

## NEWSLETTER FROM VIETNAM

January 2017



*Peach blossom for a Happy New Year 2017*

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### ***A warm welcome to all our readers***

*Information in this newsletter is presented on a synthetic basis with a reference number. On request, our offices will be pleased to assist any Brussels company who wishes to receive further information on any of the topics exposed hereunder. Please return by e-mail the topic with its official heading, mentioning the issue and the reference number.*

*You may also find our newsletters on the website of: <http://www.invest-export.irisnet.be>*

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- ✓ Plastic Vietnam
- ✓ Vietnam Int'l Cafe Show 2017
- ✓ Propak Vietnam 2017
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#### **Vietnam's economy of 2016 in brief**

- GDP growth rate: 6.21%
- Agri-forestry-fishery sector growth: 1.36% (record low in the past 6 years (mainly due to repeated natural disasters: flooding in the central region, severe drought in the Central Highlands and saltwater intrusion in the south. The Formosa toxic spill contaminating seawater in 4 central provinces)
- Industrial-construction sector growth: 7.57%
- Export value: US\$ 175.94 bil (up 8.6%), major exports include telephone and components; textile and garment; computers, electronics and components; equipment, machine, tools and parts; footwear; seafood; transportation means and their parts
- Import value: US\$ 173.26 bil (up 4.6%), major imports include machines, equipment, tools and parts; computers, electronics and their parts; steel; materials for plastic; materials and submaterials for textile, garments and footwear production.
- Foreign Direct Investment: US\$ 15.8 bil in disbursement (up 9%); US\$ 24.4 bil in newly-registered and added FDI (up 7.1%)
- Consumer Price Index: 2.66%

- GDP per capita: US\$ 2,215
- Unemployment rate: 2.3% (collected by BIE, Dec 2016- Jan 2017)

### **Agriculture awaits high-tech reboot**

Billions of dollars in high-tech investments are flowing into Vietnam's agricultural sector, hoping to dramatically change the way food is grown, harvested and produced. According to the Ministry of Agriculture and Rural Development (MARD), nearly 30 local enterprises have plans for major agricultural projects in Vietnam next year. The enterprises include Hoa Phat, Thaco, T&T, FPT, Tonkin Investment, Otran Vietnam, BacA Bank, Trung Thanh, Bui Van Ngo Company, Nafood, FLC, Viettel, Vingroup, Minh Phu, Quang Minh and Vinamit. Current local agriculture sector is largely dominated by foreign giants like De Heus, CP, Japfa Comfeed, Cargill, New Hope, Uni-President and Green Feed, however, things are expected to change significantly. Many large local firms are investing heavily in the agricultural sector, as the rising demand for high quality produce will make them more competitive. (*Vietnam Investment Review, 26/12/2016-01/01/2017*)

### **New list expedites SOE equitization**

The Prime Minister has enacted the list of state owned firms selected for restructuring in the period between 2016-2020. The government will only keep a 100% stake in 103 SOEs in 12 business sectors including:

1. mapping for national security purposes;
2. manufacturing and distribution of industrial explosive materials;
3. transmission of the national electricity grid and operation of the distribution grid, multipurpose hydroelectric power and atomic power, with weighted importance on national security and socioeconomic development;
4. operation of infrastructure for the national railway, system and urban railways, as well as transportation management carried out on the national railway system and urban railways;
5. operation of aerial service, aerial information services and search and rescue;
6. marine assurance (excluding dredging and maintenance of the public marine system);
7. public post;
8. lottery services;
9. publishing (excluding printing and distributing publication);
10. money printing and production of gold bars and gold souvenirs;
11. management and operation of interprovince and interward irrigation systems and agricultural hydraulic engineering;
12. policy credit for socioeconomic development ensuring the safety of banks and financial institutions. (*Vietnam Investment Review, 02-08/01/2017*)

### **Public investment will be tightened in 2017.**

There will be no additions to the investment portfolio for 2017 if ministries and localities cannot secure sufficient funds for projects in the medium term, says a report published by the Ministry of Planning and Investment last week reviewing the disbursement of the State budget and government bond sales revenues in 2016. The disbursement objective for 2016 was more than VND261.5 trillion, but in reality, only VND201.9 trillion had been paid out, 81.6% of the plan, an increase of 23.5% from the preceding year. Eight ministries and 21 localities met over 90% of the goal, whereas certain units accomplished less than 50%. Certain ministries, agencies and localities did not strictly adhere to the regulations on public investment management. The rush for completion of investment procedures in the final months showed poor project preparations. To properly implement the public investment plan for 2017, the MPI calls for further policy synchronization and public investment restructuring in accordance with a decision of the Prime Minister and the economic restructuring plan for 2016-2020 adopted by the National Assembly. Along with priority funds for settlement of capital construction debts, authorities at all levels should strive to prevent new debts. The State budget will not cover the debts incurred after December 31, 2014. *(SaigonTimes, 06/01/2017)*

