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# VIETNAM BUSINESS REVIEW

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## FINANCE

### BIDV enters strategic partnership with Switzerland-based bank

The private banking services of BIDV, with support from Switzerland-based private banking institution Edmond de Rothschild, are expected to provide tailored financial solutions and investment advice to high-net-worth clients in Vietnam.



On April 26, Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) and Edmond de Rothschild - conviction-based investment house headquartered in Switzerland held a ceremony to sign an MoU for strategic cooperation to implement specialised investment solutions, elevating the private banking services offered to high-net-worth clients in Vietnam.

This event, which coincided with BIDV's 66th anniversary, marked a significant milestone in the collaboration between one of the largest banks in the Vietnamese credit system and Edmond de Rothschild, a globally renowned financial institution.

The agreement is expected to set the stage for BIDV and Edmond de Rothschild to provide specialised investment solutions, both domestically and internationally, exclusively tailored for the high-net-worth segment in Vietnam.

Edmond de Rothschild will aid BIDV in standardising and enhancing the capabilities of its asset management executives, thereby delivering a benchmark private banking service of international stature.

Edmond de Rothschild draws on over 250 years of financial tradition and innovation to assist its clients in the preservation, development and transmission of their wealth, through solutions that combine long-term performance.

As the number of high-net-worth individuals in Vietnam is growing, and these individuals are looking for specialised financial services that meet their unique needs. By offering private banking services, BIDV can tap into this growing market and increase its revenue streams.

Le Ngoc Lam, a member of BIDV's Board of Directors said, "As the first state-owned commercial bank to introduce private banking services, our strategy is to elevate the premium banking services, lead the Vietnamese market, and assist every client in securing and developing their wealth. "By doing so, BIDV can differentiate itself from other banks that do not offer private banking services. This can help BIDV attract and retain high net worth clients, which can be a significant source of revenue for the bank," he said.

"Based on a comprehensive assessment of strict criteria of eligible partners, Edmond de Rothschild is the most suitable candidate, as this investment house is widely recognised as one of the most prestigious and respected private banks in the world, with a long history of providing customised financial solutions to wealthy individuals and families," Lam added. "We hold in high regard Edmond de Rothschild's tradition and innovation, reflected in their unique ecosystem, diversity, and optimal investment solutions for clients. We trust that, with the experience of this leading group in Switzerland and its international-standard private banking expertise, Edmond de Rothschild will accompany BIDV in realising our ambitious strategy."

Christophe Caspar, CEO of Global Asset Management at Edmond de Rothschild said, "We are pleased to announce this new cooperative relationship with one of the largest banks in Vietnam. We have been convinced by the immense potential of the Vietnamese market in the coming years, and BIDV is an ideal partner to seize these opportunities."

"Both parties share a long-term vision for business development and a desire to drive change in the future of the Vietnamese financial industry. This collaboration will enable us to meet the needs of high-net-worth clients in Vietnam by helping them access advanced financial services and investment opportunities," Caspar said. VIR

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## Vietnam's foreign trade plunges in April

Vietnam's foreign trade continued trending down in April, with export revenue and import spending plunging 17.1% and 20.5% over the same period last year, respectively, showed official data.



Workers process wood for export – PHOTO: VIFORES

Figures from the General Statistics Office (GSO) showed that export revenue in April totaled US\$27.54 billion, down 7.3% against March and 17.1% versus last April.

The export value from January to April dropped 11.8% year-on-year to US\$108.57 billion. Processed and manufactured goods contributed US\$96.1 billion, or 88.5%, to the total exports.

According to the Ministry of Industry and Trade, key export commodities such as electronics, computers, mobile phones, accessories, and apparel decreased in the first quarter. It attributed the steep fall in export revenue to rising inflationary pressure, trade defense inquiries imposed on Vietnamese goods, and weak demand in the global market, especially for non-essential products.

“The prices of export products remained unchanged despite a strong surge in input material costs, forcing manufacturers to accommodate a stop-go production policy to mitigate risk,” the ministry said.

