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Highlight

The real estate market in 2013 as seen by foreign consultancy firms

Foreign consultancy firms all believe that the real estate market would still be very difficult in 2013, while the prices would continue decreasing. However, they believe that there would be more successful transactions.

CBRE Vietnam believes that 2013 would be the time for a "revolution" in the real estate market. About the prices of the apartments in Hanoi, CBRE's experts think that the prices would drop by another 10 percent after decreasing by 12 percent in 2012.

A report showed that Vietnam had 55,000 operational enterprises in the real estate sector in 2012. Of the enterprises, 17,000 took loss, while 2,637 got dissolved. Meanwhile, CBRE thinks that the number of real estate developers and the number of real estate investment funds would be halved in 2013 and then halved further in 2014 before bouncing back again later.

Also according to the real estate consultant, the biggest transactions in the office leasing market would take place in the B-class office market segment. The actual area of offices to be leased in 2013 is believed to increase slightly in 2012 because of the recovery of the Vietnam's and the world's economies.

Knight Frank also thinks that the real estate market would still keep gloomy in 2013 with the apartment sale prices to drop further in the first half of the year, if the government does not implement necessary measures to settle the problems of the market. Most of the transactions would be seen in the low-cost or popular market segments – the segments which both the people with real demand for accommodations and investors are interested in. With a series of shopping malls to be opened in the next two years, including Vincom Mega Mall, Trang Tien Plaza, Ciputra, Golden Palace and Lotte Center, this is expected to change the face of the Hanoi's retail market, thus creating a strong competition among retail center developers. The office market is believed to be stable in the first quarter of 2013 with few transactions to be made by domestic and foreign companies because of the long Tet holiday.

Savills Vietnam, while putting high hope on the measures taken by the government to stimulate the demand, believes that the measures would only show their effects by mid 2013.

Therefore, one should not expect too much on the recovery of the real estate market in 2013. If the apartment prices decrease further, the sales of low cost products, priced at less than 1-2 billion dong, would increase by 25 percent. It is estimated that by 2015, about 860,000 square meters of office area would be available on the market to be sourced from 62 new office projects.

Meanwhile, Cushman & Wakefield believes that the measures suggested by the government and relevant ministries are not powerful enough to give strength to the real estate market which is in big difficulties.

It is expected that the new supplies would be available on the Hanoi market from 17 new projects. Since the supply far outstrips the demand, the price downward would continue in 2013, while the market would be the buyers'.

Colliers International does not put high hopes on the market growth in 2013, but it thinks the recovery can be seen in some market segments. The market would give the opportunities to the financially powerful investors who can take full advantage of the current price decreases to develop projects for profit later.

Source: DDDN

Retail sales, services up 10.9%

Total revenue from retail trade and services during the first two months of 2013 was estimated at VND422.2 trillion (US$20.59 billion), a surge of 10.9 per cent year-on-year.

Excluding the price factor, according to the General Statistical Office (GSO), retail sales in January and February rose 3.6 per cent year-on-year.

Trade accounted for the biggest percentage of the increase, hitting VND328.2 trillion (over $16 billion - a yearly increase of 10.4 per cent).

The hotel and restaurant sector posted annual growth of 13 per cent, rising to VND48.8 trillion ($2.38 billion) and accounting for 11.6 per cent of the country's total figure.

The services sector grew 14.5 per cent to VND41.7 trillion ($2.03 billion), making up 9.9 per cent. Notably, the tourism sector recorded a slump of 4.4 per cent from a year earlier to VND3.5 trillion ($170.7 million) and accounted for a modest 0.8 per cent.

According to GSO, the value of retail sales rose by 16 per cent in 2012 to VND2,324 trillion ($110.7 billion).

While the pace of growth was well below the average increase in recent years of about 20 per cent, it was still viewed as acceptable in light of the current economic difficulties, which have shrunk purchasing power and caused consumers to tighten their belts, the GSO said.

Inventories in manufacturing and processing industries fell this year from 30 per cent in the early months of 2012 to an average of 23 per cent for the entire year, a pattern expected to repeat in the coming months.

Purchases of essential goods and construction materials in HCM City post-Tet has fallen significantly compared to the same period last year.

