



## Highlight

*Vietnam-South Korea bilateral trade to reach \$70 billion in 2021*

# VIETNAM BUSINESS REVIEW

## What's in it today?

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### FINANCE

Vietnam targets 6 - 6.5% GDP growth in 2022  
Economists warn of high inflation and low growth rate



### INVESTMENT

SK Group to invest \$340 million to increase stake in Masan's retail arm  
Vietnam-South Korea bilateral trade to reach \$70 billion in 2021



### RETAIL

Retail revenue is expected to increase 3-4% by year-end in comparison to 2020



### E-COMMERCE

Tech giant VNG invested \$22.5 million in B2B E-Commerce platform Telio  
E-Commerce promotes Vietnam's digital economy



### ENERGY

Norway to partner with Vietnam to "awaken" offshore wind power potential  
Clean energy development enhances Viet Nam's national energy security



### LOGISTICS

Increase in the volume of goods transported by rail between Vietnam and China

## FINANCE

### Vietnam targets 6 - 6.5% GDP growth in 2022

The National Assembly (NA) has approved the Government's proposal to raise the national GDP growth rate for 2022 to between 6% and 6.5%, with many NA deputies believing there is plenty of room for Vietnam to meet the target.



The target will come off the back of a challenging year for the country, particularly as the SARS-CoV-2 virus reemerged in late April, exerting a severely negative impact on the national economy which suffered a 6.14% contraction during the third quarter of the year.

In a report addressed to the freshly-concluded NA session, Prime Minister Pham Minh Chinh admitted difficulties faced by the local economy due to the damage caused by COVID-19, and he then said the government had decided to lower the growth rate for this year to between 3% and 3.5%.

However, even the revised growth target set for this year will be difficult to achieve, according to deputy Le Thanh Van, as it requires the national economy to expand by 8.6% in the fourth quarter of the year given the fact that the COVID-19 outbreak is yet to be completely under control.

Meanwhile, a majority of deputies agreed that the 6% to 6.5% rate projected for 2022 must be obtained as a means of creating momentum for the following years.

“By 2030, we have set out to become a high middle income country with an annual average GDP growth rate likely to reach 6.5% to 7%,” said Huan.

Economist Dr. Tran Dinh Cung forecast that the GDP growth for this year may hover around 2%, far lower than the Government's expectation. Therefore, the national economy must average annual growth of 7% from 2022 to 2025 in order to achieve the 6% - 6.5% growth target set for the whole period from 2021 to 2025.

“Even if the epidemic is well controlled, 2022 will also be a tough year if you look at the high target to be achieved. But I support the way the government has set the target, because this will bring to bear pressure and at the same time motivate us to realize the target,” Dr. Cung told *Dau Tu* (Investment) newspaper.

NA deputy Tran Hoang Ngan agreed that the prolonged COVID-19 outbreak has dealt a heavy blow to the domestic economy, although he remains optimistic that there are factors which will help the country to secure high growth over the coming years.

According to Ngan, Vietnam has maintained macroeconomic stability, whilst its major export markets such as the United States and Europe are recovering strongly. In addition, it has signed many bilateral and multilateral free trade agreements, of which 14 have already taken effect.

“If the COVID-19 outbreak is completely controlled, the 6 - 6.5% growth target will be achievable or the rate will be even higher,” said Ngan.

In order to secure the 6% to 6.5% growth rate for 2022, the economy is said to mobilise VND30 trillion worth of social investment capital, including nearly VND20 trillion from citizens.

Finance Minister Ho Duc Phoc stated that his Ministry is drafting an economic stimulus package worth VND20 trillion a year through interest rate support, in order to mobilize roughly VND1 quadrillion over five years for the economy.

“With VND1 quadrillion to be injected into the economy, we can then create jobs, boost the economy, increase budget revenue and reduce budget deficit,” stressed Minister Phoc.

Economic experts also expect the implementation of an economic stimulus package which is big enough for the next two years. Dr. Cung supported this view, outlining that the package will stimulate the economy, not just for social security.

