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FINANCE

OECD forecasts Vietnam's growth to surpass 6% in 2022 and 2023

The OECD (Organization for Economic Cooperation and Development) predicts Vietnam's growth will surpass 6% this year and the next because it's been able to avoid pandemic-related recessions.



At the OECD-Vietnam High-Level Economic Forum held Tuesday, Mathias Cormann, Secretary-General of OECD, said Vietnam was one of the few countries in the world that managed to escape from Covid-related recessions.

In the two years of the pandemic (2020-2021), Vietnam's economy still grew by 2.91% and 2.58%, respectively. In the first half of this year, Vietnam has been seen to recover more quickly than expected thanks to its manufacturing and service industries, Cormann said.

Vietnam has also demonstrated its resilience against outside impacts, like inflation, Cormann added.

"Global inflation is on the rise due to the increase of food and energy prices, but Vietnam is keeping them under control. Vietnam's inflation rate is also lower than OECD countries," he noted.

Andrew Jefferies, Vietnam Country Director of the Asian Development Bank, cautioned that there were industries in Vietnam still in the recovering phase.

"Global inflation demands economies to pay more attention to sustainable recovery," he said.

Vietnam needs to know exactly where to target its fiscal and monetary policies while continuing with tax relief and tax exemption policies and helping businesses gain access to loans. Vietnam also needs to bolster its social security policies and support for informal workers, among other measures.

"Short-term fiscal mechanisms would help the economy recover amidst rising inflation," he said.

Cormann said Vietnam's capability for growth was quite strong. It was expected to surpass 6% in 2022 and 2023 thanks to FDI inflows as global businesses seek out Vietnam to diversify their supply chains. Vietnam would also stand to gain from opening up commerce, thus increasing connectivity and knowledge transfer, he added.

At this time, Vietnam needs to push further for reforms and ensure sustainable growth. It also needs to respond to a quickly aging population by increasing productivity, the OECD advised. Vnexpress

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Vietnam in top 3 countries interested in metaverse and fintech

According to a recent report from Meta and Bain & Company, Vietnam is among the top 3 countries (along with Indonesia and the Philippines) in the process of users' adoption of new technologies such as fintech, metaverse.



Vietnamese users quickly adapt to new technologies such as metaverse. Illustration: Internet

“7/10 digital consumers in Vietnam have used the technology of the metaverse (cryptocurrency, augmented reality/virtual reality, virtual world and NFT) in 2022. In particular, Vietnam has a high rate VR adoption is the highest among Southeast Asian countries at 29%,” the report states.

Meanwhile, 58% of digital consumers in Vietnam have used fintech solutions (online banking, e-wallets, money transfer apps, omnipotent digital banking...) in the past year. The use of digital technology in Vietnam is at various times of maturity and is mainly driven by functionality and convenience.

Reports from previous research companies also show that Vietnamese fintech is catching up with the world's development speed and is in the leading group in the region.

According to Google, 2021 is the year of great leap development of Vietnam's fintech market, when the Internet economy reaches a value of 21 billion USD, ranks 70th on the global rankings, and ranks 14th out of 50 in the Asia region. Therefore, in recent years, the Vietnamese fintech field has shown great potential when, together with Singapore and Indonesia, contributing to the common market share of Southeast Asia.

Meanwhile, analysts from Robocash, Vietnam's fintech market is currently having the second fastest growth rate in the region, after Singapore with revenue expected to reach 18 billion USD by 2024.

Transaction volume increased 152.8% since 2016, with 29.5 million new fintech users. In fact, the increase in the number of fintech users means that Vietnamese people use at least one fintech service every second. Analysts also pointed out that the demand for digital services (transactions, payments, and wallets) of Vietnamese people is remarkable.

Vietnam's fintech market is said to have many prospects and is also an area that is attracting large investment capital. Accordingly, about 93% of venture capital investments in the country are directed into the e-wallet and cryptocurrency segment. Since 2016, the total number of fintech companies in Vietnam increased by 84.5%. Vietnamnet

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E-COMMERCE

Vietnam ranks second in Southeast Asia on online spending

For Vietnam, in 2021, revenue from the internet-based economy was \$21 billion, estimated to rise to \$57 billion by 2025, up about 271%.



