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Highlight

Government urged to accelerate LNG power plans in Vietnam

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What's in it today?

FINANCE

Fitch ratings evaluate a stable outlook for Vietnam's long-term foreign-currency issuer default rating

Economic drivers have good growth opportunities

INVESTMENT

Japan emerges as key player in Vietnam's FDI landscape

U.S. chipmaker Nvidia to expand its partnership with Vietnam's top tech firms

RETAIL

THACO accelerates retail expansion with new Emart venture in Hanoi

E-COMMERCE

Vietnam's leading E-Commerce platforms see 22.7% growth in 3rd quarter of 2023

ENERGY

Vietnam focus on green transition

Government urged to accelerate LNG power plans in Vietnam

LOGISTICS

Vietnamese logistics companies upbeat on 2024 outlook

FINANCE

Fitch ratings evaluate a stable outlook for Vietnam's long-term foreign-currency issuer default rating

Fitch Ratings has upgraded Vietnam's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'BB+', from 'BB', with the “Stable” outlook, the Ministry of Finance announced on December 8.

The upgrade reflects Vietnam's favorable medium-term growth outlook, underpinned by robust foreign direct investment (FDI) inflows, which Fitch Ratings expects will continue to drive sustained improvements in its structural credit metrics.

According to the organization, it has increasing confidence that near-term economic headwinds from property-sector stresses, weak external demand, and delays in policy implementation owing to a corruption crackdown are unlikely to affect medium-term macroeconomic prospects and that policy buffers are sufficient to manage near-term risks. Fitch Ratings forecasts Vietnam will achieve a medium-term growth of around 7% thanks to its cost competitiveness, educated workforce relative to peers, and entry into regional and global free-trade agreements bode well for continued strong FDI inflows amid global supply chain diversification. The authorities estimate that FDI projects have disbursed about 2.4 billion USD (6% of GDP) as of December 20, 2022, an increase of 13.5% yoy over the same period last year. Diplomatic relations with the US were upgraded to a comprehensive strategic partnership in September, which could facilitate greater US FDI and trade.

In addition, Vietnam's foreign exchange reserves improved modestly, to 89 billion USD as of end-September 2023, after a sharp drop in 2022. This partly reflects some return of capital flows and a larger trade surplus. Vietnam’s reserves are expected to improve further in 2024-2025 with coverage of current external payments averaging about three months, under our baseline.

Vietnam's external debt composition remains favorable, as most of the debt is owed to bilateral and multilaterals. This leads to a lower external debt service burden and supports its high external liquidity ratio. Fitch Ratings believes that as the Vietnamese Government continues to implement policies to support growth and stabilize the macroeconomy, Vietnamese economy will regain growth momentum soon. According to the Ministry of Finance, when the world economy is facing challenges relating to a slowdown in growth, economy, trade, and financial risks are increasing in countries, the upgraded rating of Fitch Ratings to Vietnam shows the international community's positive assessment of the direction and management efforts of the Party, National Assembly and Government of Vietnam. The ministry will continue to coordinate with Fitch Ratings, other credit rating agencies, and international organizations to help them have a complete and updated assessment of Vietnam's credit profile.

Back to top

Economic drivers have good growth opportunities next year

All the three economic growth drivers of investment, export, and consumption have good opportunities in 2024, Deputy Minister of Planning and Investment Tran Quoc Phuong told the Government's regular press conference on December 6.

He said that at its recent sixth session, the National Assembly (NA) adopted a resolution on the socio-economic development plan for 2024. One of the most important targets is a growth rate of 6 - 6.5%.

Previously, keeping macro-economic stability was given higher priority than other tasks, but for 2024, the NA decided to focus more on promoting economic growth ahead of macro-economic stability, reflecting the determination to accelerate growth and make up for the declines caused by impacts of the COVID-19 pandemic and the global economy in 2023, Phuong noted.

