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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Viet Nam met the criteria of the US for not being labelled a currency manipulator

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Vietnam continues to meet the US Treasury's criteria for not being labelled a currency manipulator, according to the US Treasury.



In its latest report on forex and macro-economic policies of big trade partners of the US, the Treasury found that no major trading partners during the year through June 2021 sought to manipulate their currencies for a trade advantage or for preventing effective balance of payment adjustments.

Viet Nam and Taiwan (China) have met all three criteria on trade and current account surpluses and foreign exchange market interventions. However, the department said it would continue to work with Viet Nam and Taiwan to address US concerns.

The Treasury said it was "satisfied with the progress made by Viet Nam to date" and would continue engagement started in May with Taiwan.

Earlier in April, the US Treasury announced in a similar report that the US had removed Viet Nam from the list of economies it considered currency manipulators as there was insufficient evidence to conclude the country was manipulating its exchange rate in the reviewed period in line with the Omnibus Foreign Trade and Competitiveness Act of 1988. VNS

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## Liquidity increase from foreign currency flow

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Deposits have decreased sharply in the State Bank of Vietnam, but liquidity is still in abundance. This could be attributed to credit growth this year which has recovered although it is still slow.

As of 29 October, new credit growth had reached 8.72%. Although this level is surprising compared to the previous forecast and higher than 6.48% in the same period last year, compared to previous years before the pandemic, this credit growth rate is still low. In the same period in 2019 it had reached nearly 10%, and in the same period in 2018 it was 10.5%. Another reason could be that the cash flow that banks pump into the economy through the credit channel is far less, and the banks do not have much pressure to mobilize, as liquidity is not as stressful as in the previous period. Besides this, the State Bank of Vietnam pushed foreign currency forward. According to statistics of SSI Securities Company, in the first three weeks of November, the amount of Vietnam dong pumped into the market through the foreign currency buying channel was more than VND60,000 bn. This amount is said to have supported liquidity, helping the interbank interest rate to remain below 1%.

In 2020, the State Bank of Vietnam had applied this solution to both increase foreign exchange reserves as well as attract more foreign currency. As a result, the State Bank has resources to actively regulate in case the exchange rate rises sharply, instead of letting the market adjust automatically and causing huge waves.

However, in 2021, the State Bank had to stop listing the spot exchange rate at the Exchange and stop buying foreign currencies for a spot. Instead, the State Bank made a cancellation to buy foreign currency for a six-month term. This move is aimed at dispelling US suspicions about Vietnam's currency manipulation in trade. Accordingly, commercial banks with large positive foreign currency positions that want to transact must actively contact the State Bank of Vietnam. US dollar spot purchases may be on a case-by-case basis. However, at the time when the State Bank made a cancellation to buy foreign currency with a six-month term, the liquidity in the system showed signs of tension.

The State Bank of Vietnam changed method of buying foreign currency from 12 August, from a six-month term to spot trading, after Vietnam and the US came to an understanding on currency manipulation. Hence, if credit institutions make transactions today, they will receive money from the State Bank of Vietnam within two days. The amount of Vietnam dong that were injected into the liquidity support system, quickly stabilized interbank interest rates.

