



Highlight

E-commerce promoting post-pandemic economic recovery

VIETNAM BUSINESS REVIEW

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FINANCE

Vietnamese economy rebounds strongly with impressive growth

Finance ministry seeks tax delay for auto industry



INVESTMENT

U.S. investors poured more than US\$10 billion into Vietnam

High-quality FDI projects drive recovery of real estate market



RETAIL

Vietnamese consumer will be applied more tax for cigarettes, beer, and spirits

Vietnamese goods dominate domestic market



E-COMMERCE

E-commerce promoting post-pandemic economic recovery



ENERGY

Quang Tri province prioritises investment in wind power to diversify energy sources

Large foreign firms interested in Vietnam's offshore wind power industry



LOGISTICS

Vietnamese logistics firms neglect information security

FINANCE

Vietnamese economy rebounds strongly with impressive growth

The Vietnamese economy is rebounding strongly with impressive growth in newly established enterprises, industrial production and export-import, but is still faced with quite a few challenges and difficulties.



According to a report by the Ministry of Planning and Investment, the Vietnamese economy continued to recover in April on top of the momentum recorded in the first quarter of 2022. Specifically, industrial production rose 2% from the previous month and 9.4% over the same month last year. Overall industrial production grew 7.5% in the first four months of 2022 while manufacturing expanded by 11.3%. The number of workers in factories also rose 1.3% month on month and 3.9% from a year earlier.

Total retail sales and consumer services in April climbed 12.1%, which translated into a 6.5% rise for the four months. Exports during January-April went up 16.4% while imports rose 15.7%, with a trade surplus of 2.5 billion USD.

Tourism saw a strong recovery as international arrivals in April rose more than twofold compared to March and over fivefold compared to the same month last year. Disbursement of foreign direct investment was estimated at 5.92 billion USD, the highest figure since 2018.

Notably, the number of new enterprises in the first four months of 2022 rose by 12.3%, while those returning to business soared by 60.6%. Total additional capital rose by 39.4%.

Macroeconomic stability continued to be maintained and inflation was kept in check although Vietnam was facing considerable pressure. The consumer price index during the January-April period rose by 2.64% year on year.

Despite such impressive results, the Vietnamese economy is still facing various challenges due to the complex global situation, inflationary pressure, rising oil prices and supply chain disruptions, said Minister of Planning and Investment Nguyen Chi Dung.

He emphasised that Vietnam's economic recovery is positive but has not met expectations, adding that it will take time for some sectors to recover while the implementation of support policies is slow.

At the April meeting of the Government, Prime Minister Pham Minh Chinh asked for support policies to be implemented quickly and effectively so that people and enterprises can truly enjoy their benefits, helping to improve the business climate and enhance the people's welfare.

He called for close monitoring of global economic developments, especially inflation and prices of fuels and strategic materials to make accurate forecasts and take prompt response measures.

In addition, the Government requested localities to take bold actions to accelerate the disbursement of public investment and establish working groups to remove barriers facing key projects in 2022. They also need to expedite the roadmap for cutting and simplifying administrative procedures and improving the business climate. NDO

[Back to top](#)

Finance ministry seeks tax delay for auto industry

The Ministry of Finance wants special consumption tax payable by auto companies to be deferred by up to four months to help them recover from the impact of Covid-19.



The tax for June-September, worth a total of VND20 trillion (\$871 million), can be paid on November 20.

If the government approves the ministry proposal, auto manufacturers will get extra time to pay the tax for a third straight year. The ministry said last year auto manufacturers saw sales plunge due to social distancing restrictions and also struggled with a shortage of semiconductors.

Though the tax delay goes against Vietnam's international commitments, the ministry said it is needed to help businesses overcome difficulties. Many countries have done the same to help their manufacturers recover, and Vietnam is unlikely to be sued for it, the ministry added.

Auto sales in Vietnam last year dropped 3 percent from 2020 to 383,444 units, according to data from data from the Vietnam Automobile Manufacturers Association (VAMA), TC Motor and VinFast.