Talking about opportunities for the three growth drivers next year, he said export has been recovering with better performance recorded over months and its momentum gradually regained. Total retail sales of goods and consumer service revenue have increased by over 9% and approximated double-digit growth.

Meanwhile, opportunities for state investment, foreign direct investment (FDI), and private investment in 2024 are "relatively good", especially FDI attraction thanks to results of economic diplomacy this year, the official noted, highlighting chances of FDI inflows into such new areas as renewable energy, semiconductor manufacturing, and others serving socio-economic development.

In terms of private investment, despite numerous difficulties, capital, corporate bond, and stock markets are expected to show "relatively good" recovery capacity next year, he went on.

The deputy minister said a growth rate of 6 - 6.5%, equivalent to the average target for 2021 - 2025, is a difficult target since it is still unable to predict all difficulties awaiting in 2024. However, with the proposed measures in Resolution No 01 that is being drafted and expected to be issued by the Government at the start of 2024, the ministry hopes to reach the set target. VNA

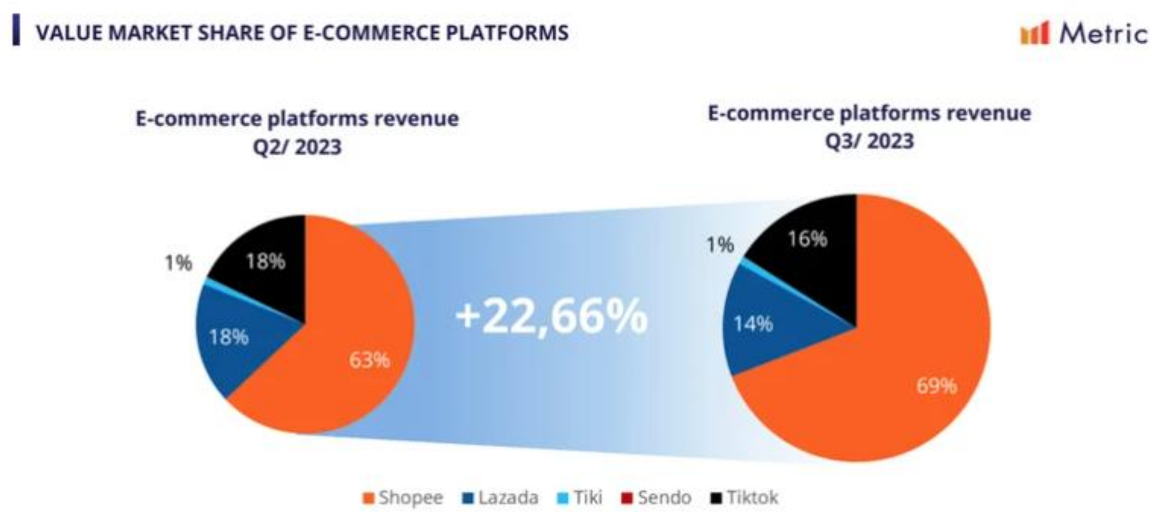
Back to top

E-COMMERCE

Vietnam's leading E-Commerce platforms see 22.7% growth in 3rd quarter of 2023

Five of Vietnam's prominent e-commerce platforms—Shopee, TikTok Shop, Lazada, Tiki, and Sendo—reported a combined revenue of $2.58 billion in Q3, marking a 22.7% increase from Q2, as per a report by local e-commerce analyst Metric.vn.

Shopee, backed by Singapore's Sea Limited, led the pack with revenue from sales of 459.15 million



Market shares of the five biggest e-commerce platforms in Vietnam. Photo courtesy of Metric.vn

products. TikTok Shop, supported by Chinese social media giant TikTok, maintained its second position with sales of 83.32 million products. Lazada, majority-owned by Chinese giant Alibaba, secured the third spot with sales of 57.18 million products. In terms of market shares, the three foreign-invested platforms captured 69%, 16%, and 14% of the market, respectively. Vietnamese platforms Tiki and Sendo collectively accounted for the remaining 1%.

