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FINANCE

Vietnam central bank cuts rates for first time in two years

Vietnam's central bank said in 14 March it is cutting several policy rates, its first cut since late 2020, to increase liquidity and support economic growth, which the country is targeting at 6.5% this year.

The annual rediscount rate, overnight electronic interbank rate, and interest rate for loans to offset capital shortages in clearance between the central bank and domestic banks, was cut by 1 percentage point from March 15, the State Bank of Vietnam (SBV) said in a statement.

It is the first such move since October 2020 and reverses a trend of rate increases, with the latest rate hike last October.

It comes as the country's inflation is under control and is part of the government's efforts to stabilize interest rates to remove obstacles for both businesses and individuals, the statement added.

The SBV said it would stay vigilant as central banks around the world are still hiking interest rates with focus on signals from the U.S. Federal Reserve's upcoming policy decision in the wake of the collapse of tech-focused lender Silicon Valley Bank. Vietnam aims to keep inflation below 4.5% this year.

The Southeast Asian country has been one of the fastest growing developing nations. For 2022, it reported growth of 8.02%, the fastest in decades. Tuesday's statement included a decrease in the cap on dong loan rates at commercial banks by 50 basis points depending on loan maturities. Vnexpress

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Vietnamese stock market's publicity and transparency improved

The capacity of the State Securities Commission (SSC) and three stock exchanges in market management and supervision has been enhanced as a result of a collaboration project with the Japan International Cooperation Agency (JICA), an SSC leader said in 21 March.

From April 2019 to March 2023, the technical cooperation project “Capacity Building on Improving Fairness and Transparency of Vietnamese Equity Market” aims at ensuring publicity and transparency, strengthening market surveillance and inspection, supervision of market intermediaries, listing and public offerings in line with international standards, and raising awareness on investor protection among listed companies.

With the intention to cooperate with counterparts to develop the best practices for the stock market, the project conducted a detailed initial survey on the Vietnamese market, grasped issues and directions for their solutions, and then implemented training programs, consultations, and seminars.

Thanks to that, SSC has basically achieved the set targets, Pham Hong Son, Vice Chairman of SSC, said at a discussion platform on the Strategy for Development of Vietnam’s Securities Market 2021-2030 held on Tuesday morning in Ha Noi.

"SSC and stock exchanges’ capacity in market management and supervision has been enhanced, improving the fairness and transparency of the Vietnamese stock market and protecting investors from market volatility," Son said.

The number of new securities accounts doubled, while foreign investors net bought strongly in the last months of the year. This showed the growing appeal of the country’s stock market at home and in the international markets, he added.

The results helped realise the strategy for development of Vietnam’s stock market during 2011 - 2020 and the socio-economic development plans set out by the Government.

Speaking at the event, Shimizu Akira, chief representative of JICA Vietnam Office, said that the country’s stock market has grown strongly since Vietnam opened. The market capitalisation value at the end of 2020 exceeded US$180 billion, while the interest of foreign investors, including Japanese investors, is increasing.

As the stock market is a crucial channel for capital mobilisation, the Government has recognised the importance of improving the fairness and transparency of the market.

Thanks to that, the Government has made efforts and accelerated solution implementation, such as by issuing the amendment to the Securities Law and establishing the Vietnam Stock Exchange.

The project is believed to help shore up investor confidence in the Vietanmese stock market after recent scandals.

"I believe that promoting the application of measures to supervise the market, supervise securities companies, improve the management of public offerings and listing of securities, and enhance public awareness on investor protection, which is proposed by this project, will help rebuild the confidence of domestic investors. In fact, the Strategy for Development of Vietnam's Securities Market 2021-2030 has integrated many solutions recommended by this project," Kojima Kazunobu, JICA consultant, told Vietnam News

Following the successes, Vietnam begins a new phrase for the stock market's growth, targeting new goals of the Strategy for Development of Vietnam's Securities Market 2021-2030, said the leader of SSC.

Accordingly, SSC aims to expand the size of the stock market capitalisation, increase the bond market debt, and achieve an average of 20-30 per cent growth a year for the derivatives market.

