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VIETNAM BUSINESS REVIEW

Vol 32, Aug 16th 2023

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FINANCE

Vietnam's economy gains momentum in third quarter

Since the beginning of the third quarter of this year, Vietnam's economy has started to regain momentum, instilling greater confidence among businesses and investors, as indicated by experts.

The Index of Industrial Production (IIP) for July reflects this positive trend, showing a growth of 3.9% compared to the previous month and 3.7% compared to the same period last year. In the initial seven months of this year, Vietnam maintained a trade surplus exceeding US$16.5 billion, and there was a rebound in foreign investment attraction after experiencing a decline for six consecutive months.

Deputy Minister of Planning and Investment, Tran Quoc Phuong, attributed these achievements to the government's diligent efforts in eliminating hurdles, especially those encountered by the real estate and corporate bond markets, along with investment projects. However, he acknowledged that achieving the annual growth target of 6.5% is a formidable challenge that necessitates innovative mechanisms and policies. According to the official, the Ministry of Planning and Investment has recommended that other ministries, agencies, and localities assess and enhance relevant mechanisms, policies, and legal regulations to resolve impediments in production and business operations. The ministry has also underscored the importance of further simplifying administrative procedures, bolstering growth drivers like consumption, investment, and exports, ensuring macroeconomic stability, managing inflation, and maintaining significant economic equilibriums.

Associate Prof. Dr. Tran Dinh Thien, former Director of the Vietnam Institute of Economics, highlighted that since late 2022, the number of businesses filing for bankruptcy or temporarily suspending operations, particularly small and medium-sized enterprises, has been increasing. In major industrial hubs like Binh Duong, Dong Nai, Thai Nguyen, and Bac Ninh, the workforce index has declined, posing challenges for the domestic industrial sector. Additionally, foreign investment attraction has not yet fully recovered following the repercussions of the COVID-19 pandemic.

Given these challenges, it becomes essential to reevaluate the economic structure and implement tailored solutions aligned with the current circumstances, emphasized Thien. "Meeting the annual target demands significant collective efforts and resolute determination from all institutions," he emphasized.

Echoing Thien's perspective, Associate Prof. Dr. Nguyen Duc Trung, Rector of Ho Chi Minh City University of Banking, recommended tapping into resources and boosting private investment in critical sectors. During the initial two quarters of this year, the national economy expanded by a modest 3.72%, falling short of the government's projected scenario. Additionally, state revenue witnessed a decline of 7.8% in the first seven months of the year. VNA

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VinFast makes its debut on Nasdaq

VinFast Auto Ltd. made a significant foray onto the Nasdaq Global Market on August 15, commencing trading of its shares under the ticker symbol VFS. With an impressive equity value surpassing $23 billion, this momentous event, coupled with its listing on the world's largest capital market, marks a pivotal juncture in VinFast's global expansion.

Beyond its own growth prospects, this development also opens avenues for other Vietnamese enterprises to augment their presence in the global marketplace.

This transition follows the successful culmination of the business amalgamation between VinFast and Black Spade Acquisition Co. on August 14. This transformative step has propelled VinFast into the ranks of the largest Vietnamese entities listed on the US stock market, based on market capitalization. Under the banner of VinFast Auto Ltd., the amalgamated entity will be helmed by the capable leadership of Global CEO Le Thi Thu Thuy.

Reflecting on this significant achievement, Thuy expressed, "VinFast has accelerated the global electric vehicle (EV) revolution by making smart, safe, and environmentally friendly EVs accessible to everyone."

She continued, "The successful listing not only supports VinFast's commitment to sustainable mobility on a global scale but also unlocks access to the capital markets and important avenues for future development. It is our hope that VinFast's listing will inspire the nation and unleash greater opportunities for Vietnamese brands to participate in the global market."