The top-performing categories by revenue were beauty, home & lifestyle, women's fashion, home appliances, and mobile phones & tablets. Home & lifestyle led in the number of items sold, followed by beauty, women's fashion, stationery, and groceries. Geographically, Hanoi emerged as the leading supplier, followed by Ho Chi Minh City, foreign countries, and the northern province of Bac Ninh.

The top brands in terms of revenue included electronic giants Apple, Samsung, and Xiaomi, followed by home appliance firm Ecovacs, and nutritional drink brand Ensure. In the number of items sold, office supplies brand Deli took the lead, followed by beauty product Focallure, fashion brand Deliz, stationery supplier Thien Long, and beauty product maker Banobagi. The investor

Back to top

ENERGY

Government urged to accelerate LNG power plans in Vietnam

Vietnam stands as a nation with abundant favorable prospects for liquefied natural gas (LNG) power, which has caught attention from numerous enterprises and investors, heard a forum held by the Vietnam Chamber of Commerce and Industry (VCCI)'s Business Forum magazine in Hanoi this week.

The forum aimed to realize the goals of LNG power development as outlined in National Power Development Plan VIII for the 2021-30 period.

Economist Ngo Tri Long proposed that the Government promptly approve plans to lay the groundwork for implementing energy projects, and relevant State authorities establish special mechanisms for LNG power development to overcome existing limitations and meet the schedule.

At the same time, national standards and regulations should be promptly issued for practical application, along with certifications to ensure that equipment procured or produced from abroad complies with current standards, he said, adding that a mechanism is essential to empower LNG power plant operators to directly negotiate electricity sales with consumer households, and the Vietnam Electricity Group (EVN) is among the entities involved.

Plant operators should have the right to directly purchase LNG, rent storage facilities, and gasify the fuel. Power plants may invest in additional transmission lines. In such a scenario, the electricity selling price will be subject to mutual agreement between the buyer and seller.

Long also called for establishing a stable legal framework and policies related to the importation and consumption of LNG.

Nguyen Van Phung, a senior expert on taxation and corporate management, said it is necessary to clearly affirm that LNG power must operate under a market pricing mechanism. There should be no imposition of artificially low pricing to ensure a low electricity price framework.

In fact, the production cost of LNG power is undoubtedly much higher than those of power generated from natural resources such as coal, solar, wind and hydro. Therefore, a scientifically-based pricing framework for this energy source is needed, drawing on practical experience from countries that have effectively adopted such frameworks, he added.

Back to top

Vietnam focus on green transition

The global shift toward green energy is a prominent trend, and Vietnam has prioritized this transition as a key focus. Demonstrating a robust political commitment, Vietnam stands out as a country with significant potential for investment in various renewable energy sources, including solar, wind, ocean wave power, and biogas.

Experts emphasize that to fully harness this inherent potential, Vietnam requires incentivizing policies to expand the renewable energy market, foster the adoption of new technologies, create opportunities, and promote the use of renewable energy across vital sectors.

While the world heavily relies on traditional energy sources such as oil, coal, and natural gas, these finite resources are gradually depleting, with an estimated lifespan of 70 to 100 years. Dr. Chu Duc Hoang, Chief of the Office of the National Technology Innovation Fund, underscores that traditional energy not only causes severe environmental pollution but also poses a threat to stable future energy supply.

Despite robust recent development in Vietnam's energy industry, the scale and efficiency remain comparatively low. The country's energy demand is rapidly increasing, with electricity demand climbing significantly over the years. Greenhouse gas emissions from the energy sector contribute significantly to Vietnam's total emissions, highlighting the urgency of transitioning to cleaner energy sources.

