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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Trade deficit falls to \$1.45 billion after surplus in October

A trade surplus of \$1.1 billion in October brought down the deficit for the year to \$1.45 billion, the Ministry of Industry and Trade said. In the first 10 months, exports rose by nearly 17 percent year-on-year to over \$267.9 billion, with foreign enterprises accounting for \$198.16 billion.



Steel exports rose by 132 percent to \$9.65 billion, while exports of machinery, equipment, tools, and parts fetched nearly \$29.6 billion, up 40 percent.

Imports rose by 28.2 percent to nearly \$269.4 billion, the ministry said.

The U.S. remained Vietnam's largest export destination with consignments of more than \$76 billion, a year-on-year jump of nearly 22 percent, followed by China with \$44.7 billion, the European Union with \$31.7 billion, ASEAN with \$23.03 billion, and Japan with \$17.9 billion.

China was Vietnam's biggest supplier of goods at of \$89.43 billion, followed by South Korea with \$45.52 billion, ASEAN with \$33 billion, Japan with \$18 billion, and the U.S. with \$13 billion.

A surplus in the first four months of the year turned into a deficit since May, but it is expected to decrease further in the coming months as Vietnam further taps free trade agreements and global demand for goods increases, the ministry said. VNE

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## Vietnam's digital economy to reach \$220 billion in gross merchandise value by 2030

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Vietnam's digital economy is projected to hit \$220 billion in gross merchandise value (GMV) by 2030, placing the country second only to Indonesia in the region, according to the E-Economy Southeast Asia (SEA) Report released today by Google, Temasek and Bain & Company.

This year, Vietnam's digital economy is expected to grow by 31 per cent to \$21 billion, bolstered by a 53 per cent growth on-year in E-commerce despite the shrinking online travel market, and hit \$57 billion by 2025.

Since the start of the pandemic through the first half of 2021, Vietnam has seen eight million new digital consumers, more than half of whom come from non-metro areas. Pre-pandemic digital consumers use an average of four more digital services since the pandemic began, while overall 99 per cent of Vietnam's digital consumers intend to continue using online services going forward, indicating an overall stickiness in digital adoption.

Furthermore, digital financial services are also becoming critical enablers, with 99 per cent of digital merchants now accepting digital payments and 72 per cent adopting digital lending. Seven out of 10 digital merchants expect to increase their usage of digital marketing tools in the next five years.

Vietnam remains an attractive innovation hub as global capital continues to pour into the country as deal activity skyrocketed in the first half of 2021 to hit a record high of \$1.37 billion, surpassing full-year investments of recent years fueled by interest in digital services startups in E-commerce, Fin-tech, Health-tech, and Ed-tech.

"Through the pandemic, I have witnessed first-hand how resilient the people in Vietnam are and how they can become fast and creative adopters of new technologies. This freshly adjusted forecast on Vietnam's internet economy by 2030 shows us the great potential of the country once Vietnam accelerates its digital transformation. Google's latest projects such as 'Accelerate Vietnam Digital 4.0' and 'Coding for the Future' that effectively provided digital skills training, coding sessions for close to one million people in Vietnam is a tangible proof of our commitment in supporting the country on its digital growth journey," said Tram Nguyen, Google country director for Vietnam.

Providing a 10-year outlook, the 2021 e-Economy Southeast Asia report highlights that the region is on the path to become a \$1 trillion digital economy by 2030, of which Vietnam could record \$220 billion in GMV. Propelled by a fast-growing base of digital consumers and merchants, acceleration in E-commerce, food delivery, and digital financial services, the region is estimated to reach \$174 billion in GMV by the end of 2021. This number is further expected to surpass \$360 billion by 2025, outgrowing the earlier projection of \$300 billion. The report predicts that Southeast Asia, including Vietnam, is entering its "digital decade" as the internet increasingly becomes an integral part of consumers' daily lives. The region now has more than 440 million internet users, and importantly, 350 million of them are digital consumers, that is, internet users who have bought at least one online service. VIR

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## E-COMMERCE

### Vietnam's E-commerce forecast to grow in the new normal

Vietnamese E-commerce market is forecast to continue growing in the post-pandemic period, with revenue surpassing last year's figure, according to experts.



