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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Vietnam lawmakers call for further rate cut to prop up growth

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Vietnamese lawmakers on 09 May urged the central bank to consider cutting policy rates further to support the economy and help the country meet its economic growth target for the year.



Vietnam's growth slowed from 5.92% in late 2022 to 3.32% in the first quarter of 2023, prompting the State Bank of Vietnam (SBV) to cut its benchmark rates twice this year.

The country is targeting GDP expansion of 6.5% this year.

"Besides the positive results, there remain multiple challenges that are putting pressure on macroeconomic management and the ability to fulfill the growth target for 2023," head of parliament's economic committee Vu Hong Thanh said in a government statement.

"It is necessary to keep considering lowering policy rates to support growth when both inflation and exchange rate pressures are no longer as stressful as end-2022," the statement quoted Thanh as saying.

JPMorgan Chase Bank in a report released this week expected another cut in benchmark rates of 50 basis points in the second quarter of this year.

Annual inflation in the Southeast Asian country has been easing since the beginning of the year, with April consumer prices rising 2.81% from a year earlier. The government is targeting average inflation of 4.5% for the year.

Vietnam has been one of the fastest growing developing nations. For 2022, it reported growth of 8.02%, the fastest in decades. Vnexpress

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## High interest rates impact Vietnamese competitiveness

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High interest rates have exerted a strong impact on Vietnam's competitiveness, heard a seminar themed "Impact of High Interest Rates on Macro-economic Stability and Growth Recovery in 2023" held on May 11 in Hanoi.

As part of his opening speech, Florian Constantin Feyerabend, Resident Representative of the Konrad-Adenauer-Stiftung Vietnam, emphasized that the global economy experienced a hugely challenging period of COVID-19 pandemic in the 2020 to 2022 period

In the first quarter of the year, the global economy recovered with difficulty, despite the fact that inflation had passed its peak and was gradually being reduced

During this period, Vietnam received 2.7 million international visitors, a figure nearly 30 times higher compared to the same period from last year and almost equivalent to one third of the annual target.

This represents a hugely positive indicator for the tourism industry and for the economy amid GDP growth in the first quarter being low with 3.3%, while industrial production and exports decreased.

However, the Government has carried out a number of solutions aimed at removing bottlenecks in a bid to accelerate the economy by pushing up disbursement of public investment, as well as relaxing and deferring taxes.

Despite these efforts, high interest rates remain a significant obstacle faced by businesses and for the national economy in general, as well as affecting the overall competitiveness of firms and the demand for the establishment of new enterprises.

Sharing this viewpoint, Nguyen Tu Anh, director of the General Department of the Central Economic Commission, said the Vietnamese economy has encountered difficulties in both the real estate market and the corporate bond market, along with a sharp decline in terms of export activities in the fourth quarter of last year.

He added that the average lending interest rate of several banks is up to 12% to 13%, even reaching 14.6%, a factor which has eroded the overall competitiveness of Vietnamese enterprises.

Experts have assessed that there remains plenty of room for the reduction of interest rates for businesses in order to restore the national economy.

With regard to short-term policy recommendations, Dr. Nguyen Quoc Viet, vice president of the Vietnam Institute for Economic and Policy Research (VEPR), underlined the need to balance the target of maintaining "macro-economic stability", as well as looking for solutions of the government to promote economic recovery.

He emphasized the importance of fiscal policies in supporting the recovery of the economy, as well as devising policies aimed at promoting export growth, even deploying "order diplomacy" like "vaccine diplomacy".

Furthermore, speeding up institutional reform is a vital step in ensuring an efficient business and investment environment, while forecasting and policy evaluation must be done regularly, continuously, and in a timely transparent manner, he said.

With regard to medium-term policy recommendations, he underlined the need to monitor and assess risks, provide proactive and flexible solutions for fiscal policies, thereby combining them with other monetary and macroeconomic policies to stabilise the economy and maintain sustainable growth whilst enabling new growth models.

