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FINANCE

Vietnam's macroeconomic stability and inflation under control

Minister-Chairman of the Government Office, Tran Van Son, addressed a press conference after the monthly cabinet meeting held in Hanoi on August 5. The meeting focused on assessing the socio-economic situation in July and the first seven months of 2023, the progress of the socio-economic recovery and development program, public investment capital allocation and disbursement, and the implementation of national target programs, among other topics.

Son stated that compared to the previous month, the socio-economic situation in July had shown improvement, contributing to the country's overall performance in the first seven months of the year. The macro-economic situation remained stable, and inflation was under control, with the average consumer price index (CPI) increasing by 3.12% in the first seven months.

Other positive indicators included state budget collection surpassing 1 quadrillion VND (42.13 billion USD), a trade surplus of 16.5 billion USD, and an increase in industrial production and revenue from retail of goods and services. Additionally, Vietnam witnessed a significant rise in foreign visitors, and public investment capital disbursement was on track.

Prime Minister Pham Minh Chinh emphasized the need to address challenges faced by production and business, prioritize growth, job creation, and livelihoods while maintaining macro-economic stability, controlling inflation, and ensuring economic balance.

Furthermore, the Prime Minister urged swift disbursement of public investment capital and the implementation of socio-economic recovery and development programs, as well as three national target programs. Preparedness for natural disasters and rescue operations were also highlighted, and specific tasks were assigned to various ministries, sectors, and localities to meet these objectives. VNA

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Positive economic outlook predicted for Vietnam in 2nd half of 2023

International organisations and media have continued to make positive assessment of Vietnam's economic recovery and outlook in the second half of 2023.

Despite a slow growth amid global economic headwinds, Vietnam is performing better than most countries and is still an attractive destination for foreign direct investment (FDI) in the manufacturing sector, according to the International Monetary Fund (IMF) and Singapore-based DBS Bank as cited by Fibre2Fashion.

In an assessment of Vietnam's economic situation in the first half of this year, both said a gradual easing of monetary policies, reducing taxes, and expanding public spending have helped mitigate the impact of headwinds.The IMF noted that Vietnam's economic growth would recover in H2 while inflation is likely to be under control below the State Bank of Vietnam's 4.5% target. Meanwhile, Standards Chartered expected the economy to grow 7% in H2.

The country's economic stability and openness are key drivers for its promising mid-term outlook, a continued recovery of tourist arrivals will help strengthen the services balance, while maintaining investment inflows might need an enhanced global environment and concerted efforts from the Vietnamese Government, the bank said.

Sputnik News of Russia cited DBS Bank as saying that with the FDI registered in H1 increasing about 30% year on year, despite many challenges, Vietnam is still an attractive FDI destination thanks to the shift in supply chains, many free trade agreements, a medium-term growth outlook of 6 - 7%, and a developing electronics ecosystem.

It noted the surge in FDI inflows into the manufacturing sector this year reflects foreign investors' sustained confidence in Vietnam's long-term potential.

According to Asia Business Outlook of India, Vietnam is one of the fastest-growing digital economies in Southeast Asia. Against this backdrop, strong governmental support such as competitive tax incentives coupled with Vietnam's skilled labour market have played a strong role in enabling the country to serve as an offshore manufacturing hub as businesses look to diversify and strengthen their supply chains.

Vietnam is a country on the rise, with a growing economy, stable political environment, and a relatively young workforce, making it an attractive destination for businesses looking to expand their operations in Asia.

"As Vietnam continues to develop and grow, we can expect to see an increase in foreign investment and opportunities for businesses looking to tap into this dynamic and exciting market," an article on Asia Business Outlook wrote.

Technode Global cited Tracxn Technologies Ltd. as saying in a recent statement that the Vietnamese tech startup ecosystem has emerged as the third-highest funded startup ecosystem in Southeast Asia.