### **Vietnam world's second-largest sport shoe exporter**

Vietnam is now officially the world's second largest footwear exporter by volume, just behind China, the Vietnam Leather Footwear and Handbag Association (LEFASO) said, citing recent statistics from the World Footwear Association. The country supplies more than one billion footwear products of all kinds per year, accounting for 7.3 percent of the global market share. Vietnam is also the world's second-largest exporter of sport shoes, and the No.3 global exporter of leather footwear. *(Tuoitre, 17/01/2017)*

### **Hanoi seeks ideas to develop Red River banks**

Hanoi authorities have asked three construction giants to devise planning schemes to develop the areas along the iconic Red River. Three investors- Sun Group, Vingroup and Geleximco, will each devise plans and submit them to the municipal authority for selection. They can invite designing consultancy units to collaborate in the project. The final design ideas will be selected by March 30. They are asked to develop a scheme which ensures the city's flood resistant capability, effectively makes use of land funds and creates a modern urban area along the river. *(Vietnam News, 20/01/2017)*

### **EVFTA helps pharma firms take hold**

European pharmaceutical investors are waiting for 2018, when they can start establishing wholly foreign owned enterprises in Vietnam under the European Union-Vietnam Free Trade Agreement (EVFTA). EVFTA establishes new rules and opportunities for both the European and Vietnamese market. It includes specific regulations on the import and export of pharmaceutical products. In 2015, Vietnam's

pharmaceutical industry value reached US\$ 4.2 bil, with pharmaceutical imports accounting for US\$ 2.3 bil of that number. (*Vietnam Investment Review, 16-22/01/2017*)

### **Vietnam seeks out Asian infrastructure bank loans**

Vietnam is seeking preferential loans from the Asian Infrastructure Investment Bank (AIIB) who is planning to invest about US\$ 2.5 bil in Southeast Asia this year with a focus on Cambodia, Myanmar and Vietnam. Vietnam has a critical need for infrastructure development, especially in transport and energy, due to strong growth in urbanization, industrialization and population. Projects such as the remaining 1,600 km plus of the new North-South Expressway, new railway running from the north-eastern province of Lang Son to Ha Noi and from Ha Noi to Hanoi City, upgrading its existing airports, seaports and building the Long Thanh International Airport in Dong Nai Province. (*Vietnam Investment Review, 23-29/01/2017*)

### **Central city invests in infrastructure of hi-tech park.**

Da Nang has invested US\$ 16 mil to complete the second-stage infrastructure for the 1,010-hectare Hi-Tech Park in Hoa Vang District, 20km west of the city. The park's managing board said the fund will be used for construction of series of traffic, waste water treatment, lanes, land clearance, bridges, parks and water supply system projects. The central city aims to create 'clean' land, working shops and available infrastructure for investors in coming years. (*Bizhub, 23/01/2017*)

### **Big foreign players eyeing Vietnam logistics sector**

Analysis of StoxPlus on logistics sector in 2016 specifies opportunities for both domestic and foreign investors, especially for 3PL services. Three main sources of logistics demand include export, industrial expansion and FMCG market. Of which, export and grocery retailers are expected to be drivers for logistics demand growth in the future thanks to a number of FTAs recently signed. Logistics demands including cold storage for preserving the goods serving for importing and exporting purposes are expected to bound. The Government is recorded to provide more supports for logistics sector. In 2016-2020, Vietnam is expected to need almost US\$ 176.6 bl for infrastructure investment. Of the total investment, approximately US\$ 100 bl is estimated to be needed for transport infrastructure, US\$ 24 bl for electricity, US\$ 16.7 bl for urban, big city and rural infrastructure, US\$ 8.8 bl for water supply and drainage, US\$ 27.1 for other infrastructure projects. In addition, the Government also open the logistics sector for foreign investors which loosened foreign ownership limit for a number of subsectors including storage, freight forwarding services, distribution and express delivery with maximum of 100% foreign ownership. (*Vietnam News, 23/01/2017*)