“Many propose that the package should account for about 1 - 2% of GDP, but I expect a larger number for the period 2022 - 2023 and it may be extended to 2024,” said Dr. Cung.

The economist also suggested that existing bailout packages should be fully disbursed to the right businesses that have been hit hard by COVID-19 to help them gather full steam. According to the economist, total expenditure on existing bailout packages is rather small compared to the loss of businesses. VOV

[Back to top](#)

## Economists warn of high inflation and low growth rate

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In 2021, Vietnam has had to struggle with the impact of Covid-19 which has been far more serious than in 2020. The national economy has been hit hard and is showing short- and medium-term problems, according to Tran Toan Thang from the National Centre for Socio-Economic Information and Forecast (NCIF).

Thang said at a workshop on financial resources for sustainable recovery on November 5, that Covid-19 will not only cause short-term effects but also an impact on long-term growth. The labor force structure is changing because of the movement of workers among industries, public investment capital cannot be disbursed on schedule, and private and foreign direct investments are increasing slowly. Growth has fallen from 7.3 percent on average to 2.5 percent.

Amid opportunities and risks, Thang believes the national economy is not likely to recover quickly in the fourth quarter of the year, which means that the GDP growth rate in 2021 would be just 2 percent under the best conditions. Meanwhile, Vietnam gained impressive GDP growth rate of 5.64 percent in the first half of the year, according to the General Statistics Office (GSO). If there is a slow recovery, the GDP growth rate will be modest, only 0.8 percent.

In 2022, the GDP growth rate predicted by NCIF experts is between 5.8 and 6.7 percent in the best scenario, if conditions are favorable in Vietnam and the world market.

Vo Tri Thanh, former Deputy Head of the Central Institute of Economic Management (CIEM), noting that this is the lowest growth rate since Doi moi (renovation) in 1986, said he can see positive factors, including macroeconomic stability, high export growth rate and an increase in committed foreign direct investment (FDI).

Thanh believes that Vietnam needs an economy recovery and development program on a large scale through 2022 and 2023.

One issue currently being debated is where resources for supporting businesses and people hurt by the pandemic will come from. The program's scale up to hundreds of trillions of dong, and public debts are increasing. Regarding resources, Thanh said if Vietnam accepts a budget deficit of 2 percent more, or 4-6 percent of GDP, it would have \$7 billion for the program. In addition, it needs to cut expenses, use a part of forex reserves, create resources through administrative reform, and reduce businesses' transaction costs.

### Vaccine coverage

In the short term, Thang believes that controlling Covid-19 while increasing vaccination coverage is the best solution. The measures to help businesses and people in the short term still need to be implemented urgently, but the implementation cost as well as policy enforcement effects need to be evaluated.

In the long term, the program to support economic recovery should be seen as an opportunity to restructure the economy, reform policy institutions, strictly enforce civil service discipline, and make appropriate adjustments to the decentralization of state management.

The measures to promote public investment, especially investments to improve digital infrastructure and accelerate digital transformation, are crucial. Also, the support package should help develop some key industries, and improve the supply chain and supporting industries.

Jonathan Pincus from the United Nations Development Program (UNDP) noted that Vietnam's fiscal reactions to the pandemic are still inadequate. The narrowing of private consumption could lead to considerable losses and slower GDP growth than necessary. He stressed that speculation on land and financial assets needs to be discouraged, and lending to fund speculation activities should be restricted.

Thanh said mobilizing resources for the economic recovery program is a serious matter of concern, but the "most difficult thing is that money should be addressed to the right places and at right time". If the money goes to the wrong people and businesses, the consequences will be serious, similar to what happened with the demand stimulus package in 2009 when the economy fell into a whirlwind of high inflation, a low growth rate and exhausted businesses.