[Back to top](#)

E-COMMERCE

E-commerce promoting post-pandemic economic recovery

The Vietnam Online Business Forum (VOBF) 2022 was held by the Vietnam E-Commerce Association (VECOM) in Ho Chi Minh City on May 10, focusing discussions on e-commerce's role in promoting post-pandemic economic development.

VECOM Chairman Nguyen Ngoc Dung said that along with looking into signs of global recovery, the resumption of global connections, motivation and future technology of e-commerce, participants provided information on new and outstanding technological solutions and trends, market potential, and new populations and regulations.



The impact of the COVID-19 pandemic has fueled the growth of e-commerce in many countries, including Vietnam, said Dung, adding that in the first quarter of

2022, Vietnam saw good signs of GDP growth, which is expected to continue in the time to come.

Meanwhile, Nguyen Tan Vuong, Director of Retail Measurement Services at Nielsen Vietnam, said that decisive factors promoting online shopping is good price, promotion and delivery time. Alongside, comments from users and the prestige of the trademark also among the factors affecting consumers' shopping decision, he added.

He advised e-commerce platforms to thoroughly understand customers' demands and trends and held that omni-channel shopping will still dominate the retail market and businesses need to continue to improve their competitiveness to optimise the customer's shopping journey to ensure convenience, selectivity and interaction.

Pham Thi Quynh Trang, trade director of Lazada Vietnam, said that e-commerce is one of the channels that help businesses speed up digital transformation and develop business operation in the current situation.

Some experts held that high market potential will help e-commerce continue to expand and contribute to post-pandemic economic recovery. Meanwhile, the number of enterprises investing in digital transformation, e-commerce and online business is rising, they noted.

According to a global e-commerce report in the first half of 2022 by Metric.vn, Vietnam has become the second largest e-commerce market in Southeast Asia, only after Indonesia. It pointed out that products with the price of 200,000 VND (8.71 USD)-5 million VND (217.83 USD) are the easiest to be sold on e-commerce platforms, while consumers tend to buy products with higher values and long-term warranty directly at shops and showrooms. VNA

[Back to top](#)

ENERGY

Quang Tri province prioritises investment in wind power to diversify energy sources

The central province of Quang Tri is striving to attract investment in the field of renewable energy, especially wind power, to turn the locality into an energy hub by 2030.



The province's western mountainous region has favourable conditions for wind power development with an average wind speed of 6-8 metres per second and vast terrain.

The number of wind power projects carried out in Quang Tri province increased dramatically last year. Specifically, it has 17 more projects in operation, bringing the total number of commercial wind power projects to 19 with a total capacity of over 671 MW. Another 12 projects are under construction this year.

The potential to attract investment in wind power in Quang Tri is still very large. In addition to 31 wind power projects that have been put into operation and are under construction, it has 53 projects that have been submitted to the Ministry of Industry and Trade for consideration.

In March, the provincial People's Committee gave the green light to the Infrastructure and Transport Investment Construction Joint Stock Company to conduct a survey and submit documents relating to the planning of the Intracom offshore wind project.

The project will have a capacity of 1,000MW and a total investment of 72 trillion VND (3.1 billion USD).

Current wind power plants also create spillovers to other fields. Tours have been set up to attract more visitors to the province, and roads have been upgraded to both serve wind power plants and connect communes in mountainous border areas.

Vo Van Hung, Chairman of the provincial People's Committee, said attracting investment in wind power will bring great economic benefits, adding that 1 MW of wind power would contribute 600-800 million VND to the local budget each year. It also has less impact on the environment, he said. Recently, the province has used 148 hectares of forest to build wind power projects. Out of a total of 1,800 hectares of land planned by the province for energy investment, 439 hectares are for wind power, he said.