The experts revealed the information at a workshop held recently on the future of the Vietnamese digital economy within the framework of Techfest Vietnam 2021.

E-commerce revenue in Vietnam hit 11.8 billion USD last year, posting a growth rate of 18 percent.

Nguyen Thi Thanh Thuy, head of E-commerce division of Voso E-commerce Platform, said that the Vietnamese E-commerce market recorded the fastest growth rate in Southeast Asia.

E-commerce is expected to continue booming after the COVID-19 pandemic is controlled, creating new consumption trends. The demand for online purchases through E-commerce platforms has increased sharply since the outbreak of the pandemic. Up to now, more than 70 percent of Vietnam's population have accessed the Internet, of which nearly 50 percent of consumers have tried online shopping and 53 percent of them have used e-wallets and online payment.

Thuy said that consumers' habits have completely changed during the pandemic, as they have reduced shopping activities and instead they have focused on essential goods and been interested in Vietnamese commodities.

Tran Chi Dung, Head of Technology-Innovation Division of the Vietnam Logistics Business Association, said that a change in shopping habits has created great opportunities for E-commerce to develop. However, Vietnam's E-commerce still faces many challenges such as consumer trust when buying online products, forms of delivery and payment, information security and transportation infrastructure.

Le Thi Mai Anh, Head of the E-commerce Postal Sales Department at Vietnam Post, said the rapid growth of the market is forecast to continue in the future. This growth will not only bring about major opportunities but also challenges for the development of logistics platforms to meet the increasing demand of customers and the market.

Logistics enterprises for E-commerce are also facing a low rate of information technology application in E-commerce logistics, she said. Currently, only about 11 percent of businesses are applying basic information technology related to tracking and tracing goods, delivery and warehousing systems. Another challenge is the absence of a legal framework for E-commerce logistics, Anh said. VNA

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## Vietnamese E-commerce Tiki raised \$258 million in Series E funding round led by AIA

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Vietnamese E-commerce startup Tiki raised \$258 million in a Series E funding round led by AIA Insurance in anticipation of its initial public offering in the US. Other investors participating in the round include UBS London Branch, Mirae Asset-Naver Asia Growth Fund, and Taiwan Mobile, as well as current investor STIC GIGF.

With the fresh capital, the company's value has risen to about \$1 billion. Tiki will use the fresh capital to aid its efforts in logistics, such as the development of AI technologies and robotics systems for inventory management, order processing, and delivery. Tiki also intends to provide its users with personalized and easily accessible life insurance coverage.

In July, Tiki and AIA have entered into a 10-year partnership. Accordingly, AIA Vietnam will become Tiki's exclusive insurance partner, enabling Tiki's millions of customers to gain access to highly relevant life and health insurance solutions via Tiki's leading E-commerce platform. The two will also jointly explore collaboration opportunities to meet the diverse and increasing financial needs of Vietnamese people.

Tran Ngoc Thai Son, founder and CEO of Tiki said that the fundraising takes place when the company is planning to go public in the US in 2025. However, the company will push up the plan one year earlier.

Tiki aims for an offshore listing in the US via the special purpose acquisition company (SPAC) route in order to delve into the massive influx of foreign capital. A successful listing in the US may also attract a flurry of foreign investment in Vietnam's burgeoning technology sector.

Besides Tiki, some local firms like VNG and Loship also look to raise more offshore capital via SPACs targeting the US market. However, the SPAC route for Vietnamese companies going abroad will encounter certain bumps in the road.

According to Kent Wong, partner, head of Banking and Capital Markets at VCI Legal, the SPAC bubble has burst due to growing concerns over explosion of blank check companies and the impact on retail investors.