"People say 'turning danger into opportunity', but I like to say 'overcoming difficulties and taking full advantage of opportunities'," Thanh said, adding that all actions at this time need to be serious and speedy. VNN

[Back to top](#)

## E-COMMERCE

### Tech giant VNG invested \$22.5m in B2B E-Commerce platform Telio

Tech giant VNG has invested US\$22.5 million in Telio, the first business-to-business e-commerce platform in Viet Nam, in its pre-series B funding round.



The money will help Telio provide more comprehensive services to its partners and agencies.

Under the agreement, besides assistance for Telio to grow its business, VNG will also publicize its booth on the Zalo platform, the Viet Nam's Social network.

Last month, Telio's booth was launched on Zalo, which has more than 64 million monthly users.

Bui Sy Phong, CEO and founder of Telio, said: "Viet Nam's retail market is seeing big changes with more and more enterprises and retailers adopting IT to improve their business and quality. The co-operation between Telio and VNG will help us provide the most comprehensive services to everyone from manufacturers and brands to retailers and customers."

Le Hong Minh, co-founder and CEO of VNG, said: "We appreciate the growth potential of Telio and want to co-operate with it to reach new growth milestones." Since last year, VNG has been investing in start-ups in the country to build a strong eco-system for IT companies. It invested \$3.7 million in logistics start-up Ecotruck and \$6 million in gifting platform Got It. VNS

[Back to top](#)

## E-commerce promotes Vietnam's digital economy

Jikwang Chung, General Director of Mirae Asset Capital, one of Tiki's investors, said that Vietnam's consumption has made outstanding growth with technological breakthroughs, particularly e-commerce.



The most recent online shopping day in Vietnam, which fell on November 11, set many records for domestic e-commerce platforms. According to Tiki, the shopping day set a growth record and was its most successful program ever. The online platform's sales on Singles Day 2021 (November 11) increased nine times and the number of customers rose twice compared to weekdays.

For another platform, Lazada, the revenue and number of orders on this day increased nearly 2 times. The number of brands and sellers rose by 1.5 times compared to last year's Single Day. Steven Tuan Nguyen, Senior Director of Criteo Southeast Asia, said the Covid-19 pandemic caused people to buy more goods online, promoting e-commerce in Vietnam and Southeast Asia. This is in line with the e-economy report on Southeast Asia recently released by Google, Temasek and Bain & Company. The report found that the number of new Internet users in Vietnam was increasing, and at the same time, e-commerce is the driving force of the digital economy.

Specifically, in 2021, thanks to the 53% growth of e-commerce compared to the same period last year, Vietnam's digital economy is expected to grow by 31% to 21 billion USD and is likely to reach 57 billion USD by 2025. If growing steadily, Vietnam's digital economy is expected to reach 220 billion USD in gross merchandise value (GMV) by 2030, ranking second in the region after Indonesia. Not only in Vietnam, e-commerce is expected to promote Southeast Asia's Internet economy forward in the next decade. By the end of 2021, the total value of e-commerce goods could exceed 120 billion USD (nearly doubling that of 2020), and may reach 234 billion USD by 2025.

According to the report, since the start of the pandemic last year to the first half of 2021, Vietnam had an additional 8 million digital consumers with more than half of them coming from outside major cities. Up to 99% of Vietnamese digital consumers intended to continue using online services, showing a high degree of attachment to digital products and services.

Each of three online traders in Vietnam believed that they would not be able to survive the pandemic without digital platforms. In Vietnam, digital financial services are becoming an important driving factor with 95% of digital businesses now accepting digital payments and 67% accepting digital loans. Furthermore, seven in 10 digital businesses are expected to increase their use of digital marketing tools in the next five years. "The report shows us the great potential of the country as Vietnam accelerates digital transformation," said Tram Nguyen, Google Director in charge of Laos, Cambodia and Vietnam markets.

[Back to top](#)

## ENERGY

### Norway to partner with Vietnam to "awaken" offshore wind power potential

Norwegian Ambassador to Vietnam Grete Løchen and Commercial Counsellor Arne-Kjetil Lian recently have handed over the 'Vietnam Supply Chain Study Report' to Vietnamese Minister of Industry and Trade Nguyen Hong Dien.