Meanwhile, import revenue in April dropped 8.1% versus the previous month and 20.5% compared to the year-ago period, at US\$26 billion. The figures stood at US\$102.2 billion from January to April, down 15.4% over the same period last year. Input materials for production accounted for 93.6% of the total, at US\$95.64 billion. Thesaigontimes

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## E-COMMERCE

### Viet Nam's e-commerce to reach US\$ 20 billion by the end of 2023

Viet Nam's e-commerce market is predicted to expand 25 percent, with the market scale projected to increase to US\$20 billion by the end of this year, according to the Viet Nam E-Business Index (EBI) 2023 rankings.



Boasting some 100 cross-border e-commerce platforms, Viet Nam has been ranked among the top five nations with regard to the sector's growth of 20 percent a year by eMarketer. Last year, the country's top four platforms – Shopee, Lazada, Tiki, and Sendo – generated VND135 trillion (US\$5.73 billion) in revenues.

Meanwhile, the scale of the country's retail e-commerce market was estimated to reach US\$16.4 billion last year, accounting for 7.5 percent of the country's goods and service revenues. There were approximately 57-60 million Vietnamese people shopping online, with their spending averaging US\$260-285.

The White Book on Vietnamese E-Business 2022 noted that up to 74.8 percent of Vietnamese internet users purchased goods and services online, with the most consumed commodities named apparel and cosmetics, household items, and technological and electronic devices.

Ho Chi Minh City, Viet Nam's economic locomotive, tops EBI 2023 rankings, scoring 89.2 points, continues to top the rankings this year. With 85.7 points, the capital city of Ha Noi ranks second, followed by the central city of Da Nang with 39.5 points.

Meanwhile, the Central Highlands provinces of Dak Nong and Kon Tum are the worst performers with 10.6 and 10.2 points, respectively.

The report was based on three sub-indexes – information technology human resources and infrastructure, business-to-consumer e-commerce, and business-to-business e-commerce. Baochinhphu

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## ENERGY

### Vietnam's energy transition facing challenges

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Vietnam's energy transition is facing challenges, especially as the transition is expected to ensure energy security, power supply, and reasonable costs.



Dong Hai Wind Power Plant in Dong Hai commune, Duyen Hai district, the Mekong Delta province of Tra Vinh. (Photo: VNA)

Vu Chi Mai, an expert from the German Agency for International Cooperation (GIZ), said that with its incentive mechanisms, Vietnam has rapidly developed solar and wind power sources, bringing the proportion of renewable energy to nearly one-third of the installed capacity of the national power system.

However, bringing those energies to the national grid faces limitations because the transmission system is often at full capacity. In addition, to promote the available capacity of these clean power sources, Vietnam must invest in more stable and flexible power sources such as pumped hydropower storage or storage systems for solar power plants.

Another big challenge is that during the energy transition, the replacement of traditional fuels from gasoline, coal, and gas to electricity is huge. On the positive side, it will help reduce emissions to the environment, but this puts great pressure on the electricity industry, both in operation management and in the concerted development of the power system associated with energy efficiency.

Nguyen Anh Tuan, an energy expert, also said that Vietnam is undergoing a strong energy transition with the rapid participation of wind power and solar power which are uncertain sources as they rely on weather conditions and locations that are not always ready for power generation.

When their proportion in the country's power generation structure is higher, it will pose challenges for managers and operators of power systems and lines. Therefore, to accelerate the energy transition to greener, cleaner energies, it is necessary to develop a forecasting tool to balance the demand and generation capacity of renewable energy sources.

However, according to Tuan, without careful calculations on the transition from fossil fuels to the electricity in industries like transportation or construction, the risk of power shortage is great, not to mention the energy transition will not progress as expected.

Wind and solar power are not the sources of energy that will help Vietnam ensure national security, said Sean Lawlor, an energy expert at the US Embassy in Vietnam.

To achieve the net-zero target, which means to have the amount of carbon added to the atmosphere not exceed the amount removed, Vietnam needs to speed up its energy transition process which began in 2019, he said, elaborating that this means the country needs to transition from coal-fired power sources to liquefied natural gas, biomass, ammoniac, or hydrogen power sources.

Stuart Livesey, the Vietnam Country Director for Copenhagen Offshore Partners (COP) - the offshore wind project developer of Copenhagen Infrastructure Partners (CIP), said that countries and suppliers around the world are now setting their targets for green-sourced supply chains and green energy.

Many of those have strong commitments to the energy transition, so Vietnam must speed up the transition to maintain its position as a key export market in Southeast Asia, he said.