The "Vietnam e-commerce white paper 2022" released by the Ministry of Industry and Trade on September 15 cited a Google, Temasek and Bain & Company forecast that by 2025, e-commerce revenue in Southeast Asia will reach US\$234 billion, almost double that of 2021 (\$120 billion).

Indonesia, the Philippines, Thailand, Malaysia and Vietnam are the leading countries in the region in terms of the size of the internet-based economy.

It is forecast that by 2025, Indonesia will rank first in the region, with about \$104 billion spent through e-commerce channels.

The figure is similar to Singapore and Vietnam, with \$39 billion; followed by Thailand (\$35 billion); the Philippines (\$26 billion); and Malaysia (\$19 billion).

For total economic revenue on the internet (e-commerce; transportation and food; online tourism; online audiovisual), Indonesia will still take the lead with revenue of \$146 billion, followed by Vietnam with \$57 billion, Thailand with \$56 billion, and then the Philippines, Malaysia, and Singapore.

For Vietnam, in 2021, revenue from the internet-based economy was \$21 billion, estimated to rise to \$57 billion by 2025, up about 271%.

According to the "Vietnam E-commerce White Paper 2022", the B2C (Business to Consumer) e-commerce revenue will reach \$16.4 billion in 2022, an increase of 2.7 billion compared to 2021. Five years ago, in 2017, this figure was only \$6.2 billion.

Along with soaring e-commerce revenue, the number of consumers shopping online in Vietnam has increased sharply in the past 5 years, from 33.6 million in 2017 to 60 million by 2022. Through surveys, the percentage of internet users shopping online reached 74.8%.

The average online shopping value of Vietnam is also expected to rise from \$186/person in 2017 to \$260-\$285/person in 2022; the proportion of B2C e-commerce revenue compared to the total retail sales of goods and services consumption would reach about 7.2-7.8%.

The report also shows that clothing, footwear, and cosmetics items account for 69% of the percentage of goods chosen by Vietnamese online shoppers, followed by equipment, household appliances with 64%; and technology and electronics 51%.

In 2021, e-commerce websites were dominant with 78% of online consumers chose them, followed by mobile purchasing applications (47%), forums - social networks (42%). The growth rate of e-commerce has increased sharply, the percentage of people who choose to pay by cash is still high, up to 73%; payment via e-wallet 37%; payment via ATM card, debit/credit card about 25%.

The top criteria that Vietnamese consumers are interested in when shopping online is the reputation of websites and applications (74%); fast and flexible delivery (57%); promotions 56%; cheaper than in-store 54%; genuine, quality goods (47%).

According to the Department of E-commerce and Digital Economy, in 2021, the Covid-19 epidemic seriously affected commercial and service activities of Vietnam in particular and the world in general. The negative growth of some large service sectors made reduction of the overall growth of the service sector and the entire economy.

In 2021, Vietnam's economic growth was only 2.58%, the lowest in the past 30 years. In that context, Vietnam's e-commerce still maintained a stable growth rate of 16%, with retail revenue of \$13.7 billion. The proportion of e-commerce retail revenue in the total retail sales of consumer goods and services nationwide reached 7%, up 27% over the same period in 2020. Vietnamnet

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ENERGY

Five energy projects suggested for national power plan removal

The Ministry of Industry and Trade (MoIT) has proposed removing five thermal power plant projects from the National Power Development Plan VIII unless investors commit to arranging enough capital.



In the document submitted to the government on October 13, the MoIT proposed removing the five thermal power projects from the PDP8 because investors are facing difficulties implementing them.

The projects combine four with foreign capital, namely Song Hau 2, Nam Dinh 1, Vinh Tan 3, and Quang Tri 1, while Cong Thanh is funded by a

local investor.

On October 4-6, the MoIT worked with the investors of these projects to discuss their difficulties. However, all said they were determined to develop projects.