According to Nguyen Thanh Nhan, director of the Co.op mart supermarket chain, purchases of daily items have shown only slight growth. "Consumers are still holding tight to their budgets, and only shopping for very necessary items," he said.

Nhan forecast that sales in the first six months of the year would not increase.

"Consumers will focus on food and daily items. Sales of clothing, footwear, housework items and cosmetics will not increase. Furthermore, consumers will be more selective," he said.

Nhan said that shops and stands selling clothing, footwear and eye glasses have had very few buyers.

Even though many shops opened soon after Tet, sales growth remains slow.

An owner of a construction material shop said sales from the 15th of February to now had totalled only VND7million (US$333).

Supermarkets and shopping centres around the city have held promotions to attract buyers after Tet, but they have not been effective.

Prices on most items have returned to normal.

Experts said consumers were unsure about the state of the economy and when it would recover.

Source: VNS

VAT law revision to simplify tax calculation, expand relief

The revised law on value added tax (VAT) will simplify tax calculation methods and expand the list of those who can enjoy a tax exemption.

The beneficiaries include many firms related to health and agriculture insurance as well as other areas, according to the Ministry of Finance.

Experts said the country's current VAT regulations, issued in 1997 and revised repeatedly in 2003, 2005 and 2008, still lacked a clear VAT registration threshold, making tax calculation complicated for both enterprises and tax authorities.

The draft amendments establish a turnover-based threshold for VAT registration that the ministry says will simplify administrative procedures, reduce costs and prevent tax fraud.

The threshold will likely be about VND1 billion (US$47,620).

All businesses with turnover above this threshold must pay VAT under the credit method, while those with less turnover will pay taxes under direct calculation of value added.

The draft amended law will be proposed to the National Assembly for approval in May.

Source: VNS

Economy

Ernst &Young: Economy moves towards growth

Auditing firm Ernst & Young predicts in its forecast about rapid-growth markets that economic activity in Vietnam remains subdued but is set to pick up this year and in 2014.

This year, the country's Gross Domestic Product (GDP) is expected to be 5.5 percent and the consumption price index (CPI) 7.8 percent.

In 2015, the country's GDP is estimated to climb to 7.1 percent and the CPI to fall to a growth of 4.8 percent.

"The near 7 percent growth trend can be regained by 2014, as export markets recover, if banks become more stable and if rule changes are enacted for planned foreign direct investment," Ernst &Young said in its report.

"Import substitution will continue to contain the trade deficit. Despite consumption picking up as inflation subsides. But competition from other low-cost locations is a downside growth risk," it added.

In its forecast, Ernst& Young said that China continued to move up the value chain, creating many development chances for other Asian countries, including Vietnam.

Vietnam is one of 25 rapid growth markets cited in the report that have shown improvement thanks to an increase in trade and demand for commodities.

Ernst & Young said that these markets had started to regain momentum

Source: VNA

Vietnam, EU look to conclude FTA negotiations

Prime minister Nguyen Tan Dung has affirmed that Vietnam wishes to boost two-way trade with the European Union (EU) and speed up negotiations on the free trade agreement (FTA) between the two sides.

Receiving EU Trade Commissioner Karel de Gucht in Hanoi on March 7, Dung said he believes with mutual effort and political determination, the FTA negotiations will conclude later this year, therefore contributing to bolstering Vietnam – EU trade for shared and practical benefits.

Gucht, who is in Vietnam to attend related meetings within the framework of the 19th Asean Economic ministers' Meeting, said the EU wants to increase links with Vietnam and other Asean member nations.

He vowed that the EU will make every effort to promptly conclude bilateral FTA negotiations with Vietnam.

During his visit to the Ho Chi Minh National Academy of Politics and Administration the same day, Gutcht said he and minister of Industry and Trade Vu Huy Hoang launched the EU – Vietnam FTA negotiations in Brussels, Belgium on June 26, 2012. The two sides seek a comprehensive agreement on taxation, trade, and a non-tariff barrier, he added.

The first round of negotiations took place in Hanoi last October. The second round got underway in Brussels in January, 2013. The third round is scheduled to start on April 22, 2013, in Hanoi.