The provincial authority has approved an assessment of the impacts of wind power projects on the environment, natural resources, and socio-economic conditions for the 2021-2025 period, with a vision to 2030. VIR

[Back to top](#)

Large foreign firms interested in Vietnam's offshore wind power industry

Some major businesses from Denmark and Norway have expressed an interest in developing offshore wind power during recent meetings with officials of the Ministry of Industry and Trade (MoIT).

At the 26th United Nations Conference on Climate Change (COP26) held in the UK last November,



Vietnam committed to achieve net zero emissions by 2050. Talking to Danish Chargé d'Affaires, a.i. Troels Jakobsen and Executive Vice President and CEO of the Orsted group Martin Neubert last week, Minister Nguyễn Hồng Diên said offshore wind power development was highly significant since it could be combined with the realisation of socio-economic growth, energy security, and industrialisation targets towards low-carbon emissions and net zero emissions by 2050.

He expressed his hope that Orsted, which is the world's biggest offshore wind power developer, would share its experience in this field so as to help Vietnam carry out effective energy transition projects that suit local development demand. Neubert said his group viewed Vietnam as a new and also important market. It opened an office in the country in December 2020 with the hope of making more concrete contributions to the formation of an offshore wind power industry in Vietnam.

The firm was building a plan on launching the industry in Vietnam through two projects it was implementing in co-ordination with T&T Group, he went on, noting that through its concrete activities and objectives, Orsted hopes to accompany the Vietnamese Government during the realisation of the COP26 commitments. Equinor, a large energy business of Norway, also showed its attention to the local sector.

Addressing a working session with Deputy Minister Đặng Hoàng An, an Equinor official said it had opened a representative office in Hà Nội, which affirmed Norway's readiness and determination to contribute to Vietnam's offshore wind power development, green transition, and implementation of the commitments in the Paris Agreement on climate change and at COP26. Equinor recently co-operated with the MoIT to study the development of an offshore wind power supply chain. This study's results were handed over to the MoIT in October 2021. In March 2021, it also signed a memorandum of understanding with the Vietnam Oil and Gas Group (PetroVietnam) to assess the feasibility of cooperation in developing offshore wind power and renewable energy.

In the draft National Power Development Plan VIII, Vietnam looks to develop 16,121 MW of onshore and inshore wind power, along with about 7,000 MW of offshore by 2030. Wind power is set to make up 15.8 per cent of the capacity of the electricity generation system, including 4.8 per cent from offshore wind power. VNS

[Back to top](#)

RETAIL

Vietnamese consumer will be applied more tax for cigarettes, beer, and spirits

Cigarettes, beer, and spirits in Vietnam will be subject to an increased special consumption tax (SCT) aiming to improve community health and tackle the national budget deficit as part of a comprehensive tax reform strategy for 2030.



One of the measures governments can take to reduce alcohol and tobacco consumption is to raise the special consumption tax (SCT), just as in many Western and Northern European countries

With Decision No.508/D-TTg approving the Strategy for Tax System Reform to 2030, which was approved on April 23, the government will develop a road map to increase the SCT on tobacco, beer, and alcoholic products to limit production and consumption and meet international commitments, as well as review and adjust excise tax rates on several commodity items to suit socioeconomic conditions.

Alcohol and tobacco taxes have long been a reliable and major source of revenue for many governments. Much emphasis has been dedicated to how such levies might be utilised to achieve public health goals by lowering the consumption of certain items with negative health and social consequences. One of the measures governments can take to reduce alcohol and tobacco consumption is to raise the SCT, just as in many Western and Northern European countries.

In Vietnam, alcoholic beverages are currently subject to an SCT of 65 per cent, increased from 50 in 2018, while the SCT on tobacco stands at 75 per cent as of 2019.

Like in many countries, the introduction of a heavier SCT generates two sides of the debate. Private businesses have profit incentives, actively pushing for more alcohol use. However, it is in the public interest to avoid and minimise damage from alcohol consumption, as well as to reduce and prevent alcohol and tobacco usage in general.