At Quang Tri 1, the investor said it was determined to develop the project. However, on October 7, the Thai Ministry of Energy announced it would stop work on the long-delayed 1,320MW thermal power plant.

The MoIT asked the investors of these projects to prepare a specific commitment from loaners to provide capital for them. The investors must submit these commitments attached with documents to the MoIT before October 30. This is an important basis for keeping these projects in the Power Master Plan.

The five power plants include The Vinh Tan 3 thermal power plant invested by Vietnam Electricity, Pacific Group, and OneEnergy Asia Ltd., a partnership of Hong Kong's CLP Holdings and Japan's Mitsubishi Group; The Nam Dinh 1 thermal power plant invested by a consortium of Saudi Arabian ACWA Power and South Korean Taekwang Power Holdings Co., Ltd.; The Quang Tri 1 thermal power plant invested by EGAT International Co., Ltd; The \$3.5 billion Song Hau Coal-fired power plant II invested by Toyo Ink Group; The Cong Thanh thermal power plant invested by the Cong Thanh Thermal Power JSC. VIR

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RETAIL

Omnichannel boosts local retail sector

The omnichannel retail model, which integrates all existing shopping platforms, has helped the retail sector outperform many others to become the one with the fastest recovery rate post-pandemic.



In early October, a survey by Deloitte Vietnam pointed out several transformative trends in the country's retail sector and opportunities for retailers to innovate and develop omnichannel strategies. One trend that stood out was the accelerated normalisation of omnichannel retail after the pandemic.

“Most Vietnamese today consumers in urban areas are used to omnichannel purchasing, making purchases via brick-and-mortar stores, brand websites, and third-party instant messaging platforms and food delivery apps – toggling between them to find the right delivery slot or promotional deals,” the report said.

Vu Duc Nguyen, leader at Vietnam Consumer Industry at Deloitte said, “In the year ahead, Vietnam's retail sector is expected to experience a rapid rebound. We believe that at least some of the new omnichannel habits will become permanent as consumers grow accustomed to the convenience they offer.”

The omnichannel march is relentless, and Vietnam Report's retail business survey from last month showed that of the Top 10 Reputable Retail Companies in 2022 for Fast Moving Consumer Goods and Supermarkets, half are large companies implementing the integrated model.

Saigon Co.op Mart, a chain of domestic supermarkets and retail stores, surpassed other major foreign retail brands such as AEON and Lotte to take third place.

Nguyen Ngoc Thang, director of Saigon Co.opmart's operation division, said the sector has returned to positive growth in the first nine months of this year.

"Total retail sales of consumer goods and services by the end of September in Ho Chi Minh City, the key market of Saigon Co.opmart, reached about \$35 billion, up nearly 26 per cent over the same period in 2021," Thang said.

Retail is the sector with the most impressive recovery rate among economic sectors, and its development prospects will be even brighter in the last months of the year, according to the General Statistics Office.

The omnichannel model is not new and is actively being developed by many large retailers such as WinCommerce, the operator of WinMart supermarkets and WinMart+ convenience stores, and the system of supermarkets and retail stores under AEON Vietnam. WinCommerce is the largest modern retailer in Vietnam, with nearly 3,000 WinMart/WinMart+ supermarkets and stores in 60 localities, a third of which are supermarkets and convenience stores in Hanoi.

Central Retail, a retail leader in Thailand with 12 years of investment and expansion in Vietnam, currently owns more than 300 stores and 39 trade centres, including GO!, Tops Market, Big C, Lan Chi Mart, Nguyen Kim, Supersports, and LookKool.

Following the success of the omnichannel retail model achieved in the Thai market, Central Retail has effectively built an omnichannel sales platform for the food business, bringing in more than 8 per cent of Central Retail's total sales in Vietnam.

According to Central Retail Vietnam CEO Olivier Langlet, the company plans to invest more than \$869 million in the next five years, with four key goals: becoming the top omnichannel platform in food and property in Vietnam; driving sales to \$2.8 billion; doubling omnichannel sales penetration; and expanding its presence to 55 of 63 provinces.

