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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Vietnam plans to extend VAT cut until end of June 2024

The Vietnamese government said on Tuesday it plans to extend a reduction in value added tax (VAT) until the end of June next year to boost domestic consumption and production as the global economy remains sluggish.



The cut in VAT to 8% from 10%, which still needs parliament's approval, has been in place since July and is set to expire by the end of this year. The next session of parliament is scheduled to begin next week.

The 8% VAT rate is not applicable to services and products like banking, finance, telecommunications and real estate, the government said in a statement.

The tax cut, which is expected to boost domestic consumption, would reduce the government's budget revenue by 25 trillion dong (\$1.02 billion), the statement added.

Vietnam's economic growth rose 5.33% in the third quarter, higher than 4.05% in the previous one, official data showed.

Headline inflation continued the sharp upward increase that started in June, official data showed. September's consumer price index rose 3.7% in September against the same period last year.

While economic growth picked up in the July-September period thanks to a gradual recovery in exports, domestic consumption remained subdued and credit growth continued to be slow reflecting weak private domestic investment and investor confidence, the World Bank said in its latest report.

Retail sales in the domestic market with a population of nearly 100 million, rose 9.7% in the first nine months of this year from a year earlier, according to the General Statistics Office. Vnexpress

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## The State Bank of Vietnam to issue new bills to withdraw cash from the banking system

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The State Bank of Vietnam (SBV) will continue to issue new bills to withdraw cash from the banking system as liquidity is abundant and interbank interest rates remain low, analysts forecast.

The SBV last month issued more than VND110 trillion of 28-day bills, and the bills will mature this month. As a result, a corresponding amount of cash will be pumped back into the banking system if the SBV does not issue new bills. However, given that interbank interest rates are still low, KB Vietnam Securities Joint Stock Company (KBSV)'s analysts believe the SBV will continue to issue new bills to replace those that are maturing.

They explained that the move will be made as the overnight interbank interest rate returns to very low levels while the interbank foreign exchange rate and the interest rate gap between US dollar-denominated deposits and Vietnamese dong-denominated deposits remain high. This will stimulate dollar speculation and put pressure on the foreign exchange rate.

KBSV's analysts do not rule out the possibility that the SBV might even increase the size and term of bills to be issued in the coming time.

In fact, in recent sessions, the SBV has moved to increase cash withdrawal through bill issuance. In the first nine trading sessions in early October, the SBV issued bills worth less than VND10 trillion each, but from October 12 to October 16, the SBV increased it to VND20 trillion each. Even on October 17, the bill value reached VND17.95 trillion and VND12.05 trillion the following day.

In the latest five trading sessions, the SBV withdrew VND90 trillion, marking the strongest net withdrawal series since the bill issuance channel resumed operations on September 21. At the same time, the winning interest rate also remained at a high level of 0.9-1%, indicating a more aggressive stance from the SBV in withdrawing cash. VNA/VNS

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## E-COMMERCE

### Amazon has highlighted Vietnam's emergence as a significant player in the global e-commerce supply chain

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An executive at the U.S. e-commerce giant Amazon has highlighted Vietnam's emergence as a significant player in the global e-commerce supply chain, emphasizing its manufacturing capabilities and entrepreneurial spirit. Eric Broussard, Amazon's Vice President of International Marketplaces and Retail,



made these remarks during the Amazon Cross-border E-commerce Summit in Ho Chi Minh City. He noted that Vietnam's position as a new manufacturing hub enables it to diversify the range of products available on the Amazon platform.

Over the past 12 months, Vietnamese companies achieved remarkable success on Amazon, with sales of over 17 million products, a 50% increase compared to the previous year. The top-selling categories included household goods, kitchenware, personal healthcare products, clothing, and beauty items. Notably, beauty products entered the top five categories for the first time, driven by strong demand for false eyelashes, hair growth serums, and teeth whitening powder.

Gijae Seong, Head of Amazon Global Selling Vietnam, observed that Vietnam's presence on the Amazon platform is growing, with a 40% increase in the number of Vietnamese sellers. While most sellers are medium, small, or micro businesses, some larger enterprises like Minh Long, Thien Long, and BeeFurni have also started selling on Amazon.