“Admittedly Vietnam is a little behind many other countries where the green transition is well underway, and demand for suitable solutions, infrastructure, and skilled resources need to support this. However, there is still time to achieve this, provided Vietnam can make the necessary reforms and key decisions to enable this transition and avoid missing critical milestones.”

Currently, it is fundamentally impossible to deliver a commercial offshore wind farm in Vietnam due to a lack of necessary regulatory framework for this new industry. There is also a lack of flexibility for the offtake of energy to transition to allow for these offshore mega-projects which can provide enormous benefits for the country, he said. VNA

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## RETAIL

### Top electronics retailers Mobile World and FPT Retail facing a rough year

Profits of both Mobile World and FPT Retail plunged over 90% year-on-year in the first quarter of 2023 as demand for electronics plummeted. FPT Retail is the parent company of consumer electronics chain FPT Shop and pharmacy chain Long Chau, while Mobile World presides over electronics chain stores The Gioi Di Dong and Dien May Xanh, as well as drugstore chain An Khang.



A Mobile World store in Ho Chi Minh City. Photo by VnExpress/Tat Dat

FPT Retail reported a consolidated post-tax profit of VND2 billion (US\$84,746) in the first quarter, decreasing 99%, and realizing 8.3% of its full-year profit target. FPT Retail plans to make pre-tax profits of VND240 billion in 2023, down from VND485 billion in 2022 and VND554 billion in 2021.

According to its Q1 financial statement, FPT Retail's selling expenses rose by 25% to VND913 billion, and its financial expenses, mainly interest rates, nearly doubled to VND85

billion. The revenue of FPT Shop dropped by 20% to VND4.5 trillion.

Meanwhile, Mobile World's consolidated net profit plunged more than 90% to VND21 billion, the lowest quarterly profit since the corporation was listed in 2014. Its consolidated revenue declined by 25% to VND27.3 trillion.

While consumers tightened spending, making fewer installment purchases, its chain stores had to conduct more promotions. Mobile World Chairman Nguyen Duc Tai forecasts the retail market will not improve until the last two quarters of this year when production and exports show signs of recovery and interest rates stabilize.

The company plans to see revenues rise a modest 1% to VND135 trillion this year, the company's lowest growth rate since 2009. PT Retail said it was difficult to predict when the retail market would recover so it would be cautious in opening new FPT Shop stores this year.

However, it plans open at least 400 more Long Chau pharmacies by the end of the year, increasing the total to 1,600. Long Chau saw revenues surge 50% year-on-year to VND3.284 trillion in the first quarter.

Its 2022 revenues increased 2.4 times against 2021, with the pharmacy chain continuing to prove itself a growth engine for FPT Retail so far this year. Vnexpress

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## LOGISTICS

### Hau Giang aims to be an industrial production and logistics centre

In the provincial planning 2021-2030, Hau Giang aims to be an industrial production and logistics centre.

On April 27, the meeting on appraising the planning of Hau Giang province 2021-2030 took place under the chair of Deputy Minister of planning and Investment Tran Quoc Phuong, vice chairman of the provincial planning appraisal council.



Phuong said that Hau Giang had a very favourable natural position, adjacent to the Hau River, with a dense system of rivers and canals, great potential for water transport and eco-tourism.

Hau Giang has fertile and flat land, at the end of the flood zone, not directly affected by tides, with a mild and stable climate and little impact from natural disasters. In addition, it is located near the two main development axes of the Mekong Delta region (Ho Chi Minh City - Can Tho - Ca Mau axis, and the southern Hau river axis), being the main waterway and maritime transport channel of delta. In 2011-2020, the province's GRDP reached 5.83 per cent per year.

"Outcomes in recent years have not been commensurate with the province's advantages and potential, with economic growth not sustainable, the labour structure shifting slowly, low productivity, and weak competitiveness in the economy," said Phuong. According to Nghiem Xuan Thanh, member of Hau Giang Party Committee, Hau Giang is a late-starting province, so it needs a breakthrough.

"Hau Giang province clearly understands the position and importance of planning. So, the province's planning for 2021-2030, converges in the spirit of innovation - breakthrough - determination - aspiration," said Thanh. In the draft Hau Giang provincial planning 2021-2030, Hau Giang has set a goal to become a province with a controlled industrial production by 2030, and not being an 'economic-difficulties' province.