"The drawback is that Loship, VNG, and Tiki will have to create a lot of hype to draw retail participation in the US in the short term, and not having a recognizable brand in that market will be a disadvantage," Wong told VIR. "On top of that, they will need a bona fide business plan and solid target companies to merge or acquire with the raised capital." VIR

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## ENERGY

### Ørsted from Denmark to invest 13.6 billion USD in offshore wind farm in Hai Phong

Denmark's Ørsted Group, the world's largest corporation in the wind power industry, has proposed an offshore wind power plant in the northern port city of Hai Phong, with an estimated investment of between 11.9 billion USD to 13.6 billion USD. Once operational, the power plant will have a total capacity of 3,900 MW.



Vice Chairman of the municipal People's Committee Nguyen Duc Tho recently worked on the project with a delegation from the Embassy of Denmark, led by Trade Counsellor Troels Jakobsen.

The project will be divided into three phases. Wind output is expected to produce about 13,665,600 MWh per year. The wind farm's turbine is expected to be installed with a capacity of about 20 MW. Tower

height will be from 150m to 200m each.

The project location is in offshore waters 14km southeast of Bach Long Vy island and 36 km northwest of Long Chau archipelago. The project is in line with Vietnam's National Energy Development Strategy, which prioritizes the exploitation and use of renewable energy sources.

Troels Jakobsen said the cooperation between Denmark and Vietnam will continue to be promoted in such fields as economy, trade, investment, education, tourism, and economic transformation to a green economy.

Appreciating Ørsted Group's capacity in offshore wind power development, Tho said Hai Phong will create favorable conditions for investors. He suggested that the investor provide more documents on issues raised by the departments and agencies at the meeting.

He requested the group to review and clarify the contents related to the survey location, the appropriate spacing of wind turbines and rationally develop the marine space. At the same time, the project must ensure compliance with current regulations, investment divergence and must not affect the navigation channel, security and defense aspects.

As a leading enterprise in the field of offshore wind power owned by the Danish Government, Ørsted's revenue in 2020 was 8.6 billion USD, with profits of 3 billion USD. The group currently supplies green energy to more than 15 million people worldwide. This number is expected to double by 2025. VNA

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## Vietnam to phase out coal power in the 2030s

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A 190-strong coalition, including Vietnam, has agreed to both phase out coal power and end support for new coal power plants.



The commitment, brought together through UK-led efforts including the new Global Coal to Clean Power Transition Statement, encompass developed and developing countries, major coal users, and climate-vulnerable countries.

This includes 18 countries committing for the first time to phase out and not build or invest in new coal power, including Poland, Vietnam, and Chile, marking a milestone in global clean energy transition achieved through COP26.

Through the statement, nations across the world commit to phase out coal power in their economies in the 2030s for major economies and 2040s for the rest of the world, as well as make a just transition away from coal power in a way that benefits workers and communities.

UK Secretary of State for Business, Energy and Industrial Strategy Kwasi Kwarteng said the statement marks a milestone in the world's global efforts to tackle climate change as nations from all corners of the world unite in Glasgow to declare that coal has no part to play in future power generation.

The COP26 energy transition campaign is focused on accelerating the decarbonisation of the power sector by phasing out coal and supporting the rapid scaling up of renewable energy by ensuring renewables are the most attractive option for new power generation in all countries.

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## RETAIL

### Vietnamese consumers may think twice before spending

Though there had been a slight increase in spending after the loosening of social restrictions, Vietnamese consumers largely remain careful not to spend too much money too quickly.



Infocus Mekong Research (IMF) has released its latest COVID-19 consumer confidence impact survey with 1,000 participants in October. The survey reveals that 21 per cent of participating consumers have been severely impacted financially by the pandemic, with 5 per cent of them near personal bankruptcy. Only 16 per cent of participants said they were largely unaffected. Secondary cities like Danang and Binh Duong have been among the

most impacted, with 43 per cent.