To further support Vietnamese sellers, Amazon recently established a training center in Ho Chi Minh City, complete with a studio for producing and broadcasting cross-border e-commerce training materials. Amazon is expanding its logistical capabilities by collaborating with a marine shipping partner to enhance Vietnamese sellers' distribution of products overseas, in addition to its existing aviation-based distribution.

It's estimated that Vietnam's e-commerce exports were valued at VND 80 trillion in the previous year, with the potential to reach VND 300 trillion by 2027, provided that businesses receive the necessary support, according to the UK consultancy Access Partnership. vnexpress

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## ENERGY

### Vietnam to export low-carbon electricity from wind power to Singapore

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Singapore's energy regulator the Energy Market Authority (EMA) has granted conditional approval to Sembcorp Utilities Pte Ltd (SCU), a wholly owned subsidiary of Sembcorp Industries Ltd., to import 1.2GW of low-carbon electricity from Vietnam to Singapore.



Based on SCU's proposal, the imported electricity will harness offshore wind power and potentially other forms of generation, to be developed with Petrovietnam Technical Services Corporation (PTSC). It will be transmitted from Vietnam to Singapore via new subsea cables that will span a distance of around 1,000km.

The conditional approval recognises that the project is preliminarily assessed by EMA to be technically and commercially viable. It facilitates SCU in obtaining necessary regulatory approvals and licences for the project. It also builds on the offshore wind site survey permit approval and Letter of Intent issued to the SCU-PTSC Consortium by the Vietnam and Singapore governments respectively in August 2023.

The progress made on this project is a positive development arising from the MoU on Energy Cooperation between Vietnam and Singapore, signed in October 2022, which reaffirmed both countries' commitment to support and facilitate clean energy transition efforts and regional decarbonisation, including greater cross-border electricity trading.

Singapore has plans to import up to 4GW of low-carbon electricity by 2035. To date, EMA has granted conditional approvals to projects from various sources, comprising 2GW from Indonesia, 1GW from Cambodia and 1.2GW from Vietnam. If realised, these projects will collectively tap into a diverse mix of solar energy, hydropower, and wind power.

To ensure reliability of supply, EMA has been working with importers to put in place sufficient safeguards against any prolonged supply disruptions. EMA will also continue to explore low-carbon alternatives such as geothermal, hydrogen and technologies such as carbon capture and storage to ensure that the power system remains secure, reliable and sustainable. VIR

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## Saudi Arabia will consider investing in Vietnam's renewable energy sector

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The government of Saudi Arabia will consider investing in Vietnam's energy sector, especially renewables, and its large companies have also shown interest in the field. The crown prince and prime minister of Saudi Arabia, Mohammed bin Salman Al Saud, told Prime Minister Pham Minh Chinh Friday that he would instruct the country's sovereign fund to study the possibility of investing in renewable energy in Vietnam.

He added without elaborating that a global energy corporation based in Saudi Arabia wants to invest in Vietnam.

Chinh, who is visiting Saudi Arabia, urged Saudi funds to consider investing in large projects in Vietnam, especially the green economy, innovation, technology, manufacturing, and renewables. Saudi Arabian state-owned energy behemoth Aramco is looking for opportunities to build a refinery in Vietnam, vice president Yasser M. Mufti told Chinh Thursday.

At a meeting with Qatari Emir Tamim bin Hamad Al Thani Friday too Chinh said renewable energy is a key sector in which Vietnam wants to partner with Qatar. The two leaders agreed to set up joint working groups for digital transformation, renewable energy and infrastructure, and create favorable conditions for people of both countries to enter the other with ease.

Chinh also met with UAE President Sheikh Mohamed bin Zayed Al Nahyan and called for that country's funds to invest in Vietnam's green transformation, digital transformation and circular economy. The UAE leader said he would ask funds to seek investment opportunities in Vietnam. The two sides agreed to speed up negotiations and sign the Comprehensive Economic Partnership Agreement. At a meeting with Omani Deputy Prime Minister Sayyid Shihab bin Tarik Al Said, Chinh sought more access for Vietnamese goods and services in that country. Al Said agreed to create favorable conditions for partnerships in the halal food industry and increase the effectiveness of the Vietnam Oman Investment fund.