The startup ecosystem of Vietnam holds significant potential for growth, thanks to the country's government support measures such as tax exemptions for information technology (IT) companies and land rent concessions. The government's commitment to establishing a cashless economy will contribute to the development of the FinTech ecosystem in the region, Tracxn added. Vnexpress

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E-COMMERCE

Challenges in tax collection from Vietnam's growing E-commerce sector

Despite the challenging economic climate, Vietnam's e-commerce sector has witnessed remarkable growth in recent years.

However, tax collection from this thriving industry has fallen short of expectations, presenting a concern for the country. Instances of tax evasion have been discovered, notably in major cities like Da Nang, where businesses engaged in significant online sales failed to fulfill their tax obligations, resulting in substantial losses. Vietnam's e-commerce growth rate, projected at 18 percent, or approximately US$11.8 billion in 2020, is among the highest in Southeast Asia. Even during a year of minimal economic growth, e-commerce maintained a steady 16 percent growth rate, generating $13.7 billion in retail revenue. A significant 49 percent of Vietnamese consumers shop online, ranking second in Southeast Asia.

To address tax collection issues, the General Department of Taxation established an e-commerce portal, with 333 trading platforms registered, including major players like Shopee, Lazada, and Tiki. Foreign suppliers, such as Google, Apple, Facebook, and others, have also registered, contributing VND 3,944 billion to the state budget in the first half of 2023. Despite these efforts, tax revenue from e-commerce remains modest in comparison to the industry's expansion.

An obstacle to effective tax collection is imprecise data on e-commerce activities. While experts propose source deductions, where e-commerce platforms pay taxes on behalf of online businesses, concerns remain regarding a rigid VND 100 million threshold for individual businesses.

To address these challenges, Deputy Director of the Tax Administration Department of Small, Medium Enterprises, Business Households, and Individuals, Ta Thi Phuong Lan, acknowledges the concerns and promises regulatory adjustments. Ho Chi Minh City's Tax Department aims to collaborate with banks to verify money transfer transactions on social platforms, alongside utilizing customs data for comprehensive inspections.

Overall, while Vietnam's e-commerce sector flourishes, ensuring effective tax collection and cooperation among various agencies remains pivotal for sustainable growth. SGGP

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ENERGY

Ministry proposes DPPA to attract investors to electricity industry

The Ministry of Industry and Trade (MOIT) has conducted research on a pilot Direct Power Purchase Agreement (DPPA) scheme, which aims to allow consumers to purchase electricity directly from power-generating units instead of going through the national utility, EVN.

In the report presented to the Prime Minister, the ministry proposed two scenarios for direct power purchase between renewable power generation units and high-consumption manufacturing units.

The first scenario involves buying and selling electricity through specified transmission lines developed by private investors. In this case, electricity generators and consumers will not face limitations in capacity, output, connection voltage level, or electricity use purposes. Electricity generators must develop projects in line with the electricity development plan and adhere to regulations on power operation licensing. Both electricity generators and clients must also follow regulations on electricity sales and prices as prescribed by the Ministry of Industry and Trade.

The second scenario involves buying and selling electricity between generators and clients without involving the national grid. However, the transactions between the two parties must still be made through power retailers, with Electricity of Vietnam (EVN) being the only retailer at present.

There are specific conditions that sellers and buyers must adhere to. Power-generating units with wind or solar power plants must connect to the national power system and have a capacity of 10MW or higher. Large electricity consumers, such as institutions and individuals for production purposes, must have a voltage level of 22KV or higher.

Currently, as the Law on Price and related legal documents are not yet in effect, the retailer applies Decision No 24/2017 dated June 30, 2017, and Decision 28/2014 dated April 7, 2014, for retail prices.

In 2017, MOIT assigned the Electricity Regulatory Authority of Vietnam to implement the DPPA scheme between renewable power generators and large power consumers. However, the scheme has not been developed to date.

DPPA is a mechanism recommended by international institutions for Vietnam, which is seen as an essential tool to attract investments from both the energy sector and other industries. It is hoped that DPPA, with its potential to attract billions of USD in private sector investment, may take effect this year, according to Amcham. Vietnamnet

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Rooftop solar power systems should be allowed in industrial zones

The Ministry of Industry and Trade (MOIT)'s stance against promoting rooftop solar power systems in production workshops within industrial zones has triggered confusion and disagreement.