The strategy also plans to increase the number of investor accounts and develop institutional investors, professional securities investors, and foreign investors.

The quality of listed companies management and ESG (environment - society - governance) standards application at the stock exchanges and the Vietnam Securities Depository and Clearing Corporation (VDSC) towards sustainable development are new targets for the domestic market's growth, said Vu Chi Dung, director general of the International Cooperation Department under SSC. VNS

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E-COMMERCE

Live-selling a rising trend in Southeast Asia

Live selling is a trend that has gained popularity in Southeast Asia in recent years as a way for businesses to sell their products or services directly to consumers, according to a report conducted by Ninja Van Vietnam.

The tech-enabled logistics company has released its first-ever white paper on live selling in Southeast Asia and shared live selling insights collected from over 1,000 of its e-commerce sellers across Singapore, Malaysia, Indonesia, the Philippines, Thailand, and Viet Nam.

“Live selling is an interesting marketing tactic for e-commerce sellers,” said Winston Seow, chief marketing and enablement officer at Ninja Van Group. "It’s the only tactic that can fast-track shoppers’ purchase journeys from awareness straight to conversion. Live selling also gives ecommerce sellers the ability to build relationships with their shoppers, both new and existing.”

In Southeast Asia, surveys indicate that one-third of sellers on e-commerce platforms use the live selling model, spending up to six hours weekly conducting live selling sessions. Most of the early adopters of live selling are from low-involvement product categories such as fashion, beauty and personal care, food and beverages, as well as home and living. Shopee (27%), Facebook (25.5%), and TikTok (22.5%) are ranked as the top three live selling channels, according to the report.

The survey also revealed that on average e-commerce sellers in the region use two channels for live selling to maximise their outreach to live shoppers.

A recent report conducted by Decision Lab’s on the state of online shopping via social media in Viet Nam showed that 72% of consumers say that they choose to shop on social media thanks to its convenience compared to other e-commerce platforms. The white paper also identifies many challenges for the live selling model, such as keeping live shoppers engaged, preparing on-set logistical requirements, as well as sales and post-sales arrangements.

In its report, Ninja Van proposed three "tips" to help businesses conquer the challenge of selling via live stream and bring in profits. The first tip is the “being charming is the key". Good impressions and positive buying experiences for viewers will help to promote the brand. The second tip is to use TikTok Shop, which provides a seamless experience and many benefits for sellers, and the final tip is for sellers to seek optimal solutions and use tools that help manage their sales more easily. VNS

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ENERGY

Several investors in wind and solar energy face insolvency

Several investors are concerned about the derailment of their financial plans if the Ministry of Industry and Trade (MoIT) sets a low energy-producing price structure.

During the week of March 13, 36 businesses investing in wind energy and transitional solar power – projects that failed to reach commercial viability on schedule to receive set discounted rates for 20 years – submitted a proposal to Prime Minister Pham Minh Chinh to improve the power generation pricing structure.

"There is a possibility of financial plan failure and bad debts. Firms and banks will be unable to recover money if the new method is implemented," the petition claimed.

Companies are also worried about legal shortcomings and a lack of financial efficiency, both of which may lead to losses and insolvency. They feel that the sum of $2.46 billion would not be recovered and companies would shatter their financial goals with this new power-generating price band.

In the long term, according to the enterprises, the poor pricing system would lead to the stoppage or postponement of investment projects, making it impossible to assure a commitment to the energy transformation.

The MoIT approved a new pricing range for power production for these transitional projects two months ago. The ceiling price for transitional solar power projects is from 5-6.4 US cents per kilowatt-hour, while the limit price for wind power ranges from 6.7-7.7 US cents per kWh. This ceiling price is 20-30 per cent lower than the 20-year favourable feed-in tariffs (FIT) that were given previously.

Presently, there are 84 renewable power initiatives (with a potential of more than 4,676MW) that have fallen behind schedule for commercial operation and are not eligible for a set preferential electricity price – FIT – for 20 years. In which, 34 transitional initiatives (28 wind power projects and six solar power projects) with an installed output of roughly 2,091MW have been built and evaluated.

