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FINANCE

Trillions are expected to move into property market

Recent interest cuts by the State Bank of Vietnam (SBV) could send trillions of dong (VND1 trillion = US\$42.5 million) in savings into the property market, according to the Vietnam Association of Realtors (VARs).

This could send investors hunting for good deals in the property market despite the tightening of monetary policies by the central bank and recent downturns in the market. The flow of capital could give a lifeline to the market, as well as dozens of industries including construction materials, machinery, equipment, furniture, and labor that are traditionally dependent on property sales. There have been signals from the government that starting from the second quarter of 2023, additional policies will take place to provide additional money to the market. In the meantime, local authorities have been told to step up efforts in resolving legal bottlenecks to allow property projects to take off. This time around, according to the association, developers have taken steps to address the market's demand.



Factors that favor the market's recovery include reduced interest rates, a move by commercial banks that have allowed developers access to much-needed capital injections, and where to start new projects or to finish ongoing ones. Nguyen Van Dinh, Chairman of the VARs, said with credit room starting to open up and additional capital flowing into the market could look at a recovery phase in the near future. Traditionally, he added, properties were the preferred investment channel among Vietnamese investors that often yielded higher returns than others. He said now could be a good time for investors to start looking for good deals as prices have had time to cool down significantly during last year. According to the association, the tightening of monetary policy by the central bank and the government have shown signs of slowing down and could start opening up as soon as the second quarter of 2023. Capital inflow could also be expected by the third quarter, he said.

Last year, total deposits by businesses and individuals in the banking system reached VND900 trillion (\$38.2 billion) with individuals accounting for more than VND565 trillion. The third quarter of 2023 would be a critical period as a large portion of said deposit would mature, with investors sitting on piles of cash looking for more profitable investments. Reports from property brokers have been so far positive, with the market starting to see upticks in transactions and a higher number of requests for information by potential buyers. Dang Quoc Viet, a representative from Smartland Real Estate Trading Floor in Nghe An, said more prospective investors had made calls and visited his trading floor in recent weeks. He said many had shown great interest in projects with good reputations and infrastructure, a markedly improved situation compared to last year. He added this could be a sign that investors' confidence in the market was returning. Vnexpress

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Challenges from global uncertainties impact Vietnamese economy

Continued weak external demand coupled with global uncertainties are adversely affecting the Vietnamese economy, translating into contraction in both imports and exports, as well as a slowdown in industrial production, said the World Bank in its Vietnam Macro Monitoring, June edition.

According to the report, the industrial production index (IIP) continued to weaken, registering an increase of only 0.1 % in May, down from 0.5% in April.



However, retail sales remained robust, expanding by 11.5% in May, the same figure recorded in April. Sales of goods improved from 9.7% in April to 10.9% in May.

Elsewhere, sales of services declined from 19.2% in April to 7.6% in May. The export of goods was 6% lower than a year ago due to weak external demand, while the import recorded an annual falling of 18.4% in May, reflecting the continued slowdown in demand for foreign inputs for production and exports.

The Consumer Price Index (CPI) inflation registered a fourth month of decline, softening from 2.8% in April to 2.4% in May due to a fall in global energy prices and domestic transport costs. Core inflation remained elevated at 4.5% in May, compared to April's 4.6%.

FDI commitment slowed in May amid global uncertainties continuing to weigh on investor confidence, while FDI disbursement registered US\$1.8 billion in May, comparable to the previous year.

Most notably, the State Bank of Vietnam (SBV) cut the refinancing interest rate from 5.5% to 5%, whilst overnight lending facility rates declined from 6.0% to 5.5%, the third consecutive cut since March.

In addition, credit growth continued to slow, decelerating from 9.2% in April to 9.0% in May, thereby reflecting weakening demand. The monthly budget balance registered a large deficit of around US\$2 billion in May.