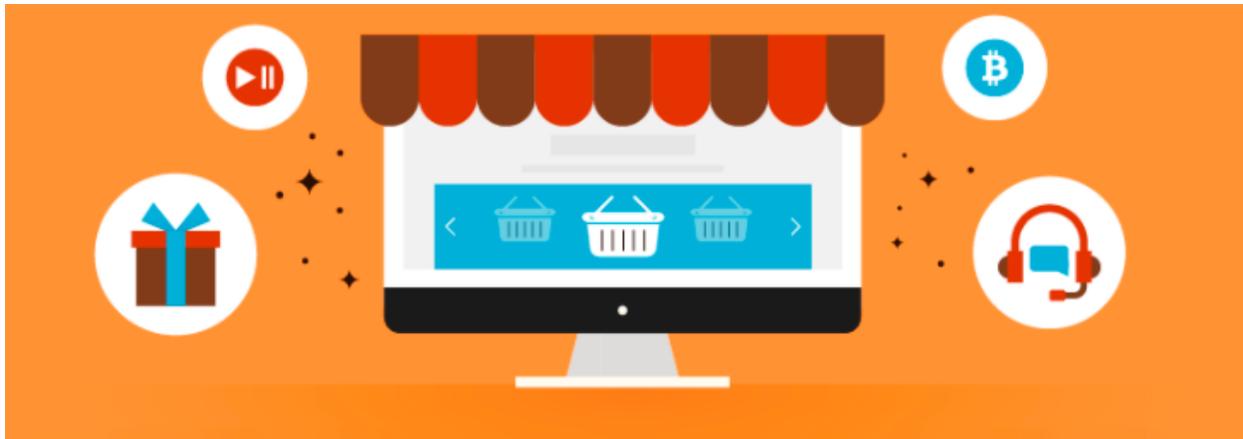
Therefore, the State Bank did not reduce the operating interest rate, but commercial banks also have conditions to reduce interest rates in the last months of the year. Specifically, in addition to VND 60,000 billion pumped out in the first three weeks of November, the State Bank also pumped nearly VND 120,000 billion in August through the foreign currency maturity channel of previous future transactions. Saigongiaiphong.

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## E-COMMERCE

### Vietnam expected to be the fastest-growing e-commerce market in Southeast Asia by 2026

Vietnam is one of the best performers in terms of digital transformation in Southeast Asia, and is expected to be the fastest-growing e-commerce market in the region in five years' time, U.S.-based consulting firm Bain & Company stated in a new report.



Vietnam is expected to be the fastest-growing e-commerce market in Southeast Asia by 2026, with e-commerce gross merchandise value (GMV) hitting US\$56 billion, 4.5 times the estimated value in 2021, according to the annual SYNC Southeast Asia report by Facebook and Bain & Company.

The study, which surveyed about 16,700 digital consumers in six Southeast Asian countries, including 3,579 participants from Vietnam, described Southeast Asia as a leader of digital transformation in Asia-Pacific and Vietnam as one of the best performers.

Seven out of 10 consumers in Vietnam have digital access and the country will have 53 million digital consumers by the end of 2021, according to the report.

The number of goods categories purchased by Vietnamese online shoppers this year went up 50 percent compared to 2020, while that of online stores in Vietnam also rose 40 percent year on year, resulting in a 1.5-fold increase in total online retail sales nationwide. Some 49 percent of Vietnamese consumers have switched to a new online marketplace within the last three months after considering price incentives, product quality, and availability of goods, among other factors. For the first time, cash payment has seen the risk of being dethroned with a significant decrease to only 42 percent in 2021 from 60 percent in 2020.

Safety, privacy, and service fees are the three main concerns of Vietnamese consumers when considering a type of payment. This year, Vietnamese people spent most of their time on social networks, texting, watching videos, shopping online, and emailing.

They used 72 percent of their time for regular activities at home instead of going out.

The surging demand for online shopping during the COVID-19 pandemic has ushered in the ‘golden age’ of e-commerce platforms in Vietnam, local advertising company Adsota said in a report released in June.

Vietnamese consumers are embracing online shopping and social commerce in response to pandemic restrictions, as suggested by a Visa Consumer Payment Attitudes survey this year, where 87 percent of the Vietnamese respondents say they are using e-commerce, including 82 percent who tried it for the first time amid the COVID-19 pandemic. Tuoi tre news

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## Vietnam e-Commerce and Digital Economy Agency goes with Visa to position agriculture as economic development driving force

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Visa has partnered with the Vietnam e-Commerce and Digital Economy Agency (iDEA) under the Ministry of Industry and Trade (MoIT) to help Vietnamese farmers and agricultural SMEs digitalize their operations, with a view to transforming agriculture into an economic development driver.

As part of an MOU signed on Wednesday, Visa will help farmers accelerate e-commerce and digital payment adoption, and digitalize their operations, positioning agriculture as a driving force for Vietnam's economic development, the U.S. payment company said in a press release the same day.