Chinh was in Saudi Arabia from Oct. 18 to 20 for the first ever summit between ASEAN and Gulf Cooperation Council countries and a bilateral visit. Leaders of Vietnam and Saudi Arabia agreed to further strengthen political and diplomatic relations by increasing exchanges at all levels and promoting trade.

Chinh proposed that the two countries should create a legal framework to ensure a strong partnership in human resources. He invited the crown prince to Vietnam, and MBS, as the latter is commonly known, said he would visit next year when the two countries celebrate 25 years of diplomatic relations. Saudi Arabia is a key economic partner for Vietnam in the region. In the first seven months of this year their trade rose by 7.4% year-on-year to US\$1.6 billion. Many Saudi Arabian corporations have invested directly or indirectly in Vietnam, including Zamil Steel Group and chemical manufacturer Sabic Group. Vnexpress

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## RETAIL

### Thai conglomerate CP group refutes reports of Vietnamese retail stake purchase

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Thailand's Charoen Pokphand Group (CP) and its related entities have strongly refuted reports implying their interest in acquiring a stake in a Vietnamese retail chain, widely speculated to be Bach Hoa Xanh within the Mobile World Group.



CP Group, a Thai conglomerate with interests in agriculture, food, retail, distribution, and telecoms, and investments spanning more than 30 countries, has released an official statement on its website on October 22. This statement emphasized that its members unanimously deny any involvement in discussions or activities as suggested in the media.

In a related development, Reuters reported in September that Singaporean sovereign wealth fund GIC is among the bidders considering the acquisition of a stake in Bach Hoa Xanh, with the potential to value the grocery chain at \$1.5-1.7 billion. If negotiations prove successful, a deal is expected to conclude in the first quarter of 2024, according to Reuters.

Mobile World Group's spokesperson has stated that detailed discussions will take place after the deal is signed. "We are currently in private negotiations and have signed a non-disclosure agreement with potential buyers," the representative stated. The successful conclusion of this transaction could heighten competition within the Vietnamese retail market, drawing interest from both domestic and international investors looking to expand their presence in the region.

Mobile World Group recently resumed its plan to sell shares after pausing earlier this year due to unfavorable market conditions. The initial intention was to sell up to 20% of their stake in Bach Hoa Xanh last year.

Bach Hoa Xanh, established in 2015, operates a network of over 1,700 stores. The chain anticipates breaking even by the end of this year and foresees profitability from 2024 onward. VIR

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## LOGISTICS

### China Communications Construction targets investment in Vietnam's vital transport networks

China Communications Construction Co. Ltd. (CCCC) has expressed its intent to invest in several major infrastructure projects in Vietnam, with a particular focus on the north-south high-speed railway. This proposal was made by Bai Yinzhan, the director of China Harbor Engineering Co. Ltd., a subsidiary of CCCC, during a meeting with Minister of Planning and Investment Nguyen Chi Dung at the Belt and Road Forum for International Cooperation in China.



Having a presence in Vietnam since 1996, CCCC has a history of successfully executing over 20 Vietnamese infrastructure and energy projects. These include the Hanoi–Hai Phong Expressway, Cai Mep–Thi Vai Port, Vinh Tan - Binh Thuan thermal power plant, and various wind power initiatives.

Currently, the company is showing a strong interest in contributing to other significant transport infrastructure development projects in Vietnam, particularly the ambitious North-South High-Speed Railway. This project is envisioned to extend more than 1,500 km, spanning 20 localities and necessitating an investment of over \$61.6 billion, according to preliminary plans. The North-South High-Speed Railway has been identified by the Politburo as a pivotal axis to connect urban railways, major economic hubs, seaports, airports, and international borders.

Apart from the high-speed railway, CCCC has also expressed interest in projects such as expanding the Ho Chi Minh City - Trung Luong Expressway, creating the Ho Chi Minh City - Moc Bai and Dong Dang - Tra Linh Expressways running along the Chinese border in Vietnam's far northern provinces of Lang Son and Cao Bang, and participating in wind power development ventures.