Revenue collection saw an annual decrease of 35.8% reflecting one-off base effects due to high post-COVID revenue from sales of land, property related, and VAT collections in 2022. In addition, public expenditure accelerated by 27.8% in May.

According to the World Bank, while domestic consumption remains robust and comparable to pre-pandemic levels, credit growth continues to slow, reflecting weak credit demand.

If global financial conditions tighten more, external demand may weaken further. Northern Vietnam started experiencing brownouts in late May, which, if not addressed promptly, could impact the economy.

As inflation appears to be tapering, the State Bank of Vietnam (SBV) eased monetary policies to support the economy. However, monetary policy authorities will need to closely monitor whether the divergence in the monetary policy stance between Vietnam and other countries is creating pressures on capital flows and exchange rate.

World Bank experts also emphasized the need to accelerate public investment disbursement (including for National Target Programs) that would support aggregate demand and economic growth in the short run.

At the same time, prioritizing investments in digital and green technologies, infrastructure, and in human capital will help promote sustainable long-term development.

As manufacturing exports have slowed and employment in manufacturing has been affected, it would be important to quickly identify and support impacted workers and families through the social welfare system.

Moreover, streamlining administrative procedures and removing regulatory hurdles will help promote business activities and investments needed for economic growth. VNS

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E-COMMERCE

MoIT plans to launch a transaction assurance system in e-commerce

The Center of Information and Digital Technology, under the Ministry of Industry and Trade's Viet Nam E-commerce and Digital Economy Agency, is preparing to introduce a transaction system to ensure secure online payments in e-commerce. This system aims to provide protection for both buyers and sellers during transactions.



The current online payment process in e-commerce platforms faces challenges, particularly with a high rate of returns in e-commerce orders. While consumer protection mechanisms exist, there is a lack of mechanisms to safeguard the interests of shop owners and provide a convenient dispute resolution process.

To address these difficulties, buyers and sellers often rely on an intermediary system known as Escrow. Under this system, a third party is entrusted to hold money, documents, or other

assets on behalf of both parties until the transaction is completed. This instills trust between buyers and sellers on e-commerce platforms and business-to-consumer (B2C) websites.

The Escrow system aims to overcome the challenges associated with online payments in e-commerce. It establishes a reliable intermediary system that ensures transactions are conducted in accordance with the agreements between buyers, sellers, and brokers. The system also acts as a secure storage for the buyer's payment, transferring it to the seller only when the transaction is confirmed as successful by all involved parties.

Additionally, the system provides an online platform for resolving disputes that may arise during transactions. By default, buyers and sellers have a standard period of seven days to execute contracts. During this holding period, the actual transfer of money from the buyer to the seller occurs only when the buyer clicks on the approval button.

Overall, the introduction of this transaction assurance system aims to enhance the security and trustworthiness of online payments in the e-commerce market, benefiting both buyers and sellers.

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ENERGY

Thai investor suspends US\$ 2.3 billion thermal power plant project in Quang Tri

Thai International Power Company (EGATi) has submitted a document to Vietnam's Ministry of Industry and Trade (MoIT) regarding the suspension of the Quang Tri Build-Operate-Transfer (BOT) Thermal Power Plant project.



According to Quang Tri Economic Zones Management Authority, on May 29, EGATi sent a letter to the MoIT announcing their decision to halt the development of the Quang Tri project.

With a capacity of 1,200MW (and a gross capacity of 1,320MW), the project was approved by the prime minister in 2013, designating EGATi as the project's investor under the BOT framework.

As per the design, the power plant was intended to consist of two units, each with a capacity of 660MW, requiring a total investment of around \$2.3 billion.

Following the project's approval, local authorities agreed on the route alignment, and National Power Transmission Corporation completed the construction of a 500kV power transmission line to facilitate the thermal power plant.