Gucht said the EU has devised a trade assistance programme to help Vietnam improve its infrastructure and education, and partly carry out agreements reached by the two sides.

The EU's development assistance to Vietnam is around 750 million euro a year ago

Source: Intellasia | TuoiTre

Vietnam's export hits $18.97b in two months

Vietnam recorded an impressive export turnover of 18.97 billion USD in the first two months of 2013, which reflected a year-on-year increase of 23.9 percent.

Of the figure, the export of foreign-invested businesses (excluding crude oil) was 11 billion USD, up 27.5 percent, according to the Import-Export Department under the Ministry of Industry and Trade (MoIT).

In February, the country's export reached 7.5 billion USD, down 34.6 percent from the previous month and 9.2 percent year-on-year due to the nine-day long Lunar New Year festival.

Mobile phones and bags were the largest foreign currency earners during the period.

The MoIT's statistics also showed that Vietnam enjoyed a two-month trade surplus of over 1.67 billion USD, equivalent to 8.8 percent of the total export turnover.

The country saw trade deficits in Asian markets, including China (2.8 billion USD), Asean (195.6 million USD), the Republic of Korea (1.62 billion USD), and Taiwan (1.03 billion USD).

To fulfill 2013 export targets, the MoIT will focus on attracting investment to support industries and simplifying administrative procedures relating the grant of certificate of origin (C/O).

It will work hard to expand export markets and improve forecasts on domestic and foreign markets while stepping up border trade activities.

According to MoIT deputy minister Ho Thi Kim Thoa, the ministry will speed up trade promotion activities to help local businesses seek more partners.

Source: VNA

Banking & Finance

Vietnam offers more 'room' for foreigners at weak banks?

The government of Vietnam is considering lifting the ceiling foreign ownership ratio in Vietnamese banks in an effort to make Vietnamese banks more attractive in the eyes of foreign investors.

There has been no good news for the Vietnam's stock market so far this year. However, analysts believe that the market would prosper when the new decree on the foreign ownership ratio in Vietnamese banks is

promulgated, under which the foreign ownership ratios in some banks may be raised to up to 40 or 49 percent.

It is expected that the new decree would be applied to the listed and unlisted credit institutions (joint stock banks, joint stock finance companies, joint stock finance leasing companies), and the credit institutions which are shifting from 100 percent state owned or limited companies into joint stock institutions.

Under the current laws, a foreign strategic investor must not own more than 15 percent of the stakes in one Vietnamese bank. The investor would only be able to obtain 20 percent of the stakes in the bank, if it gets the approval from the prime minister.

Most recently, the prime minister allowed VietinBank to sell 20 percent of stakes to a foreign strategic investor. On February 26, the extraordinary shareholders' meeting of Vietinbank decided to choose The Bank of Tokuo-Mitsubishi UFJ Ltd (BTMU) as the foreign strategic investor. It has also decided to issue 644,389,811 shares to BTMU in the first or second quarter of 2013.

Analysts have pointed out two most important provisions in the draft decree.

First, Vietnam may allow foreign strategic investors and relating people to own 20 percent of the chartered capital of on Vietnamese credit institution (the current ceiling ratio is 15 percent).

The strategic foreign strategic investors which are foreign credit institutions must have the minimum total assets worth $20 billion, have at least five years experiences in international operation. Especially, they must be recognised by international credit rating firms as capable to fulfill financial commitments and maintain normal operation even in the negative conditions.

The strategic foreign investors in credit institutions must not be the strategic investors, big shareholders or founding shareholders in any credit institutions in Vietnam. The foreign strategic shareholder in a credit institution would be able to hold less than 10 percent of the chartered capital of any other credit institution.

Second, the total stakes held by all the foreign investors and relative people in one Vietnamese credit institution must not be higher than 30 percent of the chartered capital of the institution.

There is a noteworthy provision in the draft decree that in some special cases, the prime minister may allow foreign investors and relative people to hold more than 30 percent of the stake sat some Vietnamese commercial banks. This would help better the process of restructuring commercial banks.

Commenting about the draft decree, analysts said the government tends to create most favourable conditions for the banking system restructuring.