"We are happy to partner with iDEA and MoIT and extend our expertise and solutions to farmers across Vietnam," Dang Tuyet Dung, country manager of Visa Vietnam and Laos, was quoted as saying.

"Setting foot on the digital highway will empower Vietnamese producers to grow larger and nimbler at the same time and will help modernize and leverage the supply chain of agricultural production in Vietnam."

COVID-19 has shown that the world is going digital and to succeed sellers must move with the demand.

However, while agriculture is a major pillar of the Vietnamese economy – contributing nearly 14 percent of GDP and 60 percent of employment as reported by Inter-American Development Bank – it remains constrained in its growth prospects by a lack of finance opportunities for smallholder farmers, Visa remarked.

The payment firm will support smallholder farmers and SMEs in the onboarding and setup of digital sales capabilities, in partnership with merchant enablers, future-proofing their businesses with digital payments and merchant solutions.

With the fundamentals in place, they will be supplied with the means to grow their businesses with the requisite operations and logistics as well as customer growth solutions.

"Digitalization is truly needed in the Vietnamese agricultural industry," said Bui Huy Hoang, deputy director of iDEA's Center for Information and Digital Technology.

"With our new partnership, MoIT, iDEA, and Visa will support farmers and small business owners to take the first and most daunting step toward the digital journey.

"From there, we will be able to reposition agriculture as a driving force for Vietnam's development."  
Tuoitrenews

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## ENERGY

### Four provinces propose to add wind and solar power projects to the National Power Development Plan VIII

Ninh Thuan, Binh Thuan, Quang Ninh, and Thai Binh provinces have recently sent proposals to the Ministry of Industry and Trade to add a series of wind and solar power projects to the National Power Development Plan VIII (PDP8).

Notably, Binh Thuan proposed to add 22,200MW of offshore wind farms projects, including the 3,400MW Thang Long Wind, 3,500MW La Gan, 1,000MW Vinh Phong, 4,600MW Tuy Phong, and 5,000MW Binh Thuan wind farms.



Regarding liquefied natural gas (LNG), the province proposed adding the 3,200MW LNG Ke Ga to the PDP8. Binh Thuan expected to take three onshore wind farm projects and a hydropower project to the PDP8. Meanwhile,

Ninh Binh People's Committee proposed adding approximately 42,595MW of power to the planning, including 1,888MW from onshore wind farms and 21,000MW from offshore wind farms. The province also proposed to switch 4,600MW planned for nuclear power into LNG power. It also requested the MoIT to appraise the connecting plans for projects which were approved to be added to the planning but have yet to receive approval for connection plans to the power grid.

Thai Binh province is looking to add 8,700MW of wind power to the PDP8, including a 5,000MW project invested by Xuan Thien Ninh Binh JSC, 3,000MW proposed by the joint venture between T&T group and Orsted Corporation from Denmark, and a 700MW wind farm proposed by Pondera Group from the Netherlands.

Besides, the province proposed adding the 4,500MW Thai Binh LNG power centre and a 20MW waste-to-power project.

Quang Ninh would also add 3,000MW from offshore wind farms and 2,000MW from onshore wind farms. In 2021-2030, the province expects to reach a total capacity of 2,500 MW from both onshore and offshore wind farms.

The province also requested the MoIT to consider adding the second phase of the Quang Ninh LNG power plant project to the PDP8.

The province proposed to adjust the 1,200MW Quang Ninh III and the 400MW Cam Pha III thermal power plants into LNG projects because the investors have yet to implement the construction. VIR

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## Power development plan to be revised to align the commitment to net-zero emissions by 2050

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The draft National Power Development Plan for the period 2021-2030 will be revised to align with Vietnam's commitment to net-zero emissions by 2050.

The draft National Power Development Plan for the period 2021-2030 (draft PDP VIII), with a vision to 2045 will be revised to align with Vietnam's commitment to net-zero emissions by 2050 made at the 26th UN Climate Change Conference of the Parties (COP26).