In light of the suspension of the thermal power plant project, Quang Tri Economic Zones Management Authority has proposed that Quang Tri People's Committee ask the prime minister and relevant central ministries to approve a revised plan for a 1,320MW power plant, allowing Quang Tri to explore alternative environmentally friendly fuel sources to replace the use of coal.

Currently, the province has already reclaimed a land area of 56.8 hectares for the project.

This decision by EGATi reflects an emerging trend towards more sustainable and environmentally friendly energy sources. The move aligns with global efforts to reduce reliance on coal and transition to cleaner forms of power generation.

Quang Tri, located in the central province of Vietnam, has recognised the importance of mitigating environmental impacts and is seeking solutions to ensure the region's energy needs are met while minimising harm to the environment.

By proposing the exploration of alternative fuel sources, Quang Tri aims to promote the use of more eco-friendly energy options and contribute to the country's sustainable development goals.

At a forum that was held at the headquarters of the Thai Ministry of Energy in October last year, a provincial delegation from Quang Tri participated in a bilateral meeting between the Vietnamese MoIT,

the Thai Ministry of Energy, the Electricity Generating Authority of Thailand (EGAT), and the Thai Ambassador to Vietnam.

The purpose of this meeting was to discuss the future of the Quang Tri project, which is receiving investment from EGAT as the project's owner.

The project has been put on hold due to various factors, including financial considerations, objective obstacles, and the commitment to achieving net-zero emissions by 2050 – as agreed to by the governments of both Vietnam and Thailand.

Furthermore, the Thai side had suggested that Vietnam's MoIT and Quang Tri continue to facilitate opportunities for EGAT and its subsidiary EGATi to seek investments in other renewable energy projects or infrastructure development for energy projects in Vietnam as a whole, and specifically in the central province. VIR

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Marine planning a prerequisite for offshore investment plans

Vietnam may require a more active planning process and appropriate policies to reach its offshore wind capacity goal of 6GW by 2030.



A proposal from Electricity of Vietnam (EVN) to engage in 4,000MW of offshore wind power in the Gulf of Tonkin faces obstacles, according to Ngo Quoc Phuong, deputy director of EVN's Investment Management Department.

“Some current regulations pertaining to offshore wind power are inadequate,” Phuong stated after reviewing relevant regulations, such as those

pertaining to marine resources, the 2012 Marine Law, and the Law on Investment.

According to Phuong, the lack of identification of the authority responsible for authorising investment policies, and the dearth of regulations on the sequence of submission tracking dossiers, industry capacity, and unit pricing norms are causing issues for offshore wind projects.

According to the Danish Energy Agency, the Gulf of Tonkin region has a technical potential of approximately 18GW.

Marine planning a prerequisite for offshore investment plans, illustration photo/ Photo Le Toan

In Vietnam, the largest barriers to offshore wind energy investment are legislative and technical. According to Phuong, the Power Development Plan VIII (PDP8) includes alternatives for onshore connections. Due to the ongoing construction of the marine spatial plan for 2021-2030, the distribution of zones and connection of lines on the sea do not have a specific plan for each location at this time.

The May release of PDP8 paved the way for the realisation of the 6GW target by 2030, thereby contributing to the 2050 objective of achieving net-zero emissions. But Phuong worries that this objective may be “unachievable” if Vietnam proceeds to delay the development and promulgation of the marine spatial plan and the completion of the offshore wind power infrastructure and legal system.

Depending on project scope, technology type, and sea and coastal resources, the offshore wind energy investment rate is decreasing swiftly. According to estimates by EVN Power Engineering Consulting 1, the total investment for a 1,000MW offshore wind power project in Vietnam is around \$3.15 billion and is expected to decrease to \$2.15 billion by 2030.

Wind energy developers from Europe believe Vietnam must surmount various obstacles in order to establish its offshore wind industry.

“The development of explicit policies and objectives will allow for long-term investment, thus lowering the cost of generating electricity from offshore wind,” said Neil Douglas, director of BVG Associates, a Danish firm assisting the Ministry of Industry and Trade with implementation of marine spatial planning.