The province will balance budget revenues and expenditures, not be too dependent on central support. The face of rural areas and household income will be improved significantly, striving to be in the group of four provinces and cities with the highest per capita income in the Mekong Delta. The province strives to reach 7-7.5 per cent per year of economic growth in 2021-2025, and 10-12 per cent per year in 2026-2030. To realise its goals, Hau Giang provincial planning to create breakthroughs in development, covering spatial strategy, economic strategy, and management strategy.

The province plans to perfect institutions and policies; develop quality human resources in all fields; reform administration with the application of IT and digital transformation; and complete infrastructure, especially transport and industrial infrastructure. VIR

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## Container shipping in Vietnam had the fastest port turnaround times in ASEAN

Container shipping in Vietnam and Cambodia had the fastest port turnaround times in ASEAN in June 2022 with both countries scoring an average of 0.9 days, according to a World Bank (WB) report.



Global logistics data released recently in Washington were among new key performance indicators that complement the Logistics Performance Index (LPI) for 139 economies, the WB said.

Among other ASEAN members, Thailand had the second-fastest turnaround time of 1.0 day followed by Malaysia and Singapore (both 1.2 days), the Philippines (1.3 days), Indonesia (1.8 days) and Myanmar (2.0 days). In a statement, the bank said digitalisation was allowing emerging economies to shorten port delays by as much as 70% compared to those in developed countries.

“While most time is spent in shipping, the biggest delays occur at seaports, airports, and multimodal facilities,” said Christina Wiederer, the bank’s senior economist who co-authored the report. “Policies targeting these facilities can help improve reliability,” she said.

At 4.3 points, Singapore was top ranked, both within ASEAN and worldwide. It was followed by Malaysia (3.6 points), Thailand (3.5 points), the Philippines and Vietnam (both 3.3 points) and Indonesia (3.0 points). A ranking for Myanmar was not available. Despite challenges such as COVID-19, the bank said logistics services were “broadly resilient” for best and worst performers worldwide.

“Even with the COVID-19 pandemic-induced disruptions to shipping and the global supply chain crisis, the average overall score in the 2023 LPI was broadly the same as in the last survey in 2018,” it said. The LPI has six indicators: efficiency of customs and border management clearance, quality of trade and transport infrastructure, ease of arranging competitively priced shipments, competence and quality of logistics services, ability to track and trace consignments, and frequency of on-time deliveries.

Recently, major shipping lines in the world have invested in the construction and operation of seaports in Vietnam. For example, DP World Group of the UAE invested in and operates Saigon Premier Container Terminal (SPCT) – HCM City; SSA Marine Corporation of the US with Cai Lan International Container Terminal (CICT) in Quang Ninh Province and SP-SSA International Terminal (SSIT) in Ba Ria-Vung Tau province; PSA Group of Singapore with SP-PSA Terminal in Ba Ria-Vung Tau; APMT Group of Denmark with Cai Mep International Terminal (CMIT) and Hutchison Port Holding Group of Hong Kong with SITV Terminal in Ba Ria-Vung Tau as well.

Better seaport services and rising shipping demands have attracted large shipping lines to open routes from Vietnam to other countries in the world. Lach Huyen wharf is capable of accommodating vessels of up to 132,000 DWT and Cai Mep - Thi Vai wharf, 214,000 DWT or over 18,000 TEUs. Every week, nearly 40 vessels depart from Cai Mep - Thi Vai Terminal, including 18 to Europe and America, and 10 to Asia, gradually making Vietnam an important link in the global maritime chain.

Direct service routes connecting major markets globally will create opportunities for Vietnamese exports. The turnaround time of service routes from Vietnam to the West Coast of the US used to take from 35 to 49 days. With the AA3 direct service route operated by Wan Hai shipping company, the transit time is 21 days only. The USCW service of ZIM shipping line has the fastest route connecting Cai Mep - Thi Vai port with the West Coast of the US with transit time down to 15 days.

The Ministry of Transport approved a plan to select contractors for site survey consultancy, drawings preparation and bomb disposal to upgrade the Cai Mep - Thi Vai port cluster from Buoy No.0 to the Cai Mep Container Terminal.