The 70-page report provides an overview of the entire supply chain for Vietnam's offshore wind industry, recommendations on what Vietnam can priorities to stimulate the strong growth of a local supply chain to create jobs for skilled laborers, and export to offshore wind markets in the region and the world. The report also highlights opportunities that offshore wind will bring to Vietnamese suppliers, and areas where Norwegian and other foreign companies can collaborate with Vietnamese partners to promote offshore wind power projects.

Although challenges related to institutional framework and policy still need to be addressed in order to support the implementation of large-scale offshore wind power projects, many international developers and investors, including Norwegian companies have been preparing to tap these opportunities. Technology is an important element in offshore wind power development and this is also the strength of Norwegian companies, Counsellor Lian stressed.

The Norwegian business community is ready to partner with Vietnamese companies, and share experience and technology to help Vietnam build a strong domestic supply chain, he added. With over 3,000 km of coastlines, Vietnam boasts an abundant offshore wind resource and is an emerging market for offshore wind. According to the World Bank, offshore wind is capable of meet 12 percent of Vietnam's electricity demand by 2035. By gradually replacing coal-fired electricity, this could help reduce over 200 million metric tonnes of CO2 emissions and add at least 50 billion USD to Vietnam's economy from a strong local supply chain, more jobs, and exports. VNA

[Back to top](#)

## Clean energy development enhances Viet Nam's national energy security

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The increasing proportion of clean energy such as solar and wind power in recent years has helped Vietnam diversify energy sources and reduce its dependence on imported energy, thus enhancing its national energy security.

Director of the Ministry of Industry and Trade's Department of Electricity and Renewable Energy Hoang Tien Dung said in a recent interview granted to the Vietnam News Agency (VNA).

He underlined the important role of energy in the process of electricity production, as well as in all economic activities, saying that this will affect Vietnam's economic recovery in the coming time as Vietnam is in the process of energy transition.

According to the official, many countries around the world are facing an energy crisis, which puts them at risk of power shortages.

At the 26th United Nations Climate Change Conference of the Parties (COP26) in Glasgow, the UK, Vietnamese Prime Minister Pham Minh Chinh pledged to achieve the target of net-zero emissions by 2050. However, it is not easy to carry out the energy transition towards green energy while ensuring national energy security in this process, Dung said.

He stressed that it is necessary to promote energy saving and efficient use to reduce the demand for energy.

The development of renewable energy sources should be stepped up with a feasible roadmap suitable to the investment cost for renewable energy technologies and selling prices of electricity, he said, adding that attention should be also paid to developing infrastructure serving the import of electricity and primary energy.

Vietnam is a net energy importer with significant imports of coal and oil at present, and liquefied natural gas (LNG) in the near future. The biggest impact from the current energy crisis on Vietnam's energy industry can be seen that the prices of imported energy will increase in accordance with the global energy prices. For Vietnam, ensuring the supply of fuel and energy in the short term has not yet faced complicated issues thanks to long-term coal and gas import contracts. However, ensuring the supply of fuel for domestic coal and gas-fueled power plants in the coming time requires unified management.

The development of renewable energy sources must be carried out in harmony with the development of the country's electricity system in particular and the energy system in general, he said.

According to the official, the radical development of renewable energy sources is an inevitable trend, but it is also necessary to consider issues related to ensuring the reliability of power supply, diversification of power sources and ensuring that electricity prices are affordable.

[Back to top](#)

## RETAIL

### Retail revenue is expected to increase 3-4% by year-end in comparison to 2020

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Thanks to an expected upturn in retail demand between now and the end of the year, the total revenue for 2021 is expected to have grown by three to four per cent, when compared with the previous year.

The forecast was delivered by the Ministry of Industry and Trade (MoIT). However, growth is expected to be lower than the target of eight per cent set earlier by the industry.