The Ministry of Industry and Trade is recalculating the country's electricity generation sources. Under a plan announced by the ministry in November, the total installation capacity of power sources by 2030 will be 155,722 MW, a reduction of 24,305 MW compared to the scenario released in March.

Under the latest scenario, coal power and LNG-fired electricity will decrease by 6,694 MW and 18,550 MW respectively, while wind power output will be promoted. Specifically, onshore wind power generation is expected to reach 17,338 MW by 2030, an increase of 1,258 MW compared to March's scenario. Meanwhile, offshore wind power will be up by 1,000 MW to 4,000 MW by 2030.

The proportion of coal-fired power will decrease slightly, accounting for 25.49 percent of total electricity sources compared to 26.7 percent in March's plan.

LNG-fired electricity will account for 9.49 percent while onshore wind power 11.13 percent and offshore wind power 2.57 percent in comparison with 9.9 percent, 10.7 percent and 2 percent, respectively, under the plan unveiled in March.

Mark Hutchinson, the chair of Southeast Asia Task Force at Global Wind Energy Council spoke highly of Vietnam's commitment to reach net-zero emission by 2050 as well as the consideration of raising the capacity of offshore wind power in the draft PDP VIII, saying this is a very positive signal of the Government's attention to and confidence in the development of offshore wind power.

According to Hutchinson, the early deployment of offshore wind power will create momentum for the development of the offshore wind power industry, thereby reducing investment costs in the future.

In the context that coal power is likely to be significantly reduced, wind power will serve as an ideal source of power to offset a reduction in electricity generation.

In addition, the development of offshore wind power will protect Vietnam's energy industry from the risks of fuel price fluctuations in the world market, he said. VNA

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## RETAIL

### Contactless payment becomes a trend for retailers in Vietnam

Contactless payment is increasing in HCM City due to people’s fear of COVID-19, retail firms are investing more and more in digital infrastructure. The first Vietnamese digital platform for retail necessities, G Market, was launched in HCM City by Grove Fresh Group in collaboration with the city Department of Industry and Trade.



It offers over 10,000 key necessities through a close-ended ‘Farm-Factory-Hub-Door’ process. Goods are selected from qualified farms and factories (Farm-Factory) and transported to and stored in ideal temperature conditions at a specialized warehouse system (Hub).

There they are checked, screened and packed, and delivered by staff to customers (Door).

A Grove Fresh spokesperson said for each order placed on [www.gmarket24h.com](http://www.gmarket24h.com), customers would be given a unique code, and they could use it at the smart automatic warehouse to pick up their goods if they want. Customers can also shop in stores without making direct contact with staff by using pre-arranged instruction boards and an online-connected screen.

Nguyen Thanh Nhan, general director of Grove Fresh Group, said four tonnes of many essential items such as meat, fish, eggs, rice, fruits, and vegetables are sold every day.

Since the fourth COVID outbreak began in April, Grove Fresh Group has partnered with the city to supply goods. It is expected that in mid-January it will launch a 24/7 vending machine to serve customers for Tet (Lunar New Year).

Companies are focusing on investing in infrastructure and technology for non-cash payments, especially electronic payments, with improved quality, meeting the increasing demands of consumers. The prolonged lockdowns that kept people at home and the fear of contracting COVID-19 have accelerated consumers' preference for digital transactions.

According to the surveys, 67 per cent of consumers said they would like to use contactless payments wherever applicable. Besides, financial institutions have been competing to develop the best digital platforms for customers through apps that are secure, user-friendly and fully integrated.

Nguyen Anh Duc, general director of Saigon Co.op, said the rate of cashless payment at Co.opmart, Co.opXtra, Co.op Food, and Co.op Smile increased sharply in recent years to nearly 21 per cent last year.

It targets 30 per cent within three to four years, he said.

Saigon Co.op has been collaborating with various companies to deploy a series of new payment services and applications based on tech platforms that offer more convenience to customers shopping at its over 800 stores, he added.

Multiple factors have caused this surge in cashless payments including the impact of telecommunications, which has eliminated the "strangeness" consumers used to feel about cashless payments, and the COVID-19 pandemic, which acted as a catalyst.