With the integration, Black Spade will contribute valuable business advisory insights to fuel the brand's growth and aid in direct investor interactions. As of June 30, VinFast has introduced nearly 19,000 EVs into the market, including popular models like VFe34, VF5, VF8, and VF9. The company is poised to introduce additional models, namely VF3, VF6, and VF7, catering to both local and international markets.VinFast has solidified its presence within the domestic landscape through a comprehensive charging network encompassing 63 cities and provinces. Plans are underway for further expansion in the coming years. In tandem, the company has established a robust retail and service network with more than 122 VinFast stores globally.

Expanding its global footprint in the EV sector, VinFast has initiated strategic collaborations with distributors and dealers in international markets such as North America, Europe, Vietnam, and Southeast Asia. An additional significant step in VinFast's global journey was marked by the groundbreaking ceremony for its new EV manufacturing facility in the United States on July 28. This milestone is pivotal in cementing VinFast's global expansion plans and supply chain development within North America. VIR

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E-COMMERCE

Utilizing big data for efficient tax collection in E-commerce

Big Data in the realm of e-commerce holds the potential to revolutionize tax collection strategies, particularly for foreign cross-border IT services providers. This assertion comes from Nguyen Bang Thang, the Director of the Tax Management Department at a prominent Large Enterprises entity.

Illustrating this concept is the proactive application of Big Data to streamline tax collection from foreign service providers engaged in cross-border IT activities. This utilization could significantly enhance the efficiency of tax collection processes.

Relevant statistics underscore the magnitude of this potential transformation. Notably, cross-border IT services and social network giants like Google, Apple, Facebook, Netflix, TikTok, and Microsoft, contributed approximately VND4 trillion (equivalent to US$169.5 million) in taxes during the first half of the current year. This amount contrasts with VND3.5 trillion recorded for the entire previous year.

Despite this tax contribution, it's evident that the collected taxes from these providers are comparatively modest when viewed against the backdrop of the retail e-commerce sector's revenue. The retail e-commerce market, having reached an impressive US$16.4 billion in 2022, underscores the revenue scale involved.

Forecasts underscore further growth, estimating a 25% expansion of Vietnam's retail e-commerce market to a projected US$20.5 billion this year. This landscape is predominantly shaped by six dominant foreign players - Meta (Facebook), Google, Microsoft, TikTok, Netflix, and Apple - collectively accounting for around 90% of the revenue generated on cross-border digital platforms within Vietnam.

Additionally, within the realm of digital advertising, platforms such as Facebook, Youtube, and TikTok yielded revenues of US$2.5 billion in 2023, with projections anticipating a further rise to US$3.4 billion this year, as indicated by Kantar Media Vietnam.

Thang emphasizes that the tax authority remains dedicated to creating a conducive environment for both foreign and domestic entities involved in serious business development within Vietnam. This environment extends to offering incentives, while simultaneously enforcing strict penalties for any violations.

Further collaboration with pertinent agencies, aimed at scrutinizing tax declarations of foreign providers and authorized organizations, forms a crucial facet of the tax authority's operational approach. Valuable insights gleaned from international experiences, including those of the US and EU, highlight the pivotal role of comprehensive e-commerce Big Data in ensuring the efficiency of tax management across cross-border platforms.

Acknowledging tax-related challenges within the e-commerce domain, Nguyen Thi Minh Huyen, Deputy Director of the Vietnam E-commerce and Digital Economy Agency, underlines ongoing efforts to refine the legal frameworks pertaining to tax collection within this industry.

Huyen underscores the need for a cohesive mechanism for data exchange between relevant management bodies as a means of averting cross-border tax losses.

Hoang Van Cuong, Deputy of the National Assembly's Finance – Budget Committee, advocates for prioritizing digital transformation to acquire substantial data for seamless and effective tax management.

Aligned with these strategies, the Ministry of Finance has set an ambitious goal to augment domestic tax collection by 5-7% in the year 2024. This goal underscores a particular emphasis on enhancing the efficiency of tax collection, particularly from the dynamic landscape of cross-border e-commerce. VNA

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ENERGY

18 renewable energy power plants are in operation

As of August 11, based on recent data released by Vietnam Electricity (EVN), nearly 93 percent of the renewable energy transition projects have submitted their profiles to the Power Purchase Department for price negotiations and power purchase agreement (PPA) consultations. This achievement is significant considering the rigorous effort put in over just a little more than three months.