A lot of weak commercial banks have been trying to increase the stockholder equity by selling stakes to settle the two biggest problems, the bad debts and the weak liquidity.

However, it's obviously very difficult to sell stakes at this moment and in the context of the gloomy stock market. Therefore, domestic banks now tend to seek capital from foreign sources.

Some foreign investors said at the Vietnam Business Forum held in late 2012 that the current regulations on the maximum foreign ownership ratio cannot attract investors, while proposing to raise the ratio to 51 percent or 65 percent.

Source: Intellasia | TBKTVN

Bad debt ratio decrease raises worry than joy

The State Bank of Vietnam has reported that the bad debt ratio has decreased sharply by 2.82 percent to six percent. However, analysts have looked dubiously at the figure.

Bad debt ratio plummets

Explaining the sharp fall in the bad debt ratio, a senior official of the State Bank of Vietnam said commercial banks have promoted the provisioning against risks, collecting and treating bad debts.

In principle, when a bad debt is provisioned against the risks, it would be put aside into the off-balance sheet, which means that it would not be shown on the books.

The total outstanding loans of credit institutions reportedly reached VND2,800 trillion. The bad debts have decreased by 78,690 billion. This means that banks have had to make high provisions against the risks to deal with bad debts.

Experts say with the high bad debt ratio, banks would have to make high provisions against the risks, which would make the profits down sharply, meaning that the corporate income tax of banks would decrease and the state budget lose a big source of income.

They said that if banks make the provision of VND70 trillion against the risks, they would lose VND70 trillion in pretax profit. As such, with the current corporate income tax rate of 25 percent, the state has lost VND17,500 billion in tax collection from banks.

The high provisions made by banks in 2012 then led to the sharp fall in their profits. A report showed that the total profit of the whole banking system in 2012 was VND28,600 billion, a sharp decline of 50 percent in comparison with 2011. Especially, some banks have reported the high provisioning which was four times higher than that in 2011.

Where has the bad debt gone?

When answering the questions before the National Assembly in a session in late 2012, Governor of the State Bank of Vietnam--Nguyen Van Binh, said he hopes the bad debt ratio would decrease to below three percent by 2015 as in accordance with the international practice.

Just after five months since the day the statement was made, the bad debt ratio has decreased by nearly three percent. Therefore, one may hope that the bad debt ratio would be slashed to four percent by the end of 2013, and Vietnam won't need to wait until 2015 to see the bad debt ratio decrease to below three percent.

However, experts still think that it is really a complicated work to settle the bad debts.

A finance expert, citing a report, said that the number of businesses going bankrupted in the first two months of the year was higher than the number of newly set up ones, while the inventories were still high. "How can the bad debt be reduced?" he questioned.

The finance expert, like many others, keeps doubtful eyes when looking into the bad debt report released by the central bank. They think that the bad debt ratio has dropped just on paper, while they still have been existing in reality. Commercial banks keep lending at high interest rates. Only very good projects can access bank loans at the interest rate of 12 percent, while the average lending interest rate now is 15-16 percent.

A question has been raised that why the credit has not increased, even though the bad debt ratio has decreased significantly? According to the State Bank, in the first two months of 2013, the credit growth rate was minus 0.16 percent.

Source: VietNamNet

Enterprise

Faster SOEs Equitisation Urged

Faster equitisation of state-owned companies in Vietnam will bring bigger trade opportunities to Vietnamese and European firms, senior officials have noted.

EU commissioner for Trade Karel De Gucht told a press conference on the sidelines of the 19th ASEAN Ministers Retreat Meeting last week that the snail's paced restructuring of Vietnam's state-owned enterprises (SOEs) would be "a block" for the quicker negotiations on a free trade agreement (FTA) between Vietnam and the EU, which is expected to conclude "at the end of next year".

He said the two sides would conduct the third round of the FTA negotiations on April 22, after the first two rounds' successes in Hanoi in October 2012 and in January 2013 in Brussels.

The third round of negotiations would be focused on many sectors like goods, services and public procurements, he said.

"During my talks with Prime Minister Nguyen Tan Dung, I have sent our message that Vietnam would need to open its economy more to accelerate the FTA negotiations, including the quicker equitisation of SOEs," he said.