Others include the improved infrastructure for connecting retailers and payment service providers and legal mechanisms to protect customers, which has increased their trust in the safety of digital payments.

AppotaPay forecast the cashless payment market would grow strongly in the next three to five years, with mobile money and e-wallets becoming key to expanding non-cash payments.

A recent report by the Government said cashless payments topped VNĐ36.28 quadrillion (US\$1.6 billion) in the first nine months of this year, including VNĐ13.5 quadrillion via mobile phones, the latter representing a 93.69 per cent increase.

The growth was led by digital wallets, contactless payments and QR code payments. Contactless cards led the way in the food and dining category, with 67 per cent of consumers using them in 2020 for bill payments (71 per cent), retail shopping (58 per cent) and supermarket shopping (57 per cent).

Vietnamese consumers have quickly adopted new ways of paying that do not involve physical contact such as tapping to pay.

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## LOGISTICS

### Vietnam-Europe freight train opens up new transport route

The freight train from Vietnam to Europe is operating very well after putting into operation for more than four months, according to Tran The Hung, General Director of Rail Transport and Trade Joint Stock Company (Ratrac).

The train runs between Yen Vien Railway Station in Hanoi and the Belgian city of Liege, where the goods are unloaded and sent by trucks to the final destination, the Dutch city of Rotterdam. A trip takes about 30-35 days.



The railway industry has so far operated 28 trains with more than 640 forty-foot containers.

Currently, the company runs three trips per week on average and plans to increase to 4-5 trips next year. The trains carry such goods as

machinery, office equipment, electronics, furniture and textiles.

Hung said that the cost of shipping containers by sea has increased remarkably, creating an opportunity for the railway industry to increase its market share. However, due to limited infrastructure and transportation capacity, it takes time for the industry to make necessary preparation.

In addition to running a direct transport route to Europe, the Vietnam Railways Corporation also operates freight trains with only some carriages running directly to Europe, whereby the train departs from Yen Vien station to China and then the carriages are connected to other freight trains bound to other destinations in China and Europe.

The freight train service is opening up a new transport axis for the Vietnamese railway industry, offering chances to transport many Vietnamese goods to Europe at a low cost and reasonable time, according to transport experts.

A difficulty of the railway industry in intermodal transport that needs to be solved soon is the lack of infrastructure systems such as warehouses, yards, means of transport, and containers. Therefore, it is necessary to consider investment in upgrading some of stations and cargo yards on the route. VNA

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## INVESTMENT

### The US companies keep expanding their investment in the Vietnamese market

Investors from the United States have continued to inject money into a total of 1,135 projects nationwide, with a total registered capital of over US\$10 billion as of November, despite negative impacts caused by the COVID-19 pandemic.



Following a series of leading US corporations such as Apple, Amazon, Google, Intel, and several other companies expanding their investment in the Vietnamese market, numerous US companies continue to select the nation as an attractive investment destination.

A representative from Dole Group, the US' leading banana producer, said its factory in the southern province of Binh Duong has been operating at full capacity as it strives to swiftly deliver products to its supermarket chain in both the US and other markets globally. Furthermore, other American financiers remain optimistic about business prospects in the Vietnamese market, while simultaneously pledging to pour additional capital in a bid to expand production scale in the country.

During a recent conference entitled “Meet the USA: Partnering for Reopening, Recovery and Rebound in the Southern Economic Region”, Sai Ramana Ponugoti, general director of P&G Vietnam Group, said in spite of difficulties caused by COVID-19, the group has ensured that it provides sufficient products to consumers. The firm’s representative affirmed that the effective implementation of the country’s vaccination campaign has helped the national economy recover quickly as well as rebuilt trust and confidence among numerous foreign investors.

He went on to state that the group will continue to invest and transform the Vietnamese factory into a large production hub and export its products to several countries around the world.

KJ Ung, director of First Solar Vietnam, revealed that despite numerous difficulties, such as high production costs and other fees as a result of the COVID-19 pandemic, bright prospects exist for the country's economic recovery. This has made the company devise a plan aimed at expanding its investment with a total value of US\$1 billion in order to upgrade technology for the Vietnamese solar battery factory.

