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Vietnamese Commercial banks limits foreign room, waiting for strategic buyers

Commercial banks have been holding back on increasing their foreign room to wait for suitable strategic buyers in the future, said industry leaders and insiders.

Techcombank, one of the largest commercial banks, maintains a 22% foreign room and is considering an additional 10% for strategic shareholders. This approach follows VPBank's successful transaction with Japan's Sumitomo Mitsui Banking Corporation (SMBC), valued at around $1.5 billion.

Foreign capital inflows have significantly improved capital, technology, and management practices in Vietnam’s banking sector. HDBank intends to reduce its foreign room to 17.5% as it seeks strategic shareholders, with interest from partners in South Korea, Europe, and the US.

Meanwhile, SHB plans to finalize its share offering to foreign investors by 2024, with potential deals valued between $2-2.2 billion. SeABank has approved a share issuance plan to Norfund, potentially adding substantial capital.

Nguyen Quoc Hung, secretary-general of the Vietnam Banks Association, highlights that strategic foreign investors bring positive changes in finance, technology, and management, aligning Vietnamese banks with international standards.

This strategic patience in increasing foreign ownership is expected to yield significant benefits for Vietnam’s banking sector. VNS

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Vietnam's warehouse market is thriving, driven by strategic investments

Foreign developers are dominating Vietnam's modern warehouse market, capturing over 75% of the market share by net leasable area (NLA) in 2023, according to an industry report by FiinGroup. Warehousing is a promising segment in Vietnam's logistics sector, drawing significant investments from both local and foreign players.

The leading foreign-owned companies—Mapletree, BW Industrial, and SLP—collectively hold 46% of the market's total NLA, contributing nearly 1.8 million square meters. Mapletree leads the pack with 922,000 sq.m, expanding aggressively with mega logistic hubs in Bac Ninh, Hung Yen, and Binh Duong provinces. A new project in Bac Ninh with 198,000 sq.m of NLA is expected to be completed by 2025. BW Industrial and SLP are also expanding rapidly, with 22 new warehouses launched by 2022 and a 243,000 sq.m warehouse in Dong Nai set to open by 2026.

Local companies, including ICD ST, NPL Logistics, and Gemadept, account for 25% of the market share. While foreign companies leverage their industry knowledge and financial muscle, local players offer comprehensive services through their extensive ecosystems in logistics, ports, and shipping operations.

From 2020 to 2023, the modern warehouse supply in Vietnam witnessed a compound annual growth rate of 23%. Several factors drive this growth, including national master plans to expand industrial park land in regions like Long An, Dong Nai, and Bac Giang to attract investments. The rapid growth of e-commerce is also fueling the demand for advanced storage systems that integrate transportation, inventory management, cold storage, and warehouse management.

Additionally, the ongoing restructuring of global supply chains, which involves decentralizing manufacturing from China, benefits Vietnam's warehouse market. Both local and foreign investors are thus aggressively developing logistics infrastructures, particularly modern warehouses, to meet the rising demand from manufacturing giants, modern trade retail chains, and logistics companies.

In summary, Vietnam's warehouse market is thriving, driven by strategic investments, robust e-commerce growth, and favorable national policies, positioning the country as a key logistics hub in the region. VIR

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Updating information and regulations on e-commerce risks is crucial to protect consumers

Updating information and regulations on e-commerce risks is crucial, says Nguyen Duc Trung, Deputy Director of the Agency for Enterprise Development (AED) under the Ministry of Planning and Investment (MPI).

The AED, in collaboration with the German Corporation for International Cooperation (GIZ), organized a workshop titled "Laws on Protection of Consumer Rights 2023 in the Context of Digitalisation and E-commerce" to aid businesses in navigating the new e-commerce landscape. This workshop aimed to educate businesses on market risks and new consumer protection regulations.

The MPI has launched a business information portal to support companies in understanding global trends like responsible business, digital transformation, and fourth-generation technology. This portal also connects businesses with professional consultants.

GIZ expert Pham Que Anh highlighted that while e-commerce offers consumers more choices and competitive prices, it also presents challenges such as identifying buyers and sellers, ensuring privacy, and securing transactions. The inability to check product quality before purchase and reliance on third-party payment systems add to these risks.

Sita Zimpel, Director of the GIZ ASEAN SME Project, stressed the importance of international consumer protection commitments. The ASEAN Strategic Action Plan on Consumer Protection and new ASEAN e-commerce guidelines aim to harmonize legal regulations and promote sustainable trade.

Ho Tung Bach from the National Competition Commission noted that Vietnam's Law on Consumer Rights Protection, effective July 1, 2023, expands the scope of foreign businesses and includes new regulations on consumer information protection, digital platform services, and product recall responsibilities.

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Vietnam aims to add 56 gigawatts of renewable energy by 2030

Vietnam aims to add 56 gigawatts (GW) of renewable energy by 2030 to meet its net-zero emissions goal by 2050, according to the "Pathways to Net Zero" report from the Vietnam Energy Outlook Report series. This development will include 17 GW of onshore wind and 39 GW of solar energy.