Gucht said the EU were waiting for the Vietnamese government to open the door of its economy wider, explaining that a more open economy would mean all companies could compete equally.

"Everyone knows that it is urgent for Vietnam to boost its SOEs restructuring to lure more private enterprises," Gucht said.

On June 26, 2012 in Brussels, Gucht and Vietnam's Minister of Industry and Trade Vu Huy Hoang officially launched negotiations for this FTA. Both sides sought a comprehensive agreement covering tariffs, non-tariff barriers as well as commitments on other trade related aspects.

"If successful, this agreement will help move Vietnam forward on the path of openness in a broad range of ways," Gucht said. "It will cover foreign direct investment, disciplines on state-owned enterprises, public procurement, trade in raw materials, sustainable development."

Source: VIR

SCIC Seeks To Acquire Non-Core Stakes Of State Groups

Efforts by State-owned groups and corporations to withdraw from non-core businesses may be given a boost if the Prime Minister approves a proposal by the State Capital Investment Corporation (SCIC) to acquire such stakes.

An SCIC executive said the firm as a financial investment arm of the Government is seeking the nod from the Prime Minister to buy those stakes in line with its business scopes.

SCIC is tasked with managing State capital at State-turned-shareholding enterprises, but the firm is also allowed to make financial investments. The firm has invested a total of nearly VND9.3 trillion in the economy via many forms, including buying stocks and bonds issued by entities, contributing capital to set up new firms, or increasing capital at businesses as a State shareholder.

Sources from SCIC said that the corporation has joined forces with Vietnam Electricity Group (EVN) to carry out power projects Vinh Son-Song Hinh, Thac Ba, Haiphong and Quang Ninh.

SCIC now is working with foreign and local investors to deploy key projects such as developing buildings of the Ministry of Foreign Affairs overseas and a number of important seaports and roads.

As per SCIC's recent report on 2012 business performance, the market value of the firm's investment portfolios amounted to an estimated VND50 trillion as of December 31 compared to its book value at about VND14 trillion only.

The report shows that SCIC in 2012 beat all its business targets, recording high growth against the preceding year.

For instance, SCIC obtained a pre-tax profit of more than VND4.5 trillion last year, rising 34% year-on-year, while its after-tax profit was nearly VND3.9 trillion, up 30%.

The firm paid over VND600 billion to the State budget, jumping 83% from the previous year, while its return on equity averaged out at 22%.

Speaking with the Daily, Le Song Lai, deputy general director of SCIC, said that his firm has sold State stakes in nearly 600 enterprises so far, collecting over VND3.3 trillion for the Government.

"The transferred value is twice the book value, showing that SCIC not only secured State capital but also earned a high margin," Lai said.

The increased capital would allow SCIC to boost its investment in key sectors and large or important projects or make flexible investments to enrich State capital, he noted.

Now that many State groups have been asked by the Government to divest its capital from non-core businesses between now and 2015, opportunities abound for SCIC.

SCIC last week put into operation its first subsidiary SCIC Investment One Member Limited Co. (SIC) that specializes in financial investment, project investment and investment consulting services.

SIC has total chartered capital of VND1 trillion which will be replenished during its operational process in three years, with a maximum recapitalization sum of VND500 billion for the first year.

Source: Vietnamnet

Investment

FDI figure revised for 2012

Foreign direct investment (FDI) pledged in the country rose by 4.7 per cent to US$16.3 billion in 2012, according to a revised report released by the Ministry of Planning and Investment's Foreign Investment Agency on Monday.

Earlier in December, the agency announced that the country had attracted $12.7 billion in FDI for the year, down by 18 per cent year-on-year due to the global economic slowdown.

According to the new report, up to 1,287 new foreign-invested projects were granted licences with a total registered capital of $8.6 billion in 2012 or equivalent to 71.2 per cent of the total figure.

The reviewed period also saw a slight decrease of 4.9 per cent in FDI disbursement, reaching $10.46 billion.

In another bright spot, 550 operating projects were allowed to increase their levels of capital by $7.7 billion, over doubled the figure of the previous year.

Manufacturing and processing attracted the lion's share of FDI, reaching $11.7 billion or 72 per cent of the country's total registered capital. The real estate industry followed with $1.9 billion, 12.1 per cent of the country's total capital.