In addition, half of all low-income households participating in the survey have been severely impacted by the lockdown, as well as 29 per cent of lower-income households. IMF says this represents a total of 34 per cent of Vietnam's population and may explain the heavy impact on secondary cities.

The survey found that 68 per cent of participating households have experienced a decline in income, while only 10 per cent of them saw an increase in their income. Before the pandemic, almost 60 per cent of surveyed consumers had multiple sources of income. Now, this figure stands at only 45 per cent. Meanwhile, 5 per cent have no income at all at the moment.

Consumers now seem to be loosening up their wallets again. However, only three sectors have been seeing any real growth in spending, that is healthcare, food and beverages, and utilities, though at a lower level than previously. Education and personal care have made the biggest jumps in spending, though still less than in January. Spending on home appliances and personal equipment is way down.

Traditional trade slightly outperformed modern trade over the past few months based on monthly spending. This is a huge increase for modern trade, as before the pandemic, modern trade such as E-commerce, made up less than 30 per cent of the total spending but now represents close to 50 per cent of all spending.

Nevertheless, with tightened budgets, Vietnamese consumers spend roughly 30 per cent of their income on basic groceries with education. Savings (if any) make up roughly 50 per cent of their monthly costs. Interestingly, paying off debts now accounts for 7 per cent of all monthly spending, leaving less than 30 per cent as discretionary funds.

After Vietnam reopened, IMF's Consumer Confidence Index has increased to 18 index points from 12 three months ago, showing that consumers are seeing the light at the end of the tunnel. VIR

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## LOGISTICS

### Six more airports to be constructed in 10 years

Six new airports will be built in the next 10 years, raising the total number of airports in the country to 28, half of which are international airports, according to a master plan on the development of airports in the 2021-2030 period with a vision to 2050 that has been submitted to the Government by the Ministry of Transport.



Under the proposed plan, the 28 airports will have combined capacity of 278 million passengers to ensure that more than 95 percent of the population can access an airport within a distance of 100km.

The plan estimates that about 400 trillion VND (17.68 billion USD) will be needed to develop the airport system until 2030, accounting for 22 percent of the total demand for capital of the whole sector.

In 2050, the country expects to have 29 airports, including 15 domestic ones. An airport in the southeast of Hanoi will be built.

The plan also includes a list of national key projects with investment priority, including the first phase of Long Thanh International Airport with a capacity of welcoming 25 million passengers per year; the construction of T3 terminal at Tan Son Nhat International Airport (Ho Chi Minh City), and T2 terminal at Noi Bai International Airport (Hanoi) to raise their capacity to handling 20 million and 15 million passengers per year, respectively.

Priority will also be given to the expansion and construction of airports in remote, mountainous and island areas, such as Dien Bien, Con Dao island, Sa Pa and Pleiku.

A representative from the Ministry of Transport said that the ministry has suggested amending and supplementing a number of relevant legal regulations to mobilize non-State budget resources for the scheme, while building and issuing regulations on the selection of investors for aviation service projects at airports.

For new airports, public-private partnership will be preferred, excepting for those of national significance and strategic military and security importance as well as those in border and island areas, which will be invested by State capital. VNA

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## INVESTMENT

### Korean semiconductor manufacturer to invest USD 1.6 billion in Bac Ninh

The Republic of Korea's Amkor Technology, Inc. will embark on the first-stage construction of its plant at Yen Phong II-C Industrial Park (IP) in the northern province of Bac Ninh in the first quarter of next year, said provincial authorities announced on November 5.

Bac Ninh - The Republic of Korea's Amkor Technology, Inc. will embark on the first-stage construction of its plant at Yen Phong II-C Industrial Park (IP) in the northern province of Bac Ninh in the first quarter of next year, said provincial authorities announced on November 5.