Concurring with this viewpoint, Andrew Lien, general director of Wanek Furniture Company, said the firm is currently investing in a new project in Ba Ria-Vung Tau province, with investment capital reaching tens of millions of US\$.

According to a survey conducted by the American Chamber of Commerce in Vietnam (AmCham Vietnam), approximately 80% of US businesses remain positive about the medium and long-term prospects ahead in the Vietnamese market.

In relation to the figure, roughly 30% of US companies have expressed their optimism regarding their medium and long-term prospects in the country, while also devising plans aimed at investing in expanding production and business activities.

Mary Tarnowka, executive director of AmCham Vietnam, said the Government's efforts to bring life back to a new normal has greatly contributed to companies returning to operate at 100% capacity, with export orders increasing significantly.

The number of AmCham members continues to grow, with several companies being keen on pumping additional investment into the nation, noting that the Vietnamese market remains an attractive destination for the manufacturing industry as foreign businesses seek to diversify their supply chains, she said.

However, US investors underlined the need to have synchronous policies aimed at living safely with the COVID-19 pandemic across the country, a factor which is considered key to the nation's economic recovery moving forward.

Dr Majo George of RMIT Vietnam University pointed out that US companies tend to seek ways in which to diversify global supply chains and reduce their reliance on China.

Moreover, US companies remain extremely keen on the free trade agreements that the country has signed, which are expected to benefit these companies.

Dr George stated the necessity of upgrading industrial parks, export processing zones, and economic zones, while also focusing on human resource training related to high technology, the digital economy, energy, infrastructure, and logistics in a bid to further attract US businesses to invest in the Vietnamese market moving forward. VOV

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## Vietnamese startups have been gaining millions of dollars investment

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Despite the severe Covid-19 pandemic, the Vietnamese startup ecosystem is witnessing an impressive growth, with various startup projects being successful in gaining millions of dollars of capital this year.

In June 2021, KKR – a leading global investment firm that manages multiple alternative asset classes – announced its investment of US\$100 million in EQuest, a Vietnamese educational startup.

Similarly, in September 2021, goods shipping startup Ninja Van successfully attracted over \$500 million in the Series E funding round from such investors as Geopost/DPDgroup - the parcel delivery network of GeoPost, BCapital Group, Monk’s Hill Ventures and Zamrud – the investment fund of the Nation of Brunei. This amount is used to expand operations domestically and internationally.

Another promising startup named Momo, member of Online Mobile Services JSC. (M\_Service) was able to complete its Series D funding round to gain more than \$100 million from investors globally. Nitin Saigal, Co-founder cum Chief Investment Officer of Kora Management, shared that it is a pleasure to work with Momo to provide excellent financial services to citizens nationwide via its 120,000 stations.

Lately, VNG Corporation has announced its investment of \$22.5 million in startup Telio – a Business-to-Business (B2B) e-commerce platform. This helps Telio to grow sustainably and expand its commercial activities. In addition, VNG aids Telio to increase its popularity on Zalo platform so that its agencies find it easier to digitalize as well as tracking orders.

Statistics reveal that the total value of investment deals in Vietnamese innovative startups since the beginning of 2021 is over \$290 million. Before that, in the Vietnam Innovative Startup Investment Fund Forum held at the end of 2020, 33 investment funds committed to pour more than \$810 million in innovative startups nationwide in a five-year period from 2021.

A similar report from Do Ventures and Vietnam National Innovation Center (NIC), during the first 9 months of this year, the total capital for Vietnamese startups reached \$600 million, with expectations to increase to one billion dollars – the highest ever.

“Startups are always in thirst of investments, especially during their incubation period. To earn that capital, these startups need to show off their development potential. In spite of the negative impacts of the pandemic on social and economic aspects, investment funds in the world still maintain their search for promising startups”, informed Huynh Kim Tuoc, Director of Saigon Innovation Hub. SaiGonGiaiPhong

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