Minister Dung, while welcoming CCCC's interest in Vietnam's infrastructure projects, emphasized the importance of effective management and cooperation, pointing out some previous challenges with infrastructure projects carried out by Chinese companies in the country. He hopes that CCCC, as a significant contractor and investor in Vietnam, will share its expertise, offer training, and transfer technology to facilitate sustainable infrastructure development, thus bolstering bilateral cooperation in the field. vnexpress

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## INVESTMENT

### High-Quality FDI pours into Quang Ninh province's industrial zones

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Quang Ninh province has made substantial progress in attracting investment capital, driven by strategic planning, infrastructure development, and the infusion of high-quality foreign investments. For 2023, the province is determined to enhance investment efficiency and elevate the living standards of its residents.

The primary objective is to secure at least \$1 billion in foreign direct investment (FDI) for its industrial



zones, with a focus on attracting investors from countries like Japan, South Korea, China, and the EU. Notably, the province has achieved remarkable results in FDI attraction, with an estimated \$854 million already secured by September, accounting for 85% of its annual target.

To support further investment, Quang Ninh is preparing nearly 5,900 hectares of industrial land by 2030. Several large-scale FDI projects have emerged, predominantly in processing and manufacturing, with leading investments from Singapore, Taiwan, Sweden, China, Japan, the Seychelles, Hong Kong, and South Korea. Quang Ninh is expanding its investment horizons, welcoming investments from Sweden and enhancing its partnership network. The province is streamlining its investment processes, with two projects from Foxconn Group approved within an impressive 12 working hours.

This streamlining of the application process is contributing to Quang Ninh's attractiveness to foreign investors. The province is also attracting investment from Japanese companies, with seven more expected to follow the first Japanese group's lead. The progress in industrial zones is remarkable, with multiple sectors such as industrial real estate, vehicle manufacturing, machinery, electronic components, and petrochemicals attracting significant investment. Quang Ninh is actively implementing its Investment Promotion Programme for 2023 and has set an ambitious target to attract \$1.5 billion in FDI within the remaining three months of the year. VIR

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## FDI continues to bolster Vietnam's economic transformation

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The outlook for foreign direct investment (FDI) inflows in Vietnam in 2023 appears promising, with expectations of surpassing the levels observed in 2022, according to KB Securities Vietnam JSC (KBSV).

In the initial nine months of 2023, Vietnam recorded a substantial 7.7 percent year-on-year increase in total registered foreign investment capital, reaching \$20.21 billion. Simultaneously, FDI disbursements in the same period rose to \$15.91 billion, marking a 2.2 percent YoY increase, the most significant within the 2017-2023 timeframe.

This surge in the number of projects indicates a steady recovery and expansion of production and business activities among foreign-invested enterprises in Vietnam. The prediction that FDI inflows for 2023 will surpass 2022 levels is attributed to a combination of internal and external supporting factors, as identified by KBSV.

Internal factors encompass Vietnam's active promotion of foreign investment through enticing support packages and the creation of a business-friendly environment. The country leverages its competitive advantages, including macroeconomic stability, a geographically strategic location for investments, a multitude of free trade agreements, and a highly skilled workforce.

On the external front, Vietnam benefits from the wave of relocations from China. Moreover, the stability of the Vietnamese dong compared to the Chinese yuan enhances investor confidence in Vietnam's business environment. The elevation of the US-Vietnam relationship to a comprehensive strategic partnership is also expected to attract more capital inflows from the United States. The EuroCham Business Confidence Index (BCI) for the third quarter of 2023 edged up to 45.1 points, bringing optimism to Vietnamese businesses following a tumultuous year.

HSBC notes that although FDI has receded from its 2017 peak due to various global economic factors, Vietnam remains a top performer in ASEAN in terms of FDI attraction, trailing only Malaysia. The bulk of FDI is concentrated in the manufacturing sector, which offers hope for climbing the value chain and a strong rebound when international trade conditions become more favorable. Notably, new FDI inflows into manufacturing have already surpassed the totals of the previous three years.

The focus on relocating tech supply chains to Vietnam was underscored during President Biden's visit to the country in September, during which the relationship between the US and Vietnam was upgraded to a comprehensive strategic partnership. President Biden announced that US tech companies, including Amkor and Marvell, plan to invest in Vietnam. However, it's not just the US; South Korea's Hana Micron also revealed its intentions to invest \$1 billion in chip production expansion in Vietnam by 2025, further underscoring the nation's growing appeal to international investors. VIR

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