According to investors, they have had to wait for over two years for a new power generation pricing mechanism, which would serve as the foundation for negotiating electricity rates with Electricity of Vietnam. With this price category, the real power selling price of transitional projects is less than or equal to the price bracket's ceiling following negotiation.

Due to the inconsistency between Decision No.21/QD-BCT's (issued on January 1) power generation price bracket for transition projects and Circular No.15/2022/TT-BCT (issued on October 3, 2022) and associated documents, investors propose that the prime minister instruct the MoIT to investigate and authorise the introduction of a fresh electricity generation price bracket.

Investors also urged the PM to order the MoIT to produce new circulars on prototype power purchase and sale contracts relevant to transitory wind farms and transitional solar power projects. With a 20-year duration for the transition project sales price, these model contracts should continue to provide incentives for renewable energy. VIR

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CJ OliveNetworks Vina launches rooftop solar business

CJ OliveNetworks Vina, a subsidiary of CJ Group Vietnam, has launched a rooftop solar business to provide green energy solutions to all CJ Group's factories and its Korean customers.

The rooftop solar business is part of CJ Group's commitment to sustainability, which brings direct economic benefits by helping factories save on their electricity bills.

CJ OliveNetworks Vina aims to generate 50 MWP annually from rooftop solar projects in ASEAN countries, which it believes can help cut more than 55 thousand tons of CO_2 emissions annually and save more than 3.7 million trees.

With the rooftop solar projects, at the end of 2022, CJ Olivenetworks Vina received "Best C&I EPC Service" Award and "Best C&I Green Energy Project" Award from SolarQuarter, an Asia's cleantech media company.

CJ Group is a South Korean conglomerate with diversified businesses in the food and beverage, entertainment, logistics, healthcare and other industries. Its current outstanding customers include CJ Agri Vina (Vietnam), CJ Bio (Vietnam & Indonesia), and CJ F&C (Indonesia, Cambodia, Philippines and Myanmar). Vnexpress

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RETAIL

Careful consideration of special consumption tax on sugary drinks urged

Enterprises urge careful consideration to be given to the Ministry of Finance's proposal to impose a special consumption tax on sugary drinks to ensure harmonisation of benefits between the State, consumers and producers.

Nguyen Quoc Viet, deputy director of the Viet Nam Institute for Economic and Policy Research, said production and business remain difficult.

To ensure macro-economic stability, it is necessary to maintain policies which energise enterprises and promote domestic consumption. Policy changes, if any, should be studied carefully to ensure benefits harmonisation.

Viet said that it was not a good time to change taxes as it might further burden enterprises and consumers, especially when efforts are being made to recover growth. He added that the adjustments might cause instability in the institutional and legal environment and have negative impacts on businesses.

The finance ministry planned to levy an excise tax on sugary, barley, and non-alcoholic beverages. The ministry said that the tax was designed to bring down sugar consumption and improve public health, adding that the heavy consumption of these drinks was causing overweight and obesity.

The ministry cited statistics that sugary drink consumption increased seven times in the last 15 years, from 6.6 litres per capita per year in 2002 to 52.09 litres in 2020.

However, Nguyen Thi Lam, former deputy director of the National Institution of Nutrition, said there was no clear link between sugary drink consumption and obesity.

She pointed out several reasons for obesity, such as a sedentary lifestyle, using foods rich in fat and protein, fast food and sugar-containing foods.

According to Chris Valoon, president of the American Chamber of Commerce in Vietnam (AmCham) Da Nang, the existing legal system of Viet Nam does not define what a sugary drink is, despite the ministry's proposal to add sugary drinks, barley drinks and non-alcoholic beverages subject to the special consumption tax.

This would mean that a wide range of products essential for life and health, such as milk and dairy, would be subject to the tax.

The impacts of the policy change must be carefully studied, especially on enterprises and consumers.

Sharing the same viewpoint, Tran Quang Trung, president of the Viet Nam Dairy Association, said that it was not correct to consider sugar a major cause of overweight and obesity.

Besides the increasing rate of obesity in cities, the rate of stunted children in rural areas also needed to be paid attention to, he said, adding that it was necessary to have definitions for sugary drinks and classifications.

