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*Retail giants eye expansion as economy looks up*

# VIETNAM BUSINESS REVIEW

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## FINANCE

### The State Bank of Vietnam adjusts operating interest rates

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In an effort to continue implementing synchronous measures to control inflation, stabilise the macro-economy, and ensure the safety of the banking system, the State Bank of Vietnam (SBV) has just issued a number of decisions to adjust interest rates that take effect from October 25.



According to Decision No.1809/QD-NHNN, the SBV has increased the refinancing interest rate from 5 per cent per year to 6 per cent per year, the discount rate from 3.5 per cent to 4.5 per cent per year, and the interest rates on overnight loans through interbank electronic payments and loans from the SBV to cover capital shortfalls when clearing payments to credit institutions from 6 per cent to 7 per cent per year.

Decision No.1812/QD-NHNN states that the maximum interest rate applicable to deposits with a term of less than 1 month has risen from 0.5 per cent to 1 per cent per year. The maximum interest rate applicable to deposits with a term from 1 month to less than 6 months has climbed from 5 per cent per year to 6 per cent per year, with the exception of deposits in VND at the People's Credit Funds of Vietnam and microfinance institutions, which increases from 5.5 per cent to 6.5 per cent per year. The interest rates for deposits with a term of 6 months or more are set by credit institutions on the basis of market capital supply and demand.

According to Decision No.1813/QD-NHNN, the maximum short-term lending rate in VND at credit institutions for borrowers to meet capital needs for several economic sectors and fields (specified in Circular No.39/2016/TT-NHNN) has increased from 4.5 per cent per year to 5.5 per cent per year. The maximum short-term lending interest rate in VND at the People's Credit Funds of Vietnam and microfinance institutions for these capital needs has risen from 5.5 per cent to 6.5 per cent per year.

The SBV also noted that it would closely monitor domestic and international market developments in order to promptly administer monetary policy solutions and tools, and be ready to intervene in the currency and foreign exchange markets to meet the liquidity demands of credit institutions. VIR

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## Vietnam racks up trade surplus exceeding US\$ 7 billion

Vietnamese import and export value soared by 14.5% to reach over US\$580 billion by mid-October, with the country posting a trade surplus of approximately US\$7 billion, according to statistics given by the General Department of Vietnam Customs.



Foreign-invested enterprises (FIEs) continue to play an important role in terms of the country's trade value, with the import and export turnover of both FIEs and domestic businesses increasing by 14.9% and 13.4%, respectively.

The country's total export value edged up 16.7% on-year, with a number of commodity groups enjoying strong growth, including machinery, equipment, tools, and other spare parts up 29%, textiles and garments, up 22.8%, computers, electronic products and components, up 14.1%, and footwear of all kinds, up 39.3%.

Meanwhile, FIEs' total export value increased by 17.5%, thereby accounting for 73.8% of the entire nation's total export revenue. By the end of October 15, the country's total import value had inched up by 12.7% on-year, with some commodity groups experiencing a sharp rise, including computers, electronic products and components up 7.8%, petrol and oil of all kinds up 130.3%, and coal of all kinds up 82.2%.

FIE's import value of goods throughout the reviewed period expanded by 12% compared to last year's corresponding period, accounting for 65.2% of the nation's total import turnover. VOV

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## E-COMMERCE

### Nearly 60 % digital consumers in Vietnam use fintech solutions

According to the report, this is a period when Vietnamese digital consumers use more platforms than ever before, with the dominance of the e-commerce market accounting for 51 per cent of online spending.



Vietnam is a top market in adopting new technologies, in which 58 per cent of digital consumers have used online banking solutions, e-wallets, money transfer applications, and digital banking.

According to the "SYNC Southeast Asia" report on digital consumers in Southeast Asia in the new stage of development, Vietnam has nearly 80 per cent of the population represented as digital consumers.

Moreover, the average contribution of e-commerce to total retail has continued to grow at 15 per cent over the past year, higher than India's 10 per cent and China's 4 per cent growth, with an online-to-total retail share of 6 per cent.

About three years into the pandemic, research shows that regional consumers are at a new stage of development, prioritising an integrated shopping experience that effectively combines online and in-person services.

After the pandemic, 10 per cent of Vietnamese surveyed moved at least one of their shopping categories from online to direct channels because of the "interface" factor that direct sales channels bring. However, there are still certain shopping categories that consumers still prefer to choose "closing" online, indicating that online shopping continues to serve as an important channel for digital shoppers in the country. During the 'discovery' phase, 84 per cent of Vietnamese shoppers see online as their go-to channel to browse and find items.