According to MoIT's Domestic Market Department, retail of goods has seen positive growth over the first 10 months of 2021, thanks to the recent resumption of trading. Travelling and circulation of goods have also become easier.

As well as winter apparel, the demand for household appliances and stationery has also increased after the social distancing period, pushing up the October retail of goods and service revenues by 18.5 per cent month-on-month.

On the structure of retail of goods and service revenues so far in 2021, retail sales accounted for the largest share with 82.8 per cent, accommodation and catering services had 8.3 per cent; tourism just 0.1 per cent and other services accounted for 8.8 per cent.

To further boost domestic consumption in the remaining months of this year, the MoIT said it would concentrate on addressing concerns in business and production activities, especially those of major enterprises in industrial parks or economic zones.

"The aim is to ensure a speedy resumption of economic activities and keeping value chains intact, especially at a time when demands for goods and products would rise during the year-end period," the ministry said.

Meanwhile, the MoIT will closely monitor the demand-supply balance and market prices of goods to intervene if necessary, along with effective distribution of goods across localities, including the pandemic epicenters, to ensure the smooth movements of goods. In line with these efforts, the ministry will supervise the market during the year-end period to address trade fraud activities and ensure a healthy development environment for Vietnamese products.

The MoIT also plans to reopen in phases wholesale markets, supermarkets, convenience stores on the condition of complying with anti-COVID-19 measures to boost production and consumption, while trade promotion activities are expected to shift to online platforms to boost sales in late 2021 and early 2022.

"A series of promotion programs will kick-start in the year-end shopping period, ahead of the new year festivals," MoIT added. Meanwhile, supply-and-demand connectivity and trade promotion activities will continue at home, make full use of e-commerce to launch the domestic market development strategy and project till 2030, with a vision to 2045. VNS [Back to top](#)

## LOGISTICS

### Increase in the volume of goods transported by rail between Vietnam and China

The total volume of goods traded between Vietnam and China going through the two border-gate railway stations of Lao Cai and Dong Dang reached more than 838,000 tonnes in the first nine months of 2021, up 43 percent year-on-year, according to statistics of the Vietnam Railways Corporation (VNR).

In the third quarter, although the COVID-19 pandemic broke out in many provinces and cities, affecting the volume of domestic freight transported on the North - South railway route, the volume of goods transported by rail between Vietnam and China reached more than 258,000 tonnes, a rise of more than 57 percent against that of the same period in 2020.



Pham Duc Khai, head of Dong Dang Railway Station in the northern border province of Lang Son, said that despite

the complicated situation of the COVID-19 pandemic, freight trains run normally between Vietnam and China, so the volume of international freight imported and exported through Dong Dang station reached more than 400,000 tonnes in the first ten months of 2021.

Dieu Khac Minh, an official at Lao Cai station in the northern border province of Lao Cai, stated that the average volume of goods transported by railway between Vietnam and China is about 650,000 to 700,000 tonnes each year.

During January-October this year, the station's freight volume rose by 17 percent year-on-year.

The growth was attributed to close coordination between Vietnamese and Chinese railways, Minh stressed.

Vietnam Railways is working with Kunming Railways of China in order to increase the railway market share, and handle about 1 million tonnes of import and export goods a year between the two sides through Lao Cai station.

Nguyen Hoang Thanh, Deputy General Director of Railway Transport and Trading Joint Stock Company (Ratrac), stressed the need to invest in infrastructure in order to achieve good growth in international railway goods transport. VNA

[Back to top](#)

## INVESTMENT

### SK Group to invest \$340 million to increase stake in Masan's retail arm

SK Group will spend \$340 million acquiring shares of The CrownX (TCX) under Masan Group to double down on the latter's Point of Life (POL) strategy

Masan Group Corporation and SK Group announced the signing of definitive agreements to buy secondary shares of The CrownX (TCX) for \$345 million in cash, with \$340 million coming from SK Group. After the acquisition is completed, Masan will control 85 per cent of The CrownX and SK will own 4.9 per cent, with Masan potentially raising its position in TCX in the near future.