Currently, there are 18 renewable energy power plants that are operational. However, six projects, accounting for approximately 285MW in capacity, have yet to initiate their price negotiations with EVN. Out of the projects that have already submitted their documents, 67 projects with a combined capacity of around 3,850MW have proposed a provisional price that is approximately half of the ceiling rate set by the Ministry of Industry and Trade (MoIT). Depending on whether the energy source is solar or wind, this translates to rates between $0.033 and $0.040 per kWh.

Notably, both EVN and project developers have successfully negotiated and temporarily signed PPAs for 59 projects. Out of these, 58 have already received approval from the MoIT. The combined capacity of these approved projects is over 3,180MW.

As of now, 18 of these projects have achieved their commercial operation date (COD), contributing to a collective capacity of over 950MW. These transitioning renewable energy projects have produced approximately 268 million kWh of energy since their COD up to August 10. This marks an impressive increase of nearly twofold compared to figures from a month ago. On average, these projects collectively contribute around 0.4 percent to the total daily energy production of the national power system.

For the renewable energy projects that are behind schedule in terms of operation, their combined capacity exceeds 4,600MW. Nearly 2,100MW of this capacity is attributed to 34 transitional projects that have completed construction and testing. These projects do not qualify for preferential feed-in tariffs for a 20-year period and are required to negotiate electricity prices with EVN based on the power framework introduced by the MoIT earlier this year. These rates are approximately 20-30 percent lower than previous figures.

The MoIT has clarified that the delays in negotiations and the operation of these renewable energy transition projects are due to multiple breaches by developers regarding planning, land regulations, and investment. Some developers have also not yet finalized the necessary paperwork for obtaining an electricity operation license.

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Challenges in Vietnam's Liquefied Natural Gas (LNG) infrastructure development

The transition from coal-fired power to electricity generated from liquefied natural gas (LNG) in Vietnam faces hurdles as concerns over import infrastructure take center stage. PetroVietnam, the state-run oil and gas group, recently released a report on sustainable energy development up to 2050, highlighting the complexities of establishing the country's LNG import infrastructure.

As the annual domestic gas production decline continues, the need to import LNG becomes crucial, according to Ta Vu Duy Hoa, deputy director of PetroVietnam's Economic and Investment Department. The decline in gas production is anticipated due to the diminishing capacity of the PM3-Ca Mau pipeline by 2028, leading to onshore gas production reductions.

PetroVietnam is focusing on maximizing resources to boost supply from significant gas projects like Blue Whale and Block B. However, the majority of their impact won't be realized before 2026. This declining domestic gas supply is a key factor contributing to reduced gas usage for electricity generation in households.

In 2023, PetroVietnam plans to provide around 4.3 billion cubic meters of gas for power generation, which will decrease to 3.1 billion cu.m in 2024 and approximately one billion cu.m per year by 2030.

Difficulties in project implementation and investment preparation have impacted initiatives like the Block B gas project, causing inconsistencies in production projections. Even the Blue Whale gas-to-power project's timeline for the first gas supply is uncertain due to operational and planning issues.

Vietnam requires modern infrastructure for importing and storing adequate LNG to ensure the smooth operation of 13 LNG power projects. The nation's gas industry development plan targets LNG imports of 1-4 billion cu.m per year between 2021 and 2025, and 6-10 billion cu.m annually from 2026.

Tran Anh Khoa, from PetroVietnam Gas (PVGAS), emphasizes the importance of synchronizing LNG importation with port infrastructure development. Plans include the launch of several terminals by 2026, such as My Son LNG Terminal and Thi Vai Terminal Phase 2, along with capacity enhancements.