A renewable energy investor expressed perplexity at MOIT's selective approach, questioning why the ministry's endorsement of rooftop solar power systems is limited to residential and office buildings.

"It's truly baffling that MOIT's strategy for rooftop solar power development overlooks industrial zones," the investor remarked. He underscored the considerable advantages of deploying rooftop solar power systems in industrial zones, benefiting the state, Electricity of Vietnam (EVN), electricity consumers, and generators, particularly amid the ongoing electricity shortage in the northern region.

"It's surprising that MOIT, the agency tasked with ensuring electricity supply and advancing the power sector, requires reminders from other ministries about the imperative for favorable policies to leverage the potential of this model," the investor added. "Even EVN has repeatedly proposed that MOIT institute such policies."

While several ministries are eager to expand the permissible sites for rooftop solar power systems, encompassing schools, hospitals, farms, production workshops, airports, railway stations, and seaports, MOIT has responded with brevity, referring to Deputy Prime Minister Tran Hong Ha's Notice No 219. The notice specifies that the current subjects are homes and office buildings, leaving other locations for subsequent decisions.

MOIT has also rejected proposals to allow investors to collaborate with property owners in installing rooftop solar power systems for self-production and self-consumption through mutual agreements. The ministry emphasized that the mechanism's intent is to encourage the utilization of rooftop solar power systems for personal use, rather than commercial purposes.

Critics point out that although MOIT's draft document employs the term 'encouragement,' it lacks concrete measures that genuinely stimulate the development of rooftop solar power. The mechanisms outlined in the document are vague and fail to introduce innovative approaches to attract investments.

Experts, including Le Chi Hieu from HCM City University of Technology, concur with the 'self-production and self-consumption' principle for rooftop solar power as delineated in Plan 8, the eighth national electricity development plan. However, they emphasize that detailed regulations are imperative to ensure the strategy's success.

Le Hai Hung, a PhD holder from Hanoi University of Science and Technology, criticized MOIT's plan as insufficient and incompatible with Plan 8. He asserted that if 'self-production, self-consumption' rooftop solar power is promoted, broader permissions should be granted for diverse entities to install power generation facilities.

"MOIT should extend permission for all individuals to install rooftop solar power systems," Hung contended, drawing an analogy with preparing for a grand concert without providing enough seats for the audience.

MOIT argues that, as per the approved Plan 8, the total capacity of rooftop solar power, encompassing both self-produced and self-consumed rooftop solar power, would increase by 2,600MW. From the ministry's perspective, this scale obviates the need for policies encouraging the installation of rooftop solar power systems.

Hung, however, challenged MOIT's optimism. He highlighted that MOIT's calculations might be overly optimistic. In locales like Ho Chi Minh City, with solar radiation intensity at 4.5 kwh/m2/day, a household consuming 36kwh/day would necessitate an 8kWp rooftop solar power system (8kWp x 4.5 kWh/m2/day = 36kWh). The challenge arises from the fact that this electricity cannot be optimally utilized throughout the day due to variations in solar intensity and consumer demand. VOV

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RETAIL

Thriving Vietnamese retail market amid macroeconomic challenges

Despite the negative impact of current macroeconomic conditions, both consumers and businesses in Vietnam have been facing eroding confidence. Nevertheless, the retail market in the country continues to flourish, with new and expanding distribution chains, as highlighted by experts.

Domestic retailers are playing a significant role in this growth by opening new stores and expanding their presence. For instance, the Ho Chi Minh City Union of Trading Co-operatives (Saigon Co.op) recently inaugurated four new Co.op Food stores in different cities, bringing their nationwide total to 571 stores. The expansion aims to diversify the ecosystem and pave the way for the development of e-commerce and an efficient "online to offline" and "offline to online" structure.