Do Thai Vuong from the Vietnam Beer – Alcohol – Beverage Association (VBA) said that the beverage industry was recovering from the COVID-19 pandemic but still faced a lot of difficulties with uncertainties from the global situation and increasing production costs.

Enterprises in the beverage industry needed stable policies in terms of taxes and fees to return to pre-pandemic growth, he said.

The imposition of an excise tax on sugary drinks would not solve the problem of obesity but create a discriminatory tax policy, which might cause undesirable consequences for other related industries such as the sugar production, retail and packaging industries.

Dinh Trong Thinh from the Academy of Finance, however, had a different perspective when saying that this tax should be levied to regulate consumption behaviour. The tax rate could be around 10 per cent, the same as in Cambodia, along with regulations on nutrition labelling, testing, monitoring and boosting communication programmes.

This was not the first time the proposal about an excise tax on sugary drinks was raised. The idea was introduced in 2014 with a tax rate of 10 per cent but did not reach an agreement.

The Ministry of Finance planned to increase the special consumption tax on beer and alcohol, saying that the consumption of alcoholic beverages was increasing rapidly.

The current tax rate on beer is 65 per cent, and for alcohol from 35 per cent to 65 per cent, depending on the alcohol content.

Vo Tri Thanh, director of the Institute for Brand and Competitiveness Strategy, said that it was not a good time to consider the imposition of the excise tax when enterprises were still in difficulty and more time was needed to study the impacts of the policy change and consulting international experiences.

A problem which might arise when the tax was imposed was that consumers would shift from using official products to smuggled products. This impact must be studied thoroughly, Thanh said.

Denmark is one country which had imposed this tax since 1930, but it lifted the tax in 2014 because the imposition did not bring the effect as expected. VNS

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Japanese Retailers expand in Vietnam by targeting resilient consumers amid economic challenges

Japanese retailers are expanding in Vietnam by targeting consumers who are not much affected by the country's difficult economic situation.

Uniqlo and MUJI have been in Vietnam for three years and are opening more stores. MUJI has opened a large store in HCMC's Thu Duc City, and plans to open more stores in Hanoi. Aeon has also started building its seventh outlet in Vietnam.

A recent business survey found that 100% of Japanese retail businesses in Vietnam expect profits to increase this year, and 80% said they would expand in the next one to two years. Japanese retailers are doing well partly because high-income earners in Vietnam are recession-proof.

They are also selling online shopping support made-in-Vietnam products, and increasing the local content rate. MUJI has found success in the Vietnamese market by selling ballpoint pens for VND19,000 ($0.8) to attract students who like minimalist Japanese designs.

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LOGISTICS

Vietnam's Be Group in deal to become country's first ride-hailing firm to use electric vehicle

Vietnam's Be Group said in 21 March it has signed an agreement with an electric vehicle leasing service that will make it the first ride-hailing firm in the country to use EVs.

Be, a homegrown platform with nearly 10 million customers, and GSM, founded by the owner of Vietnamese EV maker VinFast, will work with Vietnam Prosperity Bank to allow drivers to switch away from combustion engine vehicles at "affordable prices", Be said in a statement.

Vietnam is promoting the production and mass use of EVs as part of efforts to achieve carbon emission neutrality by 2050. There are currently about 7,800 electric vehicles on its roads, according to Vinfast.

GSM, which was founded by chairman of VinFast parent Vingroup and Vietnam's richest man, Pham Nhat Vuong, is scheduled to commence electric car and motorcycle leasing services from April.

Its tie-up with Be will include a direct investment into the ride-hailing firm, the statement said without providing an amount.

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Railway and seaport networks need to be arteries of economy

The railway network connecting economic hubs and seaports needs to be designed as the key arteries of the economy, Deputy Prime Minister Tran Hong Ha said at a meeting with the transport ministry and relevant departments yesterday.

The discussion focused on the planning, policies, solutions and resources to implement the railway and seaport planning for the 2021-30 period, with a vision to 2050. A report by the Ministry of Transport said that the goal is that by 2030, the network of seaports in Vietnam can handle up to 1.4 trillion tons of goods and 10.3 million passengers.