The 26th COP participating in the United Nations Framework Convention on Climate Change (COP26) has witnessed strong commitments, including Vietnam's pledge, to reduce greenhouse gas emissions. This reflects the global urgency and importance of green energy production, consumption, and overall energy transition in sustainable development strategies worldwide.

Vietnam's commitment to complete decarbonization by mid-century enhances its appeal for foreign corporations investing in renewable energy infrastructure, especially offshore wind power projects. With its extensive coastline, shallow water depth, and consistent high wind speeds, Vietnam possesses essential prerequisites for developing reliable offshore wind power projects.

Dr. Chu Duc Hoang stresses that, given the challenges of climate change and the risk of energy depletion, the transition to green energy is not just an option but an urgent necessity. In this transition, technology plays a pivotal role, providing efficient solutions for energy capture, storage, and optimization in both production and daily consumption. Therefore, technological innovation becomes an inevitable trend for countries, corporations, and businesses to successfully shift from traditional to clean energy. Vietnamnet

Back to top

RETAIL

THACO accelerates retail expansion with new Emart venture in Hanoi

Truong Hai Group (THACO) is actively advancing its presence in the retail sector, with the initiation of plans to build its fourth Emart supermarket in the Tay Ho district of Hanoi, specifically in the Tay Ho Tay urban zone.

Earlier this year, Dai Quang Minh Corporation, the project's investor, secured approval to develop a commercial and shopping center on a 2.4-hectare land plot in the central area of the Tay Ho Tay urban zone. Although the transaction details remain undisclosed, the project holds an investment certificate valued at around $24 million.

This development aligns with THACO's broader strategy to expand its Emart chain to 10 outlets nationwide by 2025, aiming for an ambitious revenue target of $1 billion by 2026. The Tay Ho Tay Emart project is expected to play a pivotal role in realizing this expansion plan.

THACO's strategic move coincides with a notable surge in retail development in the region. Other key players, such as Takashimaya and Lotte Group, are actively involved in planned developments in the Tay Ho Tay urban zone, reflecting the growing importance of this area in the retail landscape.

THACO recently marked its entry into the retail market with the inauguration of Thiso Mall Truong Chinh - Phan Huy Ich in Ho Chi Minh City, the third Emart outlet under THACO's franchise in Vietnam, covering over 10,500 square meters.

A representative from THACO expressed confidence in the company's retail strategy, emphasizing alignment with growth plans and the ambition to establish 20 large supermarkets in less than four years, ultimately achieving a revenue milestone of $1 billion.

This aggressive retail expansion by THACO takes place in a competitive market, with established players such as AEON, Go (formerly BigC), and Winmart vying for market share. VIR

Back to top

LOGISTICS

Vietnamese logistics companies upbeat on 2024 outlook

As Vietnam's economy is expected to recover and achieve a growth target of 6 per cent in 2024, logistics businesses are optimistic about the logistics industry in 2024.

On December 6, Vietnam Report officially announced the Top 10 Most Reputable Logistics Companies in 2023. It found that 34.5 per cent of logistics businesses predict the logistics industry will improve in 2024. This is a bright spot amid the challenging logistics landscape. Another is that 60 per cent of logistics companies record lower total costs in 2023.

The logistics industry is associated with manufacturing, distribution, and goods consumption in both local and foreign markets. However, headwinds like political instability and inflation have put an end to the rapid growth of the global economy. This has negatively affected the business situations of logistics companies.

According to Vietnam Report's survey, most Vietnamese logistics companies experienced a slump in business results in 2023. Notably, 66.7 per cent of companies posted shrinking profits, of which 40 per cent recorded a significant decline. The pricing war has become more intense as more foreign companies have penetrated the market. They are willing to suffer losses for three to five years to vie for market share.

Along with the e-commerce boom, e-commerce operators have developed in-house logistics firms to serve rising demand. In a turbulent year, e-commerce development and the demand for faster delivery have changed the operation structure of many companies.