Presented by Rasmus Munch Sørensen, adviser to the Vietnam-Denmark Energy Partnership Program, the report highlights Vietnam's potential in solar and wind power. It emphasizes that transitioning from fossil fuels to renewables can be cost-effective and help achieve the net-zero target by 2050.

The report warns that delaying the green transition will incur unnecessary costs due to worsening climate impacts. To peak CO2 emissions by 2030, the new power capacity should primarily come from solar and wind, which are expected to be cheaper than fossil fuels.

A stable investment climate and regulatory improvements are crucial to support early renewable energy investments. Vietnam aims to develop 84 GW of offshore wind power by 2050, necessitating a clear legal framework to attract significant investments. This includes identifying suitable locations for wind installations, preparing port infrastructure, and enhancing the transmission grid.

Coal-fired power plants need flexibility to prioritize renewable energy, with LNG playing a critical role despite price sensitivity. The report considers co-firing of hydrogen, ammonia, or biomass and Carbon Capture and Storage (CCS) at power plants as cost-inefficient.

Exploring nuclear power's role and further utilizing land for onshore wind and solar power are also recommended. Developing standards for rooftop solar power connections to the grid is advised.

Denmark’s Ambassador to Vietnam, Nicolai Prytz, at the report's launch, urged swift and sustainable action towards the net-zero target. Achieving this target is crucial for meeting energy demand and attracting foreign investment. Denmark is committed to supporting Vietnam's green transition. The investor

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10% special consumption tax (SCT) on sugary drinks may impact to drinks market

The Ministry of Finance (MoF) in Vietnam has proposed a 10% special consumption tax (SCT) on sugary drinks in a draft revision of the SCT Law submitted to the government. This tax will apply to carbonated beverages, tea-based drinks, caffeinated drinks, drinks featuring fruit juice, energy drinks, electrolyte drinks, and sports drinks. However, milk and dairy products, natural mineral water, bottled water, vegetable-fruit drinks and nectars, and cocoa-based products will be exempt.

The MoF projects that the price of soft drinks could rise by 10% due to this tax, leading to decreased consumption as consumers shift to healthier alternatives. The agency anticipates this tax will help reduce obesity, diabetes, and other non-communicable diseases, particularly among young people, thereby alleviating pressure on the healthcare system.

Financially, the MoF expects to collect an additional VND 2.4 trillion ($94.3 million) annually, assuming 80% of the taxed products remain in consumption with a 20% decrease due to price increases. However, they acknowledge that tax revenue will likely decline over time as consumers adapt and manufacturers reformulate products to lower sugar content below the tax threshold.

Opposition to the SCT on sugary drinks comes from various associations and businesses, arguing that it won't effectively combat obesity and could negatively impact related industries such as sugar production, retail, and packaging.

The MoF countered by highlighting data from the National Institute of Nutrition, showing that sugary drink consumption per capita increased 1.5 times in seven years, reaching 70.56 liters in 2020, while the rate of overweight and obese children doubled over the past decade to 19%, surpassing the Southeast Asian average of 17.3%.

The MoF noted that the imposition of excise taxes on sugary drinks is a growing global trend, with about 85 countries now implementing such taxes, a nearly six-fold increase over the past decade. VIR

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VinFast accelerates expansion plans in India and Indonesia

VinFast, the Vietnamese electric vehicle (EV) manufacturer, is expediting its plans to establish manufacturing facilities in India and Indonesia, leveraging attractive government incentives in these countries. According to a filing with the US Securities and Exchange Commission, VinFast aims to commence production at its completely knocked down (CKD) facility in Thoothukudi, Tamil Nadu, India, by mid-2025. The Indonesian facility is expected to start operations by the end of 2025, with groundbreaking slated for the next two months.

Each facility is projected to have an initial annual capacity of approximately 50,000 vehicles, with the potential to scale up to 300,000 vehicles per year based on market demand. This strategic move is part of VinFast's broader expansion across Asia, which includes the recent launch in the Philippines where it plans to open a series of showrooms soon.

In the US market, VinFast anticipates a substantial increase in sales, targeting a 30-to-40-fold growth from the $6.4 million recorded in 2023. The company is optimistic about maintaining this growth trajectory over the next five years and expects to reach the break-even point soon. Despite a slow start in the US and challenges in the competitive EV market, founder Pham Nhat Vuong remains confident in VinFast's ability to achieve profitability and sustain its expansion efforts.

VinFast's ambitious plans come as it aims to gain a stronger foothold in the global EV market. In the first quarter of the year, the company delivered 9,689 cars, significantly below its annual target of 100,000 vehicles. In 2023, VinFast sold 34,855 vehicles, primarily to related parties. The company’s aggressive growth strategy reflects its commitment to becoming a key player in the EV industry. VIR

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