Saigon Co.op is focusing on developing convenience store chains like Co.op Food, Co.op Smile, and Cheers in new residential areas, catering to a broader customer base. Despite economic challenges leading customers to tighten their spending, the progress in modern distribution channels demonstrates retailers' commitment to providing services and their internal resilience to sustain and grow their businesses.

This positive trend also indicates the significant potential for further growth in Vietnam's retail market. Moreover, with headline inflation at a mere 2.1% year-on-year in July, well below the 4.5% cap set by the State Bank of Vietnam, the country has favorable conditions for growth in the third and fourth quarters of 2023. Domestic retailers can capitalize on this opportunity to enhance customer care services, adapting to changes in customers' shopping habits and preferences. They are diversifying retail models to serve all customer segments and responding swiftly to meet new consumer trends. "Localised" supermarkets, offering closeness and convenience akin to traditional grocery stores, have become a prominent feature in the modern retail landscape.

Furthermore, the COVID-19 pandemic has influenced customer behaviors, with a preference for stores closer to home and a focus on essential daily life products. Retailers like Co.op Food are building databases of customer shopping habits to tailor their offerings to individual regions and consumer preferences. Vietnam's retail market, with a population of 100 million, encompasses segments with a high degree of concentration, necessitating rapid and accurate responses from retailers to adapt to evolving consumer trends and stimulate demand.

While purchasing power might experience fluctuations, consumers remain willing to spend when retailers present solutions to boost demand. These factors collectively contribute to the resilience and thriving nature of Vietnam's retail sector amidst challenging macroeconomic conditions.

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LOGISTICS

HCM City eyes more new metro lines to enhance connectivity

HCM City plans to add three more metro lines to connect Tan Son Nhat International Airport and the Can Gio Sea Encroachment Project to the national railway system, and two national railway stations in the city.

The plan is part of the city's urban planning efforts by 2040, with a vision to 2060, which aims to synchronise the city's urban railway network.

It was detailed by the consulting unit Southern Transport Design Consultancy Joint Stock Company (Tedi South) at a recent meeting to research, review, and propose supplements and adjustments to the city's urban railway network.

Accordingly, the first new line is proposed to connect terminals of Tan Son Nhat International Airport in Tan Binh district to downtown HCM City and Thu Thien New Urban Area in Thu Duc city. The line would also connect the planned Thu Thiem-Long Thanh light rail project to the Long Thanh International Airport under construction in neighbouring Dong Nai province. Crossing Soai Rap River, the second new line will link downtown HCM City with the 2,870-hectare Can Gio Sea Encroachment Project, also known as the Can Gio Tourism Urban Area Project in outlying Can Gio district.

With a length of 28 kilometres, the third new line will have the function of transporting passengers, and connect the two national railway stations of Thu Thiem and Tan Kien in the city.

Besides the three new lines, the consultant unit has proposed other metro lines be extended to create an urban railway corridor along the Tay Bac - Ben Thanh - Thu Thiem - Long Thanh route of more than 80km long. Other lines are now also being considered for adjustments to connect them with urban railways in Binh Duong province, an industrial hub neighbouring HCM City.

The city has already had plans for eight metro lines and three electric vehicle lines, spanning a total of 220 km, with an estimated investment capital of 25 billion USD.

Among the metro lines, line No. 1 from Ben Thanh Market in District 1 and Suoi Tien Theme Park in Thu Duc city and line No. 2 between Ben Thanh Market and Tham Luong Depot in District 12 are under construction, while the other lines are seeking funding and investment before beginning construction. VNA

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INVESTMENT

AMPT Vietnam's strategic investments aimed at transforming Danang's landscape

AMPT Vietnam, a South Korea-backed company, is planning to invest $5 billion in essential infrastructure and healthcare projects in Vietnam, particularly in Danang. The company aims to elevate living standards and enhance community health while also fostering collaboration in the region.

Led by CEO Lee Yun Cheol, AMPT Vietnam International JSC, a subsidiary of AMPT International JSC, was established in 2022. The company seeks to invest in projects that have significant social welfare implications and has already formed joint ventures with prominent entities like Diamond Corporation, Qlila, and The World Group.