Moreover, it is necessary to strengthen social security, energy security, and the resilience of the banking system, whilst also extending social security packages to reach more beneficiaries with more simple procedures, focusing on workers in informal sector.

It is therefore crucial for Vietnam to switch to green, renewable energy to ensure energy security and supply chain for production and business, he added.

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## E-COMMERCE

### Vietnam's e-commerce market set for significant growth

According to the annual SYNC Southeast Asia study conducted by Meta and Bain & Company, Vietnam's e-commerce market is expected to grow at the highest rate among Southeast Asian countries, with a predicted value of US\$40 billion by 2027. The contribution of e-commerce to Vietnam's total retail value



has been on a steady rise, reaching 15 percent on average and accounting for 6 percent of the country's total retail value.

Vietnam recorded an increase of four million digital consumers in 2022, with 8 out of 10 individuals of working age being digital consumers, bringing the total number of active digital consumers to 60 million. The White Book on Vietnamese E-Business 2022, released by the Ministry of Industry and Trade's Vietnam e-

Commerce and Digital Economy Agency, predicts that Vietnam's e-commerce retail sector will increase by 20 percent in 2022, reaching around US\$16.4 billion.

E-commerce revenues have been increasing steadily since the issuance of Government Decree 52/2013/ND-CP on e-commerce, climbing from US\$2.2 billion in 2013 to US\$16.4 billion in 2022. The pandemic has also contributed to the growth of e-commerce, with internet and mobile phone transactions in Vietnam increasing by 238 percent.

The iPrice expert team has identified several major trends, including tailoring the shopper experience and the development of cashless transactions. The rate of cash payments in Vietnam has decreased from 60 percent in 2020 to 42 percent in 2021, while e-wallet usage increased by up to 82 percent.

To support the growth of e-commerce, the Ministry of Industry and Trade plans to improve the legal framework, increase the rate of electronic payments, provide infrastructure and solutions to support electronic transactions, and develop payment facilities such as e-wallets, QR code, NFC, and POS. With the implementation of the 2021-2025 National E-commerce Development Master Plan, Vietnam's industry and trade sector aims to create favorable conditions for e-commerce platforms to continue to thrive in the years to come.

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## ENERGY

### Renewable energy projects complain about regulatory bottlenecks

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Around 23 solar and wind power project developers – including VPL Energy Joint Stock Company, Tien Giang Wind Power Joint Stock Company, Cho Long Wind Power Joint Stock Company and Sunpro – Ben



Tre No. 8 Wind Farm Company Limited – have written to Prime Minister Pham Minh Chinh and Deputy Prime Minister Tran Hong Ha seeking their help in negotiating power prices with the Electric Power Trading Company (EPTC), a subsidiary of Vietnam Electricity Group (EVN).

According to them, investors have filed the documents required for electricity pricing negotiations with the EVN-EPTC but the talks have made little progress due

to a lack of legal documents detailing electricity pricing negotiations.

To prevent the wastage of resources resulting from a prolonged negotiation process and soon put into service the wind and solar power projects eligible for power generation, these investors proposed the prime minister direct the Ministry of Industry and Trade to issue guidelines for the negotiations between EVN and the investors.

The investors also proposed using one of three options during the provisional mobilization of electricity from their projects.

Firstly, EVN pays the investors an amount equal to 90% of the ceiling price of the electricity price framework pursuant to Decision 21 until the relevant parties mutually reach an agreement on electricity prices without a retroactive effect. This means the agreed-upon prices would be applied from the date of mutual agreement by the two parties, rather than from the commencement date of the provisional mobilization of electricity.

Secondly, EVN pays the investors an amount equal to 50% of the ceiling price of the electricity price framework pursuant to Decision 21 until the relevant parties mutually reach an agreement on the electricity prices, with a retroactive effect. This means the agreed-upon prices would be applied from the commencement date of the provisional mobilization of electricity.