Around 33,600ha of land and 606,000ha of water surface are expected to be used to develop this network. The demand for investment by 2030 is about VNĐ313 trillion (US$13.2 million). This funding is expected to be mobilised from the private sector, among other sources. The State budget capital is focused on public maritime infrastructure and key economic areas.

Deputy PM Hà also proposed an overall review of the general, specialised and inland waterway ports for renovation, utilising the transportation potential of the dense river network across the country. The roadmap also needs to be supported by in-depth studies for synchronised implementation of detailed plans.

Suggesting selecting one railway route to focus on, the deputy PM asked the Ministry of Transport to work closely with the Ministry of Natural Resources and Environment for land use at intersections and stations. The deputy PM also asked the transport ministry to focus on several key railway and seaports projects in the 2023-25 plan, while carefully reviewing and estimating investment resources, economic efficiency and the role of the State in the projects to be deployed in the following phase.

The railway network investment and development projects to 2023 are expected to make breakthroughs on the main routes of great demand, utilising its strengths in transporting a large volume of goods and passengers through medium and long distances. The total demand for capital for the railway network by 2030 is estimated at about VNĐ240 trillion ($10.1 million), using the State budget as well as other sources.

After the master plans for the railway and seaport networks are approved by the Prime Minister, the transport ministry will actively implement the project, conducting evaluation after the first year, completing regulations and detailed plans, and allocating capital sources for the medium-term. Vietnamnet

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INVESTMENT

Foreign investors find industrial and logistics properties in Vietnam to be appealing

Vietnam's industrial real estate sector has great potential for developing more projects related to data centres, cold storages and logistics, according to John Campbell, Associate Director, Head of Industrial Services at Savills Vietnam - the largest and most experienced real estate services company in the Southeast Asian nation

Main opportunities in the logistics industry include last-mile logistics services and the implementation of a logistics 4.0 system, said Campbell.

Moreover, investors can take advantage of the lack of cold storages in Vietnam to develop new projects, and increase supply for the market, he said, adding that the construction of built-to-suit warehouses to meet special technical requirements is also an attraction for investors.

Jack Harkness, Director of Regional Industrial and Logistics Services at Savills Asia Pacific, stated that the industrial and logistics real estate sector, which used to receive little attention, is currently developing with increasing demand for emerging products such as last-mile delivery, small warehouses near urban areas to serve consumers and cold storage.

The main markets favoured by investors from all over the world are China, Japan and Australia. However, Harkness predicts that interest is shifting to India and Southeast Asia, which are benefiting from the diversification of production and consumption growth and will emerge strongly in the coming time. VNA

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Vietnam is to lure more Japanese investments to digital transformation and green growth

Vietnam aims to attract more Japanese investments in digital transformation and green growth, as outlined in the Vietnam-Japan Joint Initiative (VJI), which has been ongoing since 2003.

The Vietnamese Ministry of Planning and Investment proposes a cooperation program between small- and medium-sized enterprises of both countries to focus on digital transformation, support industry, and personnel training.

Japanese SMEs have high-tech experience, while Vietnamese firms have abundant human resources, making development cooperation reciprocal. Vietnam encourages Japanese investment in infrastructure, energy, manufacturing, high-tech agriculture, IT, smart urban development, financial services, banking, and innovation to achieve upper-middle-income country status by 2030.

Japan has more than 5,000 valid projects in Vietnam, while Vietnam counts 104 projects in Japan. Japanese investments have been injected into 57 out of the 63 localities, mostly in Ho Chi Minh City and Hanoi, and Japan is Vietnam's fourth-biggest trade partner, with two-way trade nearing US$50 billion last year. Localities in Vietnam's Red River Delta are ready to materialize cooperation opportunities in high-tech agriculture, manufacturing, renewable energy, and circular economy. The Vietnamese community in Japan has also intensified people-to-people exchange and technological cooperation between the two countries.

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Head Office	Floor 5th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Rep. Office	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
Telephone	+84-24-6275-5246 ; +84-24-6273-6989
Fax	+84-24-6273-6988
URL	www.seiko-ideas.com
Email	newsletter@seiko-ideas.com