### **Confectionery giants face fierce competition**

The confectionery sector generates US\$ 1 bil every year in Vietnam and most of the profits go to foreign firms. Vietnam confectionery market is expected to generate US\$ 1.76 bil in 2018 and average person

consumes around 2 kg of sweet a year, compared to the global average of 2.8 kg. The high growth has attracted many foreign businesses. Severe competition between local and foreign brands exists in minimarts, retail shops, traditional market and industrial parks. There are few major local names to compete with Tours Le Jours, aris Baguette and Orion from South Korea, Break Talk from Singapore, Mars and Kraft Foods from the US, or Euro Cake from Thailand. The foreign snack brands import all of their supplies instead of using Vietnamese ingredients. A representative of Pat's a chou, a French bakery brand with two outlet in Hochiminh City said they imported everything from wheat to flour to milk powder from Europe. *(Vietnam News, 24/01/2017)*

### **Power transmission to expand in 2017**

The National Power Transmission Corporation (EVNNPT) plans to put 63 projects worth more than US\$ 934.43 mil into operation in 2017. The corporation will operate projects designed to ensure power supply for Hanoi, Hochiminh City and key economic zones. In 2017, NPT hopes to complete procedures to launch 42 upgrade and support projects while drafting investment plans and arranging funding for those to be put into operation after 2017. The corporation will strengthen technology application while bettering relevant documents and management and supervision to enhance efficiency of the projects. *(Vietnam News, 24/01/2017)*

### **2.5 million Hanoians lack clean water: report**

Some 2.5 mil people living in suburban areas in Hanoi do not yet have access to tap water, the city's Centre for Clean Water and Rural Environmental Hygiene has revealed. The city's target of supplying clean water to all people in the city by 2020 would not come close to being achieved unless serious measures were implemented. According the centre, the city has attracted invesment capital from enterprises and individuals. The city has asked the Hanoi Clean Water One Member Co., Ltd to expand the modal of water supply using German water treatment technology to develop the water supply network in suburban areas. *(Vietnam News, 30/12/2016)*

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## **EXCHANGE RATE**

1US\$ = 22,295.20 VND

1EUR = 23,850.10 VND *(Oanda on 30/01/2017)*

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## **FAIRS AND EXHIBITIONS**

### **Compack Vietnam- Complete Packaging Expo**

**Time:** 22-24 February 2017

**Venue:** Saigon Exhibition & Convention Center, Hochiminh City

**Website:** <http://compactexpo.com/vietnam/>

### **Plastic Vietnam**

**Time:** 22-24 February 2017

**Venue:** Saigon Exhibition & Convention Center, Hochiminh City

**Website:** <http://www.plastics-vietnam.in/>

### **Vietnam Int'l Cafe Show 2017**

Coffee, Tea & Beverage, Bakery, Whole & Roasted Bean, Chocolate & Dessert, Ice-cream & Gelato, Raw Material, Machine & Equipment, Franchise & Start-up, Barista Education & Training

**Time:** 02-04 March 2017

**Venue:** Saigon Exhibition & Convention Center, Hochiminh City

**Website:** <http://www.cafeshow.com.vn/>

### **Propak Vietnam 2017**

Processing and Packaging Exhibition for Vietnam

**Time:** 21-23 March 2017

**Venue:** Saigon Exhibition & Convention Center, Hochiminh City

**Website:** <http://www.propakvietnam.com/>

### **Analytica Vietnam 2017**

5<sup>th</sup> International Trade Fair for Laboratory Technology, Analyzis, Biotechnology and Diagnostics

**Time:** 29-31 March 2017

**Venue:** ICE- Int'l Center for Exhibition, Hanoi

**Website:** <http://www.analyticavietnam.com/en/>

### **HVACR Vietnam**

Exhibition on heating, ventilation, air conditioning, air filtration and purification, refrigeration system, pump, valves, compressors and related systems

**Time:** 26-30 October 2016

**Venue:** Saigon Exhibition & Convention Center, Hochiminh City

**Website:** <http://www.hvacrseries.com/vietnam/>

## **Inmex Vietnam**

Leading & Definitive International Maritime Expo

**Time:** 29-31 March 2017

**Venue:** Saigon Exhibition & Convention Center, Hochiminh City

**Website:** <http://www.maritimeshows.com/vietnam/>

***Cover photo: by Tuan Tran***

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***THANK YOU AND SEE YOU IN VIETNAM !***