Thirdly, if the price for temporary mobilization accounts for half of the ceiling price of the electricity price framework pursuant to Decision 21, the provisional period would not be included in the 20-year contract term officially agreed between EVN and the investors. Thesaigontimes

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## RETAIL

### International coffee chains eye Vietnam's potential market

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The Vietnamese coffee market is still attractive to international coffee chains, as demonstrated by the recent entry of %Arabica and Café Amazon. %Arabica is preparing to open a second store in Ho Chi Minh City, while Café Amazon has already established 19 stores in the southern region, with plans to open more.



Starbucks is also expanding in Vietnam, with 87 stores by the end of 2022. Highlands Coffee, now owned by Jollibee Group, is the market leader in terms of size and revenue, with over 600 stores in Vietnam and more than 50 in the Philippines. The Coffee Bean & Tea Leaf, also owned by Jollibee, has been in Vietnam since 2006 but has only 15 stores.

Experts suggest that only Highlands Coffee and Starbucks are effectively developing their chains on a large scale, while Café Amazon may face difficulties in the early stages. Amid declining consumption, coffee chains are focusing on sustainable development in the long run. Some chains, including Starbucks and Highlands Coffee, have closed some stores and shifted to new locations, while others are promoting online sales on platforms like ShopeeFood and Grab.

Despite the promising financial potential, not all foreign coffee chains are successful in Vietnam. NYDC - New York Dessert Café, Gloria Jean's Coffees, and Espressamente have not gained traction in the market. %Arabica and Café Amazon may also face challenges, given the dominance of local brands and the need to adapt to local tastes and preferences. However, with the Vietnamese market still offering opportunities for growth, international coffee chains are likely to continue expanding in the country.

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## LOGISTICS

### Hanoi to host vietnam international logistics exhibition 2023

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The Vietnam International Logistics Exhibition (VILOG 2023) is set to take place on May 11 in Hanoi as a means of helping to promote the Vietnamese logistics service industry's development and help it achieve its potential, whilst simultaneously calling for greater foreign investment in this field.



Logistics represents one of the fastest growing and most stable industries in the country, with an annual average growth rate of 14% to 16%, raking in US\$40 billion to US\$42 billion per year.

According to the 2022 assessment made by Agility Logistics, one of the world's top freight forwarding and contract logistics providers, the nation was ranked 11th in the group of 50 global emerging logistics markets.

VILOG 2023 gathers together the main groups of goods and services such as transport, forwarding; warehouse, factory services, and equipment; packaging and cold supply chain; and application of logistics technology.

According to details given by the Organizing Board, up to now, VILOG 2023 has received registrations from more than 150 businesses with over 200 booths from 16 countries and territories, including Belgium, Poland, Canada, China, the Republic of Korea, Japan, Germany, Malaysia, Russia, Singapore, Switzerland, Turkey, the United States, Hong Kong (China), Taiwan (China), and Vietnam.

Technology enterprises will use the event to introduce products and services at such as AFR solutions, the leading cloud computing solution for logistics, supply chain, and trade management; along with AHAMOVE - OnWheel, a professional delivery management software.

Furthermore, at VILOG 2023, visitors will have the chance to have access to the latest logistics technology application, from the stage of goods management and circulation aimed at enhancing transportation capacity, to anticipate the increasing demand of the market and improve customer experience. VOV

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## Vietnam's aviation industry rebounds from pandemic downturn

Vietnam Airlines and Vietjet Air have reported profits while Bamboo Airways is also on track to reach its breakeven point, partly backed by sharp increases in domestic and international flights during the Tet holiday early this year.



Vietnam Airlines has finally eased off 12 consecutive quarters of losses since the Covid-19 outbreak. According to the airline's latest financial statement, its first-quarter revenue amounted to VND23.64 trillion, doubling the figure from the same period last year.

The national flag carrier posted consolidated pre-tax profit of VND19.3 billion in the first quarter, compared to a loss of over VND2,600 billion in the same period last year.

The positive result is attributed to efficient operations during the Lunar New Year period and the recovery of international aviation markets, especially China which has gradually eased its Covid-19 travel restrictions.