The survey found that logistics companies, and last-mile delivery firms in particular, are being forced to deliver smaller value packages more frequently. Businesses do not have time to wait until they have enough orders to fully fill the vehicle.

To join the race, logistics businesses need to ensure vehicles reach maximum load capacity, optimize costs, and take advantage of scale. The challenge also prompts businesses to optimize operations and accelerate the application of automation technology and digital transformation. This is even more difficult for small logistics businesses that do not have enough financial and workforce capacity.

Over the past few years, the growth rate of the Vietnamese logistics sector has consistently hovered between 14-16% annually, with a scale of $40–42 billion per year. According to data by Mordor Intelligence, Vietnam's logistics market size is estimated at $45.19 billion in 2023 and is expected to reach $65.34 billion by 2029, growing at 6.34 per cent during the forecast period. VIR

Back to top

INVESTMENT

Japan emerges as key player in Vietnam's FDI landscape

Japanese investors are strengthening their presence in Vietnam, capitalizing on the elevated bilateral ties between the two nations.

Nitori Holdings Co., Japan's largest furniture retail chain, is set to open its first store in Vietnam, marking an expansion strategy across Asia. The initial store, located in Binh Duong province, reflects Nitori's accelerated store openings in the region, with recent launches in Thailand, Hong Kong, and South Korea. Nitori's significant manufacturing bases in Hanoi and Ba Ria-Vung Tau contribute to its supply chain, employing around 10,000 individuals.

Vietnam's rising incomes and increased discretionary spending have attracted Japanese investments, evident in the expansion plans of retail group AEON and share purchases by Mizuho in Vietnamese companies, including digital payment provider M-Service and Vietcombank. The country's fast-growing economy presents opportunities for substantial M&A deals, particularly in sectors such as food processing, IT, retail, energy, and consumer finance, according to Masataka Yoshida of RECOF Corporation.

Japanese firms, initially drawn to Vietnam by competitive labor costs, have continued to invest and expand operations, utilizing the country as an offshore export hub. Notably, Japan has become Vietnam's third-largest source of foreign direct investment (FDI), reaching nearly $70 billion by 2022. The focus has been on high-value manufacturing, with companies like Panasonic and Canon leading the way. The Japan-Vietnam economic ties report by HSBC emphasizes the positive spill-over effects of FDI in high-value manufacturing, creating opportunities for Japanese companies to engage in more complex production processes offshore. VIR

Back to top

U.S. chipmaker Nvidia to expand its partnership with Vietnam's top tech firms

U.S. chipmaker Nvidia's chief executive said in 11 December the company will expand its partnership with Vietnam's top tech firms and support the country in training talent for developing artificial intelligence and digital infrastructure.

Nvidia, which has already invested $250 million in Vietnam, has so far partnered with leading tech companies to deploy AI in the cloud, automotive and healthcare industries, a document published by the White House in September showed when Washington upgraded diplomatic relations with Vietnam.

"Vietnam is already our partner as we have millions of clients here," Jensen Huang, Nvdia's CEO said at an event in Hanoi in his first visit to the country.

"Vietnam and Nvidia will deepen our relations, with Viettel, FPT, Vingroup, VNG being the partners Nvidia looks to expand partnership with," Huang said, adding Nvidia would support Vietnam's artificial training and infrastructure.

Reuters reported last week Nvidia was set to discuss cooperation deals on semiconductors with Vietnamese tech companies and authorities in a meeting in 11 December 2023. Huang's visit comes at a time when Vietnam is trying to expand into chip designing and possibly chip-making.

At Monday's event, Vietnam's investment minister Nguyen Chi Dzung said the country had been preparing mechanisms and incentives to attract investment projects in the semiconductor and artificial intelligence industries. Dzung also asked Nvidia to considering setting up a research and development facility in the country following Huang's proposal to set up a base in Vietnam, after his meeting with the Vietnamese Prime Minister Pham Minh Chinh on 10 December. Vnexpress

Back to top

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