After successfully turning around WinCommerce (WCM) which delivered its first profitable quarter in the third quarter of 2021, Masan will shift its priority towards scaling up TCX's mini-mall POL concept – a combination of WinMart+ (grocery), Phuc Long Kiosk (coffee and tea), pharmacy, Techcombank, and Mobicast JSC, a startup mobile virtual network operator (MVNO) transaction point into an integrated loyalty offering.

The initial pilot of the mini-mall has already yielded results as demonstrated by higher foot traffic and profitability. Management is setting a medium-term game plan to re-expand the network nationwide while maintaining profitability with the following key performance indicators. Specifically, Masan will drive private label portfolio to comprise 20-25 per cent of modern retail sales. The group will grow online grocery to comprise more than 5 per cent of total revenue or 50,000 orders per day. It will partner with 2,000-3,000 of Masan Consumer Holdings' GT retailers for Wincommerce franchising model; and develop a loyalty program and payments system via mobile wallets to drive consumer lifetime value and maintain a lean cost of consumer acquisition model.

Danny Le, CEO of Masan Group said, "SK's investment is a validation that our 'mini-mall' concept, a winning nationwide model that will bring more value to consumers' daily lives. The next quantum leap for our platform is driving our loyalty platform and digitalizing our offering from products to services to win consumers mindshare whether off or online."

Woncheol Park, representative director of SK Southeast Asia Investment said, "We stand fully behind Masan Group. We believe its growth strategy to rollout the 'mini-mall' concept and to build a consumer platform will reap a tremendous outcome for everyone involved." The transaction is subject to customary corporate approvals and Masan aims to close out its capital raising round of \$200-300 million for TCX by the end of the year. Credit Suisse (Singapore) Limited acted as the financial advisor to Masan Group.

[Back to top](#)

## Vietnam-South Korea bilateral trade to reach \$70 billion in 2021

The bilateral trade turnover between Vietnam and South Korea reached \$63.4 billion in the first 10 months of 2021 and is likely to exceed \$70 billion by the end of the year.



Although the COVID-19 pandemic hurt economic activities, Vietnam's trade with South Korea has grown strongly. According to the Ministry of Industry and Trade, Vietnam's exports to South Korea came to \$17.9 billion in the first 10 months, up 11.2 per cent against the same period last year. Meanwhile, South Korea's exports to Vietnam reached \$45.5 billion, up 21.4 per cent over the same period in 2020.

Speaking at a recent virtual trade conference between Vietnam and South Korea, Kyung Don Kim, head of the Investment Promotion Department under Korea Trade Investment Promotion Agency (KOTRA) in Hanoi said, "Bilateral trade between Vietnam and South Korea has reached an all-time high. South Korea is Vietnam's third-largest exporter and second-largest importer. With an upward trend, bilateral trade is expected to reach \$70 billion by the end of this year." Despite the COVID-19 pandemic, the bilateral trade turnover between Vietnam and South Korea has been increasing significantly," he emphasized.

Along with that, expansion and new investment activities are still planned by Korean businesses when Vietnam's vaccine coverage rate increases. The fourth wave of the COVID-19 pandemic has caused several difficulties to South Korean investors in Vietnam. Factories had to suspend operations due to tough movement curbs between localities.

As the pandemic is gradually being controlled, factories have returned to operation. The easing of social distancing measures also facilitates business and production activities.

The KOTRA representative said that South Korea remains Vietnam's largest foreign investor with a total of 9,165 projects. About 79 per cent of South Korean groups are investing in Vietnam's manufacturing industry including big names like Samsung, LG, and Hyundai Motors. Vietnam is the central cooperation partner of South Korea's New Southern Policy. In 2020, Vietnam and South Korea agreed to boost two-way trade to \$100 billion by 2023 with three main pillars namely energy, industry, and trade. VIR

[Back to top](#)

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