Earlier this year, Le Hoang Anh, a member of the general secretary of the National Assembly, raised his voice in favour of the SCT rise, saying that the tax must be raised to curb cheap cigarettes, alcohol, and beer.

Smoking rates in Vietnam are one of the highest in the world according to the World Health Organization (WHO), while in recent years, Vietnam's alcohol consumption, particularly beer consumption, has risen dramatically. Vietnam is Asia's third-largest beer drinker, with volumes increasing by an average of 6.6 per cent over the previous six years, compared to the global growth rate of 0.2 per cent.

According to Anh, this is the time to consider increasing taxes on products that need to be limited, while ensuring people's health, increasing budget revenue, and reducing other damage and social consequences.

Some National Assembly deputies also called for an increased SCT on cigarettes, to up to 85 per cent, saying that there are about 15 million Vietnamese smokers, spending about \$1.34 billion on this product a year. Meanwhile, the medical cost of tobacco-related diseases reached \$1.04 billion. Therefore, further discussions will focus on clarifying the interests of the involved parties before deciding on how much to increase the tax.

According to WHO's report released in February, taxation on alcohol should be considered a health measure and not purely an economic instrument. The WHO stated that there is consensus among many of its member states to follow the recommendation of a minimum of 75 per cent tax share of the retail price of tobacco, a goal that has already been achieved by more than half of the 53 countries. VIR

[Back to top](#)

Vietnamese goods dominate domestic market

More and more city residents are accepting the message to give priority to Vietnamese goods, which dominate sales at supermarket systems now, a senior official says.

Nguyen Ho Hai, deputy secretary of the HCM City Party Committee and head of the “Vietnamese people give priority to using Vietnamese goods” campaign’s steering committee, said this at a review conference held last week. He said that amidst the harsh impacts of the COVID-19 pandemic, the city had made efforts last year to stabilise the market and strengthen links with provinces and cities across the country to have reputed, quality Vietnamese goods reach consumers.

Association of the campaign with the city’s 2021-2022 market stabilisation programme in 2021-2022 helped balance supply and demand and contributed to boosting the profile of Vietnamese goods, he said.

The city also implemented trade promotion activities effectively, thereby expanding the distribution network of locally-made products and promoting consumption of agricultural products that faced export difficulties as a result of the pandemic, he added. Mr. Hai asserted that the campaign has significantly oriented consumption habits towards Vietnamese goods. Domestically produced goods account for 80-90 per cent of goods sold in supermarket systems compared to 60-70 per cent 5-10 years ago, the conference heard. Nguyen Thi Bich Van, head of communications at Central Retail Vietnam, said the percentage of Vietnamese products in its retail system (including GO!, Big C and Tops Market supermarket chains) was above 90 per cent. The retailer has consistently implemented "the livelihood for the community" and other programmes that support signature products of villages, communes and localities to meet standard requirements so that they can enter its retail chains, she said.

Similarly, Le Truong Son, deputy general director of Saigon Co.op, said the percentage of Vietnamese goods in its retail systems, including Co.opmart, Co.opXtra, Co.op Food, and others, has been maintained at over 90 per cent for many years. Mr. Hai said that given unpredictable developments in the world and the country this year, State agencies at all levels should strengthen their roles in promoting the campaign. Trade promotion programmes need to become more diverse to further enhance business-to-business and business-to-customer connections, foster links between distributors and producers, and between the city and other localities to ensure stable supply chains, he added.

Ly Kim Chi, chairwoman of the Food and Foodstuff Association of HCM City, suggested that to improve the campaign’s efficiency, the city should step up dissemination and make it more regular instead of doing it at specific times in a year.

To encourage more local consumers to opt for Vietnamese goods, businesses need to further improve product design and quality up to international standards, achieving equality between the quality of good produced for export and domestic consumption, other speakers said at the conference. Businesses must continuously innovate to adapt to consumer habits, they added. The conference honoured several collectives and individuals for their active contribution to the campaign. VNS

[Back to top](#)

LOGISTICS

Vietnamese logistics firms neglect information security

A recent survey by the Vietnam Logistics Research and Development Institute (VLI) shows that Vietnamese businesses do not pay much attention to the information security of online platforms.