Accordingly, the Korean company will invest 1.6 billion USD between now and 2035 to build a plant to manufacture, assemble and test semiconductor products on a site of 23ha in the IP.

In the first quarter of 2022 and the first five years, it will pour 520 million USD into assembling and testing solutions for the world's leading electronics and semiconductor manufacturers.

The provincial authorities pledged to offer all possible support for the project to put into operation on schedule.

According to the provincial Department of Planning and Investment, Bac Ninh granted new licenses to 108 projects with a total registered capital of over 535 million USD from the beginning of this year to October 18.

It also recorded an additional 132 million USD invested in 76 existing projects and more than 145 million USD in capital contributions and share purchases. The province revoked 35 projects worth over 223 million USD.

As of October 18, Bac Ninh had granted licenses to 1,704 valid foreign projects valued at more than 20.4 billion USD. VNA

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## European businesses optimistic about Vietnam's business environment

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European businesses have become more optimistic about Vietnam's business environment following the end of lockdowns and the new normal of post-pandemic trade and investment, according to the Quarter 3 Business Climate Index (BCI), a regular barometer of the perceptions of business leaders from the European Chamber of Commerce (EuroCham).

The latest BCI saw a small but encouraging uptick to reach 18.3 points, representing a three-point rise from its historic low of 15 points during the depths of the fourth Covid-19 wave in September. Although the index remains low, the BCI uncovered improving perceptions about Vietnam's economic outlook. Just under half of business leaders and investors (49%) now predict a stabilizing and improving economic outlook next quarter, compared to less than a fifth (19%) in Quarter 2.

However, business leaders remain cautious over their recruitment, investment, and profit projections. Companies are taking a wait-and-see approach to staffing, with around one-fifth planning to hire more workers in the next three months, a figure consistent with the last quarter. Likewise, the proportion of business leaders planning to maintain or increase their investment in Quarter 4 (69%) is just two points higher than in Quarter 3, with revenue projections seeing a similar increase.

Meanwhile, around half of companies are still operating at reduced levels compared to before the pandemic, while prolonged travel restrictions and staff shortages continue to affect two-thirds of companies. This indicates that there are still issues to be addressed if Vietnam is to reach its full potential in post-pandemic trade and investment. Commenting on the latest BCI, Alain Cany, chairman of EuroCham, said, "Though the BCI remains low in historical terms, the most important thing is that the index is now moving in the right direction. With the pandemic now back under control in Vietnam, the confidence and optimism of European business leaders should continue to climb as companies get back to normal and consumer confidence rises."

However, despite the positive progress, business leaders are still encountering challenges in their commercial operations. With two-thirds of companies suffering the impacts of travel restrictions and staff shortages, this highlights the urgent need to speed up the entry of vaccinated experts and accelerate the vaccination of domestic workers.

CEO of YouGov Vietnam Thue Quist Thomasen said, "Beneath the headline BCI figure, some interesting trends are emerging. While confidence in the prospects for the business environment of Vietnam has seen a small but encouraging rise, companies are a little more hesitant when it comes to their own operations. "This suggests that business leaders are waiting to see how conditions and regulations in the new normal unfold before making significant commitments in terms of investment projects or recruitment plans. Nevertheless, the latest data should give us grounds for cautious optimism in the months ahead," Thomasen said. SGT

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*Research & Consulting Division*

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<b>Our clients</b>	Think tanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media
<b>Head Office</b>	Floor 5 <sup>th</sup> – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
<b>Rep. Office</b>	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
<b>Telephone</b>	+84-24-6275-5246 ; +84-24-6273-6989
<b>Fax</b>	+84-24-6273-6988
<b>URL</b>	<a href="http://www.seiko-ideas.com">www.seiko-ideas.com</a>
<b>PIC</b>	Tram Nguyen (Ms.)
<b>Email</b>	<a href="mailto:tram.nguyen@seiko-ideas.com">tram.nguyen@seiko-ideas.com</a>

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