However, significant LNG imports in the near future remain unlikely. Dr. Nguyen Quoc Thap of the Vietnam Petroleum Association cites the country's lack of experience in constructing and operating LNG terminals. He suggests that Vietnam can learn from countries like Thailand and South Korea, which build LNG power plant concentrations around large receiving ports, minimizing infrastructure costs and optimizing systems. Environmental factors also play a role in choosing terminal locations. VIR

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RETAIL

Vietnam's pharmaceutical retail sector gains momentum with South Korean investment

The retail pharmaceutical landscape in Vietnam is set to become more dynamic as South Korean conglomerate Dongwha Pharm enters the scene. Dongwha Pharm has announced its acquisition of a majority stake in Trung Son Pharma, a company operating a chain of pharmacies in Vietnam, on August 3rd, as reported by Business Korea.

Dongwha Pharm's filing with the Korean Stock Exchange revealed an investment of nearly $30 million for a 51 percent stake in Trung Son Pharma, which equates to over 12.15 million shares. The deal is slated for completion by October of this year.

Founded in 1997, Trung Son Pharma currently operates over 140 pharmacies, primarily in the southern region. The highest concentration of these stores, amounting to 45, is situated in Can Tho city. Last year, the company achieved a revenue of $56.5 million, derived from the sale of both prescription and non-prescription medications, functional foods, cosmetics, and medical equipment.

This acquisition grants Dongwha Pharm an entry point into the Vietnamese over-the-counter drug market. The company intends to expand its offerings to include cosmetics and health-beneficial functional foods.

Dongwha Pharm, established in 1897 as the first pharmaceutical company in Korea, is involved in the development, production, distribution, and marketing of ethical drugs, including solid dosage formulations and sterile injectables, over-the-counter drugs, food supplements, healthcare products, and cosmetics.

With this investment, Dongwha Pharm foresees the potential for Trung Son Pharma's network to grow to 460 stores by 2026.Market research firm BMI highlights that Vietnam's retail pharmaceutical market is characterized by significant fragmentation, with more than 50,000 mostly small-scale pharmacies. The market is projected to escalate from $7.7 billion in 2021 to $16.1 billion by 2026, although the actual figures might be considerably higher.

Forecasts predict the total value of Vietnam's pharmaceutical market to reach approximately $13 billion by 2030, with the average per capita drug spending reaching about $75 in 2022.

In the Vietnamese market, three major chains stand out: Long Chau, Pharmacity, and An Khang, as outlined in a report by ACB Securities. While Long Chau attained profitability in 2021, the other two chains are yet to achieve the same milestone. VIR

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LOGISTICS

Collaboration between Lineage Logistics and SK to develop cold chain logistics

On August 11th, Lineage Logistics, an international cold chain solutions provider based in the United States, revealed its expansion plans in Vietnam. The expansion will be carried out through a partnership with SK, a Hanoi-based cold-storage warehouse operator.

Discussing the collaboration between Lineage Logistics and SK, Brooke Miller, President of Lineage Asia Pacific, expressed, "Teaming up with SK Logistics presents an exceptional opportunity for us to continue delivering top-tier cold storage solutions across the Asia Pacific region, alongside a reputable and successful family business."

"Extending Lineage's presence in the Asia Pacific by entering the Vietnamese market, which significantly contributes to the region's economy, remains a strategic objective for our company. Vietnam holds great importance for Lineage, and partnering with a reliable and established operator like SK Logistics enhances our ability to provide excellent supply chain solutions in the region," Miller emphasized. SK Logistics boasts two cold storage warehouses, with a combined area of nearly 400,000 square feet. This expansion significantly bolsters Lineage's capacity in northern Vietnam. These facilities offer comprehensive services, including storage, distribution, labeling, weighing, classification, and packaging, catering to vital customers in the area.

In July, Yokorei, a Japanese refrigerated warehousing company, secured an investment certificate for a $52 million cold-storage warehouse in Ben Luc district, Long An. With an area of 4.5 hectares, the facility is currently under construction and is expected to undergo trial operations in the third quarter of 2024, with full-fledged operations commencing by March 2025. Yokorei specializes in cold storage solutions for agricultural produce, aquatic products, food items, and more. A Ken Research report highlighted the fragmented nature of Vietnam's cold chain market, featuring key players such as Kuehne Nagel, Swire Cold Storage, Schenker, Agility, APL, K-Line, Maersk Logistics, and others. These players compete on various aspects, including total temperature-controlled area, number of maintained fleets, local coverage, pallet space cost, support services, pallet count, office and warehouse numbers, production capacity, clientele, and industries served.