The report showed that Japan remained Viet Nam's largest foreign investor with $5.59 billion, 34.2 per cent of the total FDI registered in the country. It was followed by Taiwan ($2.6 billion) and Singapore ($1.9 billion). The country's other major sources of investment included South

Korea, Samoa, British Virgin Islands and Hong Kong.

The southern province of Binh Duong was the most attractive destination to foreign investors last year with more than $2.79 billion, accounting for 17.1 per cent of the country's total registered capital. The central province of Ha Tinh, Ha Noi and HCM City followed with $2.14 billion and $1.3 billion, respectively.

As of December 31, the country is home to 14,522 valid foreign-invested projects with capital totaling $210.5 billion with manufacturing and processing being the most attractive industries to foreign investors.

Source: VNS

Which countries Vietnam most expects FDI from?

The plan on the investment tendencies of strategic partners being compiled by the Ministry of Planning and Investment (MPI) would give the answer to the question which countries Vietnam should attract foreign direct investment (FDI) from.

A common answer one would hear from the leaders of local authorities when asking whom they would target to when promoting FDI - Japan and South Korea. The information has been provided by Pham Thuyen, Head of the Hai Phong City's Management Board of Industrial Zone.

"The investors from the US are also the ones we target to," said Nguyen Van Doc, Chair of Quang Ninh province.

It's understandable why local authorities most expect investments from Japan, South Korea and the US.

Japan and South Korea have been listed as the "prestigious" investors in Vietnam, not only because they have registered big projects, but also because they have been implementing their registered projects rapidly and effectively. Itochu, Honda, Toyota, Mitsubishi, Samsung, LG, Kumho Asiana are the best known names.

A report by MPI showed that Japan now is the biggest foreign investor in Vietnam, while South Korea ranks the third in the list of 98 foreign investors in Vietnam. The investors have registered 1,859 projects capitalized at $29 billion, and 3,206 projects capitalized at $24.86 billion, respectively.

Meanwhile, the US also deserves to be included in FDI. If Vietnam can attract more investments from the biggest economy in the world, it would be able to have capital, technologies, management skills and large markets.

The US investments in Vietnam so far, due to many reasons, remain far below the expectations. By February 20, 2013, the US had had 642 valid projects in Vietnam with the total investment capital of $10.5 billion. The US, which now ranks the 7th among the foreign direct investors in Vietnam, has always been the leading partner in the eyes of Vietnam.

Nguyen Mai, Chair of the foreign invested enterprises' association, a well-known economist, said that besides the three important partners, Vietnam should also target the investors from Taiwan, Singapore in Asia, the UK, Germany and France in Europe.

Mai said he thinks four strategic partners in Asia would be enough for Vietnam, though some economists believe that India should also be listed as a strategic partner. Meanwhile, France, in the eyes of many Vietnamese businesses, is not an important market. However, Mai believes that France is an important part of Europe.

The Taiwanese investment in Vietnam has decreased over the last few years due to its economic difficulties. However, according to Bui Trong Dinh, Investment Counselor to Taiwan, Vietnam still has big opportunities to attract FDI from the partner.

Taiwanese investors have expressed their wishes to extend the Vietnam-Taiwan agreement on investment promotion which would be 20 years old by May 2013. Therefore, Dinh has urged to reconsider the agreement and add some new provisions.

According to MPI's Foreign Investment Agency, despite its great potentials, India's investments in Vietnam remain modest with $250 million worth of registered capital, ranking the 30th among the foreign investors in Vietnam.

However, India recently has been mentioned repeatedly on local newspapers as the developer of many big scaled projects, such as Tata, Relience, Essar, ONGC, Infosys, NIIT, Wipro in the fields of steel manufacturing, oil and gas exploitation, petrochemistry, information technology and communication.

Of the projects, the best-known is the steel complex project by Tata, which plans to develop it with the investment capital of five billion dollars.

Source: VietNamNet

Review of shortcomings needed to attract FDI

Vietnam failed to fulfill its foreign direct investment (FDI) target for the third consecutive year in 2012.

The decline indicates that the country may be less appealing to foreign investors than it once was.

