway company over 100 years ago in Okayama, Japan. Today, the group has over 40 subsidiaries operating in a wide range of sectors, including transportation and tourism, ICT, urban development, logistics, and healthcare.

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