Only 5.26 per cent of businesses believe that security neglect hinders the digital transformation process of enterprises.

The survey also shows that 38.24 per cent of logistics enterprises believe that COVID-19 has formed a need for digital transformation, while 42.65 per cent of enterprises believe that the impact of COVID-19 is changing the needs of customers, such as using more electronic transactions and e-commerce delivery

services.

In addition, other trends have been formed, such as changing the concept of logistics business operation and the ability to work remotely.

Enterprises participating in the survey showed an interest in the important role of digital transformation. However, the process generates many difficulties and barriers, such as technical compatibility between their businesses and partners in the logistics service chain (44.74 per cent), limited funding and human resources (42.11 per cent).

Nearly 40 per cent said that they had not yet found the right conversion technology, and 28.95 per cent wondered how to spend appropriate investment and how to start the process.

Moreover, converting a huge amount of existing information to a digital platform was also an obstacle for 15.97 per cent of businesses.

Meanwhile, logistics businesses do not pay attention to the information security of online platforms, and only 5.26 per cent of businesses think that this is an obstacle to the transformation process of enterprises.

The survey results show that to promote a strong digital transformation, it is necessary to closely cooperate with logistics enterprises in the whole service chain network to make the right decisions in choosing the right application or platform.

Digital transformation depends a lot on the mindset of business leaders and must be seen as a strategy for businesses including small and medium enterprises, said VLI.

Logistics businesses have the characteristics of operating with a large amount of data (big data), the number of orders can be from a few hundred thousand to a million orders per day, and the need for

digital transformation becomes a matter of urgency and a prerequisite for the performance of the activity.

It is worth noting that although there are many difficulties affecting the application of information technology and the digital transformation of Vietnamese logistics enterprises, businesses have made great efforts to invest in and apply the information technology needed.

Specifically, 75 per cent of businesses are using FMS (forwarding management software); 63.89 per cent of enterprises are using OMS (order management software) and WMS (warehouse management software); and 61.11 per cent of businesses are using TMS (transportation management software).

Applications that can optimise operations such as VRP (vehicle routing system); or AS/RS (automatic picking and storage system); and automatic guided vehicles are used by few enterprises, 19.4 per cent, 16.67 per cent and 11.11 per cent, respectively.

The application of drone technology has not been used at all, but 11.11 per cent of Vietnamese logistics enterprises plan to use it in the future. VNS

[Back to top](#)

INVESTMENT

U.S. investors poured more than US\$10 billion into Vietnam

U.S. firms have so far registered a total of US\$10.47 billion for 1,160 investment projects in Vietnam. A Ministry of Planning and Investment report said U.S. investors pledged over US\$147 million in 24 new projects and eight operational projects in the first four months of the year.



U.S. firms also conducted 59 transactions to contribute capital to and acquire shares in local firms with a total of US\$22.4 million in the four-month period.

In total, the United States committed nearly US\$170 million to Vietnam in January-April, ranking ninth among the 72 countries and territories investing in the country, following Singapore, South Korea, Denmark, China and Japan.

According to analysts, the figure does not reflect the full picture of U.S. investment in Vietnam as many American investors are doing business in Vietnam via a third country, so they are taken into account.

The foreign investment outlook in the first four months of the year was positive. Regardless of the difficulties caused by the Covid-19 pandemic, many major U.S. firms, such as P&G, Coca Cola, Apple, Google and Intel, have announced their investments in Vietnam, both directly and through their partners.

After social distancing measures were lifted in HCMC last year, U.S. firms have been more optimistic about Vietnam's prospects.

According to a survey of the American Chamber of Commerce in Vietnam issued in November last year, nearly 80% of members of the chamber were upbeat about the medium- and long-term prospects of Vietnam and they were planning to expand their investment in the country.