Work on the project started in early February 2023 and will be completed in 2025 with total investment capital of 1.4 trillion VND from the State budget.

According to the Ministry of Transport, the navigational channel from buoy No.0 to the upstream of the Cai Mep International Terminal (CMIT) is designed for ships of 160,000 deadweight tonnage (DWT) with a full load and 120,000 DWT vessels for two-way operation. VNA

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## INVESTMENT

### The Ministry of Construction proposes allowing foreigners to own houses in Vietnam

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The Ministry of Construction has proposed the Government allow foreigners to buy and own houses in Vietnam in the draft Housing Law (amended).



*Illustrative image (Photo source: Hanoi Melody Residences)*

However, in the draft law, expected to be submitted to the National Assembly for consideration and discussion at its 5th session in May and approval at its 6th session, foreigners are not permitted to own houses associated with land use rights.

The ministry also proposed the abolishment of regulations on a fixed term of apartment ownership in the draft law, and the supplementation of regulations related to the term of use and the demolition of old

apartment buildings.

It stressed the need to clarify responsibilities of relevant parties in the demolition, renovation and reconstruction of apartment buildings.

According to experts, the regulations on the apartment ownership term should not be included, because it greatly affects the interests of people and the operations of real estate businesses and the market.

Regarding social housing, the draft law removes the requirement that 20% of the land areas of investment projects to build commercial houses and urban areas must be used for social housing construction. The draft law stipulates additional authority of the provincial People's Committees in using the money to invest in the construction of social housing projects for sale, lease, or lease purchase and housing for workers to rent in the area.

In the real estate market, social housing is currently one of the segments of special interest. Statistics from the Ministry of Construction show that the country has completed 301 social housing projects with 155,800 apartments in urban areas. Currently, 401 projects with 454,360 apartments are underway. VIR

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## Foreign corporations in Vietnam worried about global minimum tax

Major foreign corporations are concerned that the proposed global minimum tax will make investing in Vietnam less profitable, according to the Ministry of Planning and Investment.



The ministry said that over the past four months ending on April 20, foreign investors spent a total of nearly \$8.9 billion in Vietnam in the form of registered capital in newly licensed projects, additional capital in operational projects, and the buying of stakes in local companies. That figure of total foreign investment capital was down 17.9% against the same period last year.

Specifically, additional capital invested in operational projects continued to decrease, while new FDI and the purchase of stakes in Vietnamese companies increased. Meanwhile, disbursed foreign capital declined by 1.2% to \$5.85 billion.

The processing and manufacturing industry attracted the most foreign investment of any sector, totaling over \$5.1 billion and accounting for 57.8% of total registered FDI in the four-month period. Still, this was a year-on-year drop of 17%.

Real estate trading FDI totaled \$972 million, down 65.5%, and the amount of wholesale and retail industry FDI was only \$372 million, down 44.3%. The fact that projects with capital of less than \$1 million account for nearly 70% of all new projects, while their combined investment makes up only 2.2% of total registered capital indicates that large corporations have been too cautious to invest much in Vietnam, thanks to the possible negative ramifications of the proposed global minimum tax, the ministry said.

The global minimum tax was agreed upon by G7 member states in June 2021 to prevent tax evasion by multinational corporations. However, Vietnam analysts worry the additional taxation will deter foreign direct investors, many of whom are attracted to Vietnam's preferential tax policies.

The 15% tax would be applied to multinational firms with a consolidated revenue of at least €750 million (\$800 million) in at least two of the most recent four years.

Certain regions like the U.K., Japan, South Korea and the EU are expected to apply the tax starting next year. The policy is being considered in Vietnam.

According to statistics from the Finance Ministry, 1,015 foreign-invested enterprises in Vietnam have parent companies that are subject to the tax. Over 70 businesses in Vietnam are likely to be affected by the tax if it is applied in 2024.

Foreign firms such as Samsung, Intel, LG, Bosch, Sharp, Panasonic, Foxconn and Pegatron – which account for a total combined registered capital of nearly 30% of total FDI in Vietnam – are all likely to be affected by the tax. These major corporations and others are asking Vietnam to issue supportive policies to reduce the tax's impact.

Prime Minister Pham Minh Chinh said April 22 that the Government will provide solutions and support to help investors and new projects if the proposed global minimum tax is applied. vnexpress

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