“This additionally assists in minimising risks and drawing low-cost loans for venture developers, thereby facilitating the execution of financially viable projects.”

Common obstacles to massive initiatives include permission at the state and local levels, ambiguity about the time schedule, and the risk of postponements and alterations, according to Douglas.

“Issues pertaining to responsibility for grid connection, location, selecting technology, and consolidation of technical standards must be resolved,” he said.

Marine spatial planning will be considered by the National Assembly this year, noted Sven Ernedal, chief of the Vietnam Energy Partnership Group’s (VEPG) expert group in charge of offshore wind development.

“Investment in offshore wind power is strongly linked to marine spatial planning. Preparing the legal framework is challenging and takes time, but it is necessary to get ready for the financial commitment,” Ernedal said.

The VEPG maintains a forum for the exchange of offshore wind knowledge between Vietnam and foreign collaborators. Ernedal stated that the task force conducts a meeting monthly to discuss offshore wind power research and related issues. “We want to pinpoint best practices and offer policy suggestions on key offshore wind growth concerns in Vietnam,” Ernedal added. VIR

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RETAIL

Thailand keen to exploit Vietnamese retail market

The Department of International Trade Promotion (DITP) under the Ministry of Commerce of Thailand has recommended Thai businessmen to study the possibility of exploiting Vietnam's steadily growing retail market.



by 2025.

Phusit suggested Thai businesses should improve trade, boost eco- friendly production, and pay attention to the circular and green economy in a bid to promote growth in the Vietnamese retail market.

Besides, Thai entrepreneurs should also take heed to e-commerce as online transactions are now trending in Vietnam and selling via social networks will allow them to reach Vietnamese consumers.

According to the DITP official, e-commerce is an interesting option for Thai businesses who want to expand their trade activities in the Vietnamese market, thanks to the low operating costs compared to opening a traditional store.

However, he advised Thai entrepreneurs who want to penetrate the Vietnamese online market to study the nation's legal regulations regarding online transactions.

Phusit also said that the DITP will launched a broad array of activities in Vietnam, such as sales promotion between Thai and Vietnamese retail stores slated for August 1-14. VOV

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LOGISTICS

Hai Phong port establishes direct link with Ulsan port

The 17,943-tonne container ship Ever Chaste from the Hai Phong port docked at the Republic of Korea's Ulsan port on June 15, marking the opening of a new regular container shipping route between the two ports.



According to the Ulsan Port Authority, a new service operator, Evergreen Korea, plans to operate three trips to Ulsan port weekly.

It predicted that this new shipping route will generate an annual volume of about 24,000 TEUs (1 TEU = one 20-foot container) for the port.

Executive Vice President of the Ulsan Port Authority Jeong Sun-yo said that the operator will make every effort to help the new transport route connecting Ulsan Port with Vietnam in particular and Southeast Asia in general operate stably.

This year, from Ulsan, the RoK has opened two new shipping routes to the port of Penang in Malaysia and Ningbo port in China. By June 2023, the Ulsan Port Authority had operated a total of 37 container shipping routes to Southeast Asia, Japan, and China. VNA

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INVESTMENT

Korean conglomerate SK Group to invest US\$ 1.5 billion in Haiphong

Haiphong has granted the investment registration certificate for four projects with the total investment capital of \$230 million, and simultaneously signed an agreement with SKC valued at \$1.5 billion.

On June 12, Haiphong People’s Committee together with the Korea International Trade Association organised the Haiphong-Korea Trade Investment Promotion Conference in Seoul, with participation of nearly 200 delegates.



At the conference, leaders of Haiphong granted the investment registration certificate for four newly registered and added-capital projects.

They combine \$35 million from Bumhan Vina Heavy Industries-Nam Dinh Vu, \$43.5 million of added capital in Haewon Vina’s plant, Hala Electronics Vina’s \$35 million added capital, and EST Vina Haiphong’s project with the amended capital of \$68 million.