AEON Vietnam, a large retailer from Japan, seems to be slower than other competitors in implementing the omnichannel model. However, in the past two years, the group has made great strides in increasing the number of supermarkets and stores. Currently, AEON Vietnam is developing five retail business areas with seven shopping malls, department stores and supermarkets, 12 small and medium supermarkets, more than 20 speciality stores, an AEON e-commerce site, and two distribution centres.

"The first 10 years were the development phase of AEON in the Vietnamese market. We will continuously test, launch, and evaluate new retail models to meet customers' needs and create momentum for future growth," said Furusawa Yasuyuki, general director of AEON Vietnam.

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LOGISTICS

HCMC set to start work on three key roads by year-end

HCMC will begin construction on three major traffic infrastructure projects by the end of this year with an investment of over VND 10,000 billion.

Luong Minh Phuc, director of the HCMC Management Board of Transportation Works Construction and



Investment Projects (TCIP), said the three projects comprised a road connecting Tran Quoc Hoan Street and Cong Hoa Street, An Phu Intersection and National Highway 50. The road connecting Tran Quoc Hoan Street and Cong Hoa Street in Tan Binh District, with an investment of over VND 4,800 billion, is the largest construction to connect terminal T3 of the Tan Son Nhat International Airport.

The six-lane road is set to have two four-lane branch lines as well as two underpasses and a nearly one-kilometer-long overpass. As per the project, the road is 25 to 48 meters wide, beginning at the junction of Tran Quoc Hoan-Phan Thuc Duyen and ending at the intersection of C2, Cong Hoa and Truong Chinh streets. Phuc said that 90% of the construction was military land and the underpass at the Phan Thuc Duyen-Tran Quoc Hoan intersection would break ground first, followed by the remaining works next year after site clearance was 100% complete. The project is expected to be completed by August 2024 to ease traffic congestion in the airport area.

The An Phu Intersection Project saw an investment of roughly VND 4,000 billion. The construction is considered one of the largest intersections in the eastern gateway of HCMC, boosting the connectivity of the HCMC-Long Thanh-Dau Giay Expressway, Mai Chi Tho Street and Luong Dinh Cua Street. The project is mapped out to have three layers, comprising a two-way underground tunnel connecting HCMC-Long Thanh-Dau Giay Expressway with Mai Chi Tho Street, two overpasses and a miniature landscape on the ground below. The completion time is scheduled for 2025 to tackle traffic congestion in accordance with the plan to expand the Long Thanh-Dau Giay Expressway.

In the west gateway, the project to expand and upgrade the National Highway 50 in Binh Chanh District saw an investment of almost VND 1,500 billion and was set to be completed in 2024. The new road is designed to stretch seven kilometers and be widened to 34 from 7.5 meters, of which 4 kilometers is used to build a parallel road and the remaining to expand the current highway. At the moment, the project is facing challenges as the Transport Department urged the investors and relevant agencies to address the bottlenecks spotted at the end of the expanded section of the road. Saigontimes

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Customs authority urges use of rail transport for farm produce export

The General Department of Vietnam Customs has asked relevant parties to boost the exportation of agricultural products by rail, especially across the northern border, in response to overloaded land transport and soaring costs.

The Ministry of Finance said the international imposition of strict anti-COVID-19 measures since the beginning of 2020 has affected global supply chains, leading to sea and land transportation congestion and rising expenses.

In particular, China's "zero-COVID" policy with stringent anti-pandemic measures has hampered the flows of goods, vehicles, and people across the northern border. Thousands of vehicles carrying export commodities encountered jams in border areas of both countries, which has caused considerable losses to enterprises.

Facing that fact, the Government, ministries, and sectors have been taking various measures to facilitate trade and customs clearance, particularly for farm produce, but difficulties have yet to be thoroughly addressed.

Meanwhile, railway transportation is relatively smooth, cost effective, and the pandemic has not impacted rail as much. Therefore, many businesses are switching to this type of transport for trading activities, according to Vietnam Customs.