According to commercial real estate firm Cushman & Wakefield, Vietnam's cold chain market was valued at nearly $170 million in 2019. With the surge in the sector driven by the anticipation of handling and storing COVID-19 vaccines, the growth in seafood processing, and increased consumer demand overall, it is projected to reach $295 million by 2025, indicating an annual growth rate of around 12 percent. VIR

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INVESTMENT

Vietnam emerges as furniture manufacturing hub amidst market growth

Vietnam is rapidly establishing itself as a hub for furniture manufacturing due to its advantageous factors such as competitive power tariffs, favorable trading environment, efficient logistics, and a diverse range of materials for furniture production. Mordor Intelligence, a market research company, underscores Vietnam's potential in this sector.

Central Retail, a Thai retail corporation, has introduced its subsidiary brand "Come Home" in Ho Chi Minh City, targeting the thriving interior decor market. This move aligns with the company's $1-billion investment strategy, projecting revenue growth from $1.25 billion in 2022 to over $1.4 billion in 2023, with an expected annual growth rate of nearly 10% from 2023 to 2027.

Despite global economic challenges, Vietnam's interior decor market experiences strong demand, driven by modern aesthetics and personalized living spaces. Denmark's JYSK, offering Scandinavian-style furniture, opened a new center in Hanoi, contributing to the trend.

Prominent furniture brands, ranging from mid-range to high-end, continue to flourish. Hoa Phat Furniture JSC, a subsidiary of Hoa Phat Group, rebranded as "The One Furniture" in 2022, reflecting its evolution.

According to Mordor Intelligence, the Vietnam furniture market is predicted to grow from $1.4 billion in 2023 to $1.82 billion by 2028, showcasing a compound annual growth rate (CAGR) of 5.33% within this period. Export volumes of Vietnamese furniture have surged and are reaching global markets including the U.S., the U.K., Canada, Australia, and Japan.

Statista further highlights that the Vietnamese furniture market is set to generate $1.34 billion in revenue by 2023, with a projected CAGR of 9.06% from 2023 to 2028. As the furniture sector in Vietnam experiences steady growth and expanding exports, the country is positioned as a prominent player in the global furniture market. vnexpress

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Singaporean real estate giants thriving in Vietnam's market

Prominent Singaporean real estate firms are solidifying their presence in Vietnam's real estate sector, spanning luxury apartments to industrial complexes. As of June, the real estate domain has attracted more than 1,100 foreign-invested projects with a total capital of $66.4 billion, accounting for 15% of overall overseas investment and ranking second after the manufacturing and processing industry.

Investment from 48 countries and territories has flowed into the Vietnamese real estate sector, with Singapore leading the way, followed by South Korea, the British Virgin Islands, and Japan.

Knight Frank's 2023 Wealth Report cites Vietnam's appeal to foreign investors due to the attractive pricing of luxury apartments compared to other international cities. This positioning, along with the country's robust economic growth, drives demand for new housing from an emerging middle-class and confident investors.

Singaporean investors are actively engaged in Vietnam's commercial and industrial real estate segments. Renowned firms such as CapitaLand, Keppel Land, Frasers Property, and more are making significant contributions to the market. Keppel has invested over $3.5 billion across 20 projects in Vietnam, while CapitaLand has a diverse portfolio spanning retail malls, residential developments, and integrated projects.

Industrial real estate is also on the radar, with partnerships like the one between Becamex IDC Industrial Development and Investment Corporation and Sembcorp Development to co-develop five Vietnam-Singapore Industrial Parks (VSIP) costing approximately $1 billion.

With a growing economy and strategic locations in mind, Singaporean developers are poised to continue their expansion in Vietnam's real estate landscape. VIR

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