The country needs to assess its achievements and shortcomings to increase both quality and quantity of FDI inflow, Vietnam News Agency reports.

Bui Quang Vinh, minister of Planning and Investment:

In 2010, Vietnam sought to attract about $23 billion in FDI, an increase of 10 per cent over 2009; however, only $18.1 billion was reported. In 2011, the nation attracted $14.7 billion despite its goal of $21 million. Last year, FDI poured into the country reached only $13 billion in comparison with the goal of $15-17 billion.

As neighbouring countries such as Indonesia, Myanmar, Thailand and Cambodia emerge as attractive investment destinations, if Vietnam does not create a more favourable investment climate, FDI might continue to decline.

Quoc Phuong, deputy director of the Ministry of Industry and Trade's Information Centre:

According to the Ministry of Planning and Investment's Foreign Investment Agency, about 1,100 FDI projects were granted licences last year and 435 increased investment capital. The total capital reached more than $13 billion, equal to 84.7 per cent of the previous year.

Disbursed capital was reported at $10.46 billion, equal to 95.1 per cent of 2011.

The processing and manufacturing industries attracted the most investors with their registered capital reported at $9.1 billion, accounting for 70 per of the total registered capital in 2012.

According to the agency's director Do Nhat Hong, the additional registered capital of projects already under implementation soared by up to 58.5 per cent over 2011.

During the first two months of this year, processing and manufacturing remained the most attractive sectors to foreign investors with 44 new projects worth $408.9 million making up 64.9 per cent of the total registered capital in the two-month period.

The project "Evaluation of FDI inflow over the past 25 years with orientations to 2020" recently completed by the Ministry of Planning and Investment addressed a series of problems related to investment incentive policies which needed amending. According to the project, the quality of FDI should be improved in high-tech industries, as well as in industries that use cheap labour.

Vietnam has the right to select appropriate projects and those that are unsuitable must be rejected.

Christopher Twomey, Chair of the American Chamber of Commerce:

Over the years, Vietnam's success in attracting foreign investment was largely built on the expectation of economic and political stability.

Many AmCham members are finding it more difficult to conduct business here than in past years. Given the current state of the economy, Vietnam should make every effort to entice foreign investment and resources.

Vietnam gains better access to capital sources, modern technology and management experience through investment and trade activities with major economies.

There are many areas of the business climate that require improvement in order to elevate Vietnam's competitiveness.

We endorse the call for urgent reforms and we expect the government to take decisive action to create a more attractive business climate.

Duong Thi Quynh Trang, BigC's public relations and marketing manager.

Given its long-term development objectives in Vietnam, BigC will try to offer consumers attractive prices and high-quality products in order to maintain stable growth during these difficult economic times.

During 2012, BigC opened three more supermarkets in the country. BigC Di An in southern Binh Duong Province will open in March. BigC continues to seek opportunities to develop further in the Vietnam market.

We highly appreciate the support from the government of Vietnam, especially the Ministry of Planning and Investments and provincial and municipal People's Committees.

Political stability and a young population with high purchasing power, combined with policies from the government encouraging foreign investment, have made Vietnam attractive to investors.

Dang Xuan Quang, deputy director of the Foreign Investment Agency:

A series of problems related to mechanisms, policies and the legal framework for FDI sectors have been put under review. In my opinion, there are three main reasons why FDI flow into the country slowed down: increasing competition between countries in the region to attract FDI, the impact of the global economic recession – especially on the US and Europe – and most importantly, the country's limited FDI absorptive capacity.

The declining FDI inflow cannot entirely be attributed to the economic downturn.

According to a recent report of the United Nations Conference on Trade and Development, global FDI capital hit $1.4-1.6 trillion in 2011, increased to $1.7 trillion in 2012 and was estimated to reach $1.9 trillion this year – equal to the record in 2007.

These figures reflect the recovery of the global FDI, raising the question of why Vietnam is seeing less investment.

Looking at neighbouring countries, Indonesia has seen strong FDI growth in recent years although its investment climate remains incomplete.

Myanmar is also a potential investment market, forecast to become the next destination for development opportunities in the region.

Malaysia and Thailand remain favourites of foreign investors.