Given enterprises' demand and proposal, the general department has called for increasing exportation of farm produce by rail, which it said is also a policy and direction of the Government.

Earlier, the Government had instructed the Ministry of Transport to coordinate with other ministries, agencies, and localities to make plans to improve the capacity of international rail freight transport to serve export and import.

Deputy Prime Minister Le Van Thanh ordered ministries, agencies, and localities to work to optimise other means of transport such as sea and rail transport to deal with congestion at northern border gates.

Implementing those directions, the Finance Ministry requested increasing investment in railway infrastructure to meet freight transportation demand.

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INVESTMENT

Japan to further support Vietnam in infrastructure, human resources development

JICA has granted Vietnam 5 million USD in non-refundable aid, he told a press conference held in Hanoi on October 12 to review JICA Vietnam's activities in the first half of the fiscal year 2022 (from April 1 to September 30).



JICA has helped strengthen Vietnam's capacity in fighting the COVID-19 pandemic and responding to communicable diseases by donating 850 million JPY worth of medical supplies, including ECMO machines; and transferring technology and providing key equipment to a new Biosafety Level-3 Laboratory (BSL-3) of Ho Chi Minh City's Pasteur Institute, worth more than 200 million JPY in total.

The Japanese agency has also provided ODA for HCM City to implement the second phase of a water environment improvement project in the city. The project aims to improve local environment through wastewater treatment capacity building and flooding damage control.

It has signed a loan agreement of up to 25 million USD with a private Vietnamese company for an onshore wind power project in Quang Tri, Shimizu Akira said, adding all the 51 carriages to be used on HCM City's Metro Line No.1 are manufactured by Japan.

He said that JICA will further contribute to infrastructure development, a growth driver of Vietnam, and he expects Vietnam to continue using ODA efficiently. It plans to offer the Vietnam – Japan University technical support and funding to launch new doctoral training programmes and establish a new campus in Hoa Lac in 2023, hoping to raise the number of the university's students to 6,000.

It will cooperate with three centrally-run Vietnamese hospitals, namely Bach Mai Hospital (Hanoi), Hue Central Hospital (Thua Thien-Hue), and Cho Ray Hospital (HCM City), to provide remote training for local medical systems as part of JICA's Initiative for Global Health and Medicine. Additionally, it will enhance partnership with Japan's private enterprises, non-governmental organisations and universities to help Vietnam improve rehabilitation and nursing care services, given that the country is facing new challenges like population ageing.

JICA will assist Vietnam in achieving carbon neutrality by 2050 by financing new solar and wind power projects, developing an eco-industrial park in Ba Ria-Vung Tau, accelerating circular economy and responding to climate change, he said. NDO

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Vietnam's FDI disbursements at five-year high

Capital disbursements of foreign direct investment (FDI) projects reached US\$15.4 billion between January and September, its highest nine-month figure in five years. The total amount of FDI capital that was disbursed in the first nine months increased 16.2% year-on-year, according to the Ministry of Planning and Investment.



Some 90% of foreign-invested enterprises had posted positive results in the year to September. More than half of the firms are planning to expand their operations next year. However, newly-licensed FDI capital in the January-September period was US\$7.1 billion, dropping by 43% in value year-on-year.

In the first nine months, Singapore was Vietnam's top foreign investor, followed by South Korea and Japan. The three countries' investments accounted for roughly half of the total FDI registered in the country. Processing, real estate, technology and retail sales are among the key industries attracting FDI.

Nguyen Minh Cuong, chief economist at the Asian Development Bank in Vietnam, said foreign investment is likely to stay strong in the short term given the current favorable conditions for business expansion. Vietnam's gross domestic product expanded 8.8% in the first three quarters of the year, the highest since 2011. In all of this year, the GDP growth rate is expected to reach 8.5%, according to the credit rating agency Moody's.

Still, foreign-invested businesses are facing substantial challenges due to rising input and operating costs. Thus, FDI inflows into Vietnam may particularly slow down on certain projects. Saigontimes

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