On the same day, SKC, a unit under the energy-to-telecom conglomerate SK Group, signed a comprehensive business agreement on “eco-friendly, high-tech materials” with Haiphong at its headquarters in the Jongno district of Seoul.

Based on this agreement, SKC plans to incrementally review investments in eco-friendly materials and future advanced materials businesses in the city.

Accordingly, Haiphong will offer full support in areas such as electricity and environmental infrastructure if SKC decides to invest, not to mention efforts to attract incentives from Vietnam's central government.

Korea has poured \$81.5 billion into the Southeast Asian country so far, of which nearly \$10 billion has been injected into this key industrial city in northeastern Vietnam, mainly in electronics, auto parts, and machinery.

Haiphong is the production hub of many Korean giants. LG Group has selected the major industrial and port city as its strategic location in Vietnam.

About two hours from Hanoi, the city is home to three companies under the LG roof. LG Electronics Vietnam Haiphong focuses on electronics, LG Innotek Vietnam Haiphong supplies electronic components, while LG Display Vietnam Haiphong manufactures LCD and OLED displays.

Korea now ranks first among 42 countries and territories investing in Haiphong in terms of both quantity and quality of investment projects, and the city is home to 14 operational industrial zones. VIR

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Vietnam emerges as hub for semiconductor manufacturers

A number of global semiconductor manufacturers are increasing their presence in Viet Nam, making the Southeast Asian country a rising star in the world semiconductor market.



South Korea's Hanmi Semiconductor and Germany's Infineon Technologies AG are expanding their operations in Vietnam, signaling the country's emergence as a production hub for semiconductor manufacturers. Hanmi Semiconductor's branch in Bac Ninh province has been put into operation, with CEO Kwak Dong-shin expressing confidence in Vietnam's potential as a production hub. Infineon Technologies AG has announced the expansion of its operations in Vietnam, along with the establishment of a chip development team in Hanoi. C. S. Chua, president of Infineon Technologies Asia

Pacific, cited Vietnam's young population and its emergence as a key market and destination for multinational corporations in search of technical talents. The semiconductor market in Vietnam is expected to grow at a combined annual growth rate of 6.12% between 2022 and 2027, according to market research company Technavio. The market size is projected to increase by \$1.65 billion during this period. The increasing number of smartphone users is driving market growth, leading manufacturers to open more factories in Vietnam. Notably, Vietnam exports around 40 different mobile phone brands, including Sony and Samsung. Additionally, the market is witnessing a rise in smart home devices that require semiconductors to function.

However, a lack of skilled labor is a significant challenge hindering market growth, as stated in Technavio's report. Many vendors are interested in moving their semiconductor production lines to Vietnam due to factors such as the US-China trade dispute. Still, there is a shortage of professionals with the necessary skills and training. Vietnam has quickly become a major market for South Korean semiconductor makers, according to a report by the Bank of Korea. Major smartphone manufacturers have established production bases in Vietnam, and Korean semiconductors are used as intermediary goods for producing finished IT products. Vietnam has the opportunity to enhance its position in the global value chain and transform into an advanced technology-powered model by embracing semiconductor industry development, according to Nguyen Khac Giang from ISEA – Yusof Ishak Institution. To achieve this, it is essential to review the policy framework, strengthen vocational training for the high-tech sector, and provide support for domestic enterprises.

Vietnam's chip industry has shown significant growth, with revenue from exporting chips to the US increasing by 74.9% in the 12 months ending in February. Vietnam accounted for 10% of semiconductor chip exports to the US during this period, ranking third after Malaysia and Taiwan. Overall, Vietnam's semiconductor industry is poised for growth, attracting investments from global companies and playing a crucial role in the country's economic development.

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Our clients	Think tanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media
Head Office	Floor 5 th – 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

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