The latest report of the Japan External Trade Organisation indicated that Japanese enterprises worry about many things when investing in Vietnam: salary increases, finding raw materials and components, the limited capacity of local workers and complicated customs procedures.

Phan Huu Thang, director of the Foreign Investment Research Centre, Hanoi National Economics University:

Appropriate investment promotion solutions and a more competitive investment climate are needed to increase FDI.

In order to improve the investment climate, besides upgrading infrastructure such as roads, bridges and ports, we need to focus on completing legal policies concerning FDI enterprises' investments and business while enhancing the management of the FDI sector.

Experts said many times that if the country failed to tackle weakinfrastructure, it would be very difficult to attract foreign investors. And if foreign investment was not poured into the country, Vietnam's ability to upgrade its infrastructure would remain limited, creating a "vicious cycle". So, to break the cycle, the country should prioritise infrastructure construction to meet the demand of foreign investors.

According to Preben Hjortlund, Chair of the European Chamber of Commerce at the Vietnam Business Forum in 2012, Vietnam is now in competition with other countries that also offer cheap labour. Recently, the government of Vietnam planned to shift the economy of low labour costs into industries of higher technology and high added value.

However, investors do not want to bring technology to Vietnam when intellectual property rights are not adequately protected. If the problem is not handled, foreign investors might stop investing in Vietnam.

In the FDI orientation project, the Ministry of Planning and Investment proposed amendments and reforms of the legal framework for investment, which tackle the contradictions and overlap between the Law on Investment and other laws.

Investment incentives and promotions also need to be amended to be more realistic and create advantageous conditions for investors.

Tackling these problems is not easy, but it's a necessary task if Vietnam wants to become a more attractive destination to investors.

Source: Intellasia | VNS

Stock Market

Vietnam Securities Companies Have 10 Months Left To Separate Customers' Deposit Accounts

Vietnam securities companies will have to separate customers' deposit accounts as of Jan 15, 2014, said the Circular No 210/2012/TT-BTC by the Ministry of Finance.

According to the Circular No 210/2012/TT-BTC, securities companies can separate customers' deposits by either (1) opening their own accounts at banks to receive customers' deposits at commercial banks or (2) opening special accounts at banks to manage customers' deposits. The special accounts at banks must be separated with securities companies' accounts and will be used only for the purpose of trading stocks.

With 10 months left, but only 25 securities companies out of 102 ones have been completed the separation and it is said to be difficult for many other companies to do so and they may face default, local newspaper Thoi Bao Kinh Te Sai Gon (Saigon Times) reported, citing an unnamed source.

Commenting on the situation, Pham Hong Son, head of securities business department of The State Securities Commission (SSC) said at a meeting to deploy management in securities trading deposits that the Circular No 210/2012/TT-BTC is one of the step for restructure stock market and if securities companies fail to do so by Jan 15, 2014, the SSC might consider suspending their brokerage services.

Source StoxPlus.

Hanoi Exchange Introduces New Bond Trading System

The Hanoi Stock Exchange has introduced the second version of the Government bond trading system, which will be used for the first time from March 18 when Circular 234/2012/TT-BTC takes effect.

The system was upgraded in response to provisions in the circular concerning risk management and repurchase agreement (repo) trading. A repo agreement occurs when the selling party agrees to repurchase bonds in the future.

The new version integrates bond and treasury bill trading, information systems and a yield curve.
The Government bond market has actively contributed to investment resources for both the State budget and financial institutions this past year, said Deputy Minister of Finance Tran Xuan Ha.

In addition, the liquidity of the market improved significantly, boosting capital turnover and creating conditions for short term capital to develop into long-term funding, which will help the domestic economy, Ha said.

Government bonds increased in value twice last year, totalling nearly 67.6 trillion VND (3.2 billion USD). Bond yields declined over 2011 and were 1-2 percent lower than deposit rates. The deployment of the first bond trading system in August created an effective link between issuing organisations, managing agencies and investors.

This year, the Government expects to mobilise a total of 150 trillion VND (7.1 billion USD) through bonds, including 90 trillion VND (4.2 billion USD) to address the budget deficit. The remainder will go towards investment projects.

Source StoxPlus.

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