At conferences on investment, representatives of U.S. firms said the Vietnamese Government's ceaseless improvement of the business environment and removal of difficulties facing investors would encourage them to invest further in the country.

The long-term outlook of Vietnam remains the main factor to retain foreign investors, including U.S. ones. Saigontimes

[Back to top](#)

High-quality FDI projects drive recovery of real estate market

Vietnam's policy of opting for high-quality FDI projects has started yielding strong results despite the severe impacts of Covid-19 on the global economy, said Vice Minister of Construction Nguyen Van Sinh.



Sinh made the comments while introducing the ministry's January-March report on the real estate market recently. He said Vietnam remains an attractive and safe investment destination for multinationals, especially in industrial properties.

The strong return of foreign direct investment (FDI) into the real estate market in the first quarter of 2022 has been a positive factor in supporting its recovery in the post-pandemic period.

The January-March period saw the strong inflows of FDI into industrial parks. In late February, Framas Group, a German company that specializes in the manufacturing of injection molding machines, signed a 10-year contract to lease a ready-built factory area of 20,000 square meters in KTG Industrial Nhon Trach 2, Dong Nai Province.

The authorities of the southern province Binh Duong in mid-March awarded an investment license for LEGO (Denmark) to build a toy manufacturing plant worth US\$1.3 billion, while BW Industrial Development acquired the 74,000-square-meter DEEP C Industrial Park from Bac Tien Phong Industrial Park, Quang Ninh Province.

The return of foreign investors helped lift the occupancy rate in industrial parks in the North to 80% during the first quarter of 2022, with the land rental fees of around \$109 per square meter, up 9.2% year-on-year.

In the south, the occupancy rate stood at around 85% with rental fees of \$120 per square meter, up 9%.

Insiders said that the Government's decision to reopen the economy was key to keeping a strong inflow of FDI into economic sectors.

Data from the Ministry of Construction revealed total FDI commitments to Vietnam reached nearly \$9 billion in the first three months, in which the real estate market ranked second among the sectors behind manufacturing and processing with \$2.7 billion, accounting for 30.3% of total capital and up 213% year-on-year.

Since early 2021, the shift in investment flows from China to Vietnam amid the Covid-19 impacts, coupled with a series of free trade agreements (FTAs) in place, has led to high demand for industrial properties. In this context, new industrial parks are being built across provinces/cities to meet the growing demand from domestic and foreign investors.

In Hanoi, the municipal People's Committee has signed a decision to build two to five new industrial parks in the 2021-2025 period, including those in Soc Son, Dong Anh, Bac Thuong Tin, Phu Nghia, and Phung Hiep. The Bac Ninh authorities have also pushed for the construction of Que Vo II and Gia Binh industrial parks. In Quang Tri province, the projects on Quang Tri and Trieu Phu IPs are being accelerated while Long Duc 3 and Bau Can IPs are expected to be completed in Dong Nai Province soon.

While there is strong interest in Vietnam's industrial parks, there remain concerns over the existing IP model, which requires further modification to better adapt to the current situation. Former director of the Foreign Investment Agency under the Ministry of Planning and Investment Phan Huu Thang said the majority of areas for rental are for production, rather than for logistics and other supporting facilities.

"Cumbersome administrative procedures continue to be a hindrance for investors, for which greater efforts are required to ensure a more transparent and convenient environment to lure more investment capital into Vietnam," Thang said, referring to fierce competition from regional countries for global FDI.

Meanwhile, an insufficient infrastructure system could also affect investors' decisions to invest. A report from the Ministry of Planning and Investment (MPI) noted that 16% of foreign-invested companies have moved orders to other countries, and 18% are considering this option.

"Vietnam should promote a new industrial park model with a focus on modern and environmentally friendly technology," the MPI's report noted. "It is essential for Vietnam to avoid developing industrial parks purely for the objective of utilizing land resources," said the ministry. Hanoitimes

[Back to top](#)

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