One of the key areas of focus for AMPT Vietnam is the establishment of multidisciplinary international hospitals that offer Proton therapy along with eco-resort facilities. The company is also keen on investing in transportation infrastructure, seaports, resorts, and agricultural processing plants in partnership with local companies and organizations.

Recognizing the immense potential of Danang, particularly in the tourism and resort sectors, AMPT Vietnam has identified the city as an attractive destination for foreign enterprises. To fully explore these opportunities, the company is considering setting up an office in Danang.

AMPT Vietnam's investment strategy centers around state-of-the-art international hospitals that prioritize advanced treatment methods, attracting affluent patients seeking both medical treatment and leisure experiences.

The Chairman of Danang People's Committee, Le Trung Chinh, has highlighted healthcare, seaports, and new urban areas as areas of interest for AMPT Vietnam, aligning with the city's efforts to attract investments.

Currently, Danang is in the process of presenting its investment proposal for the shared infrastructure of the Lien Chieu Port project to the government, and healthcare projects like international hospitals and nursing homes are being conducted through auctions. Ongoing planning and evaluation for new urban areas are expected to be completed by the end of 2023, paving the way for investor selection in compliance with legal regulations. VIR

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Foreign investors flock to Vietnam's real estate market through M&A

A surge of foreign businesses is turning their attention to potential real estate projects in Vietnam, seeking opportunities for mergers and acquisitions (M&As) in the country's thriving property market.

Malaysia-based Gamuda, a prominent property group, recently announced a significant M&A deal involving its subsidiary, Gamuda Land. The company acquired the entire shares of three individuals at the Tam Luc Real Estate Corporation and now directly owns the Tam Luc high-rise housing complex in Ho Chi Minh City. With a total investment of nearly 4 trillion VND, this strategic move allows Gamuda to expand its land ownership in a prime location within the city, providing more high-quality apartments while minimizing planning and legal risks for the market.

Amidst a challenging real estate market characterized by prolonged investment and legal procedures, decreased liquidity, and tighter borrowing conditions, enterprises are considering selling parts or entire projects to foreign partners. This approach enables them to generate funds for debt repayment, avoid bankruptcy, and finance other ventures.

Keppel, a Singaporean enterprise, has also accelerated its M&A activities. Notably, the Keppel Consortium, comprising Keppel and Keppel Vietnam Fund, acquired 49% of the shares of two adjacent residential projects in Thu Duc city, HCM City, from Khang Dien, earning Khang Dien 3.18 trillion VND.

In another significant transaction, Singapore's CapitaLand Group negotiated to purchase part of Ocean Park 3 Project from Vinhomes JSC in Hanoi or another project in Hai Phong city for around 1.5 billion USD. This deal is considered one of Southeast Asia's largest real estate transactions in recent years.

Foreign investors have also taken substantial stakes in other local property firms, including Novaland and Hung Thinh Land, showcasing their strong interest in Vietnam's real estate market.

The M&A deals, which underwent survey and exploration in the second quarter of 2023, are expected to be negotiated in the third quarter, with the market potentially witnessing successful M&As in Q4, primarily involving small projects. Negotiations for medium- and large-sized deals will continue until the end of Q4 or even into Q2 of 2024, according to the Vietnam Association of Realtors.

Trang Bui, General Manager of Cushman & Wakefield Vietnam, noted that foreign investors are highly interested in the country's real estate projects, but they face various challenges in acquiring assets in the market. Many investors prefer forming joint ventures and conducting M&As rather than straightforward transactions, which highlights the readiness of investment capital for the real estate market. However, finding potential projects remains a challenge.

Despite the obstacles, there is significant optimism about Vietnam's real estate market, as the country's fundamentals are poised for growth in the property sector. With a promising outlook, foreign investors continue to view Vietnam as a lucrative destination for their M&A activities in the dynamic real estate landscape. VNA

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