Similarly, Vietjet Air's revenue in the first three months of this year reached nearly VND12,900 billion, the highest in 12 quarters. Of this, revenue from international markets improved, accounting for 45% of the privately-held airline's total passenger transport revenue.

The airline reported a pre-tax profit of nearly VND243 billion, nearly equal to the same period in 2022.

Vietjet Air operated 31,300 flights and transported nearly 5.4 million passengers in the first quarter, up 57% and 75% compared to the year-ago period, respectively.

At the shareholders meeting in early April, Bamboo Airways chairman Nguyen Ngoc Trong said that the airline might have reached its breakeven point in the first quarter of 2023 as its 30 aircraft were operating at full capacity.

Bamboo Airways plans to receive 6-8 new aircraft and work with partners in China to open new routes there from now until the end of the third quarter. The airline will add flights on many routes to Southeast and Northeast Asia in the second half of the year.

Vietravel Airlines is also planning to take delivery of an additional three aircraft to increase its presence in international markets. Meanwhile, Vietjet Air will continue to develop new routes to the Indian, Japanese, and South Korean markets this year.

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## INVESTMENT

### Refined legal system is necessary to lure Korean investors

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Vietnam needs to make changes to its legal system, simplify administrative procedures, and reduce sub-licenses in order to facilitate the business operations of Korean investors in the country.



Vietnam should seek to relax policies on work permits, temporary residence, and fire protection permits as it seeks to attract more investors from the Republic of Korea (RoK) moving forward, Hong Sun, chairman of the Korea Chamber of Business in Vietnam (KORCHAM) said a seminar in Hanoi on May 8 to seek further trade and investment opportunities between Vietnam and the RoK.

He pointed out that a number of large Korean enterprises operating in the Vietnamese market face challenges in obtaining investment licenses to deploy some projects in the country.

At the event, Vu Tien Loc, chairman of the Vietnam International Arbitration Center (VIAC), revealed that the RoK has retained its leading position in foreign direct investment in the Vietnamese market with a total capital of US\$80.5 billion over recent times.

The RoK also ranked second in terms of cooperation in tourism and labour, and third in trade exchanges with Vietnam, with two-way trade turnover between the two countries reaching US\$88 billion last year.

He emphasised that local firms are required to diversify their partnerships and strengthen relations with strategic partners amid continued global uncertainties

Local businesses must pay close attention to legal issues and contracts as a means of protecting each other from risks in transactions, he said, adding that with a large network of experts, economists, arbitrators, the Vietnam International Arbitration Center, the Korean Business Association, and the Korean Commercial Arbitration Board will provide them with useful legal advice to their investment activities in the coming time. VOV

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## Green economy attracts huge investments

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Domestic and foreign-invested companies have poured US\$9 billion into Vietnam's green economy, making up almost 2% of the country's gross domestic product, according to the Ministry of Planning and Investment.



An artist's impression of the under-construction carbon-neutral factory of LEGO in the southern province of Binh Duong - PHOTO: VNA

Green economy investments have expanded by 10-13% year-on-year since 2021, said Nguyen Anh Tuan, deputy director general of the Foreign Investment Agency under the Ministry of Planning and Investment.

Renewable energy and sustainable buildings are among the key sectors in investors' green portfolios.

Tuan noted that businesses, including foreign-invested ones, have considerably geared production and consumption behaviors toward green growth.

Still, challenges have impeded Vietnam's efforts in sustainable development, including technology capability limitations and regulatory framework hurdles.

As of 2020, 80% of foreign-invested companies have average technology standards, and 15% operate with obsolete technology.

Nguyen Quang Vinh, vice chairman of the Vietnam Chamber of Commerce and Industry, said local and multinational companies in Vietnam play an essential role in helping the country realize its green growth strategy.

Thus, it is necessary to create a favorable legal environment and provide incentives to promote green growth and sustainable development in business operations, according to experts. Thesaigontimes

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