#### E-commerce accounts for 51 per cent of online spending

According to the report, this is a period when Vietnamese digital consumers use more platforms than ever before, with the dominance of the e-commerce market accounting for 51 per cent of online spending. At the same time, social networks account for nearly half of online discoveries, including images at 16 per cent, social media videos at 22 per cent and related tools such as messaging at 9 per cent.

Social media and related tools such as messaging were paramount channels for Vietnam's digital shoppers during the consideration period, accounting for 44 per cent of survey respondents.

"Consumers' openness to interaction and experimentation has also led to behavioural change, with 64 per cent of respondents saying they have interacted with a business conversation account in the past year. As customers seek more engagement, the content creation economy also shows many positive signals.

"In Vietnam, the average sales volume related to entertainment, streaming and related products to content creators in the three months before our survey has increased 12 times," said Lê Khôi, Country Director of Vietnam Market of Meta, adding: "In the context of digital consumption, Vietnamese users switch brands more often and increase the number of platforms they use to find a better value, with 22 per cent of online orders made on various e-commerce platforms."

He added: "Value is one of the main factors driving this behaviour when 'better price' is chosen as the top reason for switching platforms, followed by the product quality and delivery times. As a result, the number of online platforms Vietnamese consumers use will increase from 8 in 2021 to 16 in 2022.

Last week, in the seminar 'Promoting digital transformation for organisations and businesses', Nguyen Ba Diep, Co-Founder of MoMo Ewallet, said: "Digital transformation for retail businesses is an inevitable trend."

Diep added that with more than 31 million customers on MoMo, they have solutions to help businesses, especially SMEs, banks, credit institutions, and investment funds, to reach more customers quickly and efficiently.

Diep said MoMo would continue coordinating with tens of thousands of other partners to expand this service ecosystem specifically for retail solutions.

Diep said in the last four years, it developed the Finance-Insurance service on MoMo with more than 10 million users, including consumer credit, accumulated investment and insurance.

The report also shows that thanks to advanced thinking, Vietnam is among the top markets in adopting future technologies such as fintech and metaverse, alongside Indonesia and the Philippines. Currently, 58 per cent of digital consumers in Vietnam have used fintech solutions such as online banking, e-wallets, money transfer applications, and omnipotent digital banking.

It also said the use of digital technology in Vietnam is ripe and mainly driven by functionality and convenience, adding 7 out of 10 digital consumers in the country used metaverse technology such as cryptocurrencies, augmented reality, virtual reality, virtual world, and NFT's in 2022. In particular, Vietnam has the highest rate of VR applications among Southeast Asian countries, with 29 per cent. VNS

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## ENERGY

### Danish investors see potential in Vietnam's green solutions

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Vietnam constitutes an increasingly interesting market for Danish companies and a strategic partner for Denmark in the transition to a greener and more sustainable future, according to the Embassy of Denmark in Hanoi.



In the remarks at the Vietnam-Denmark Business Forum last month, Lina Hansen, Denmark's state secretary for trade and global sustainability, said that energy was a crucial deciding factor for investment in Vietnam.

The Grand Opening of the Denmark-Vietnam Sustainable Energy Summit marks the official beginning of business promotion activities during the royal visit in November. It will gather VIPs from both the Danish and Vietnamese sides, including high-ranking government officials and CEOs of big corporations. The high-level business delegation includes 36 Danish enterprises; of which there are 22 enterprises operating in the field of wind energy and 14 enterprises in the field of energy efficiency in November

The visit provides an excellent opportunity for Danish companies to acquire and nurture business contacts in Vietnam and to meet with business representatives, organisations, public authorities

Denmark has supported Vietnam's energy efficiency agenda since 2009. In 2017, Danish cooperation with Vietnam was consolidated under the Danish Energy Partnership Programme to support Vietnam in achieving its national commitment to the Paris Agreement. Clear messages were delivered in the Vietnam Energy Outlook Report 2021, published in early June, which was developed in close collaboration between the Danish Energy Agency, the Embassy of Denmark, and the Vietnamese Ministry of Industry and Trade.

The report concluded that there is great potential for green transition in Vietnam, which by 2050 can become a net zero-carbon economy, as set out by Vietnamese Prime Minister Pham Minh Chinh during COP26 in Glasgow. In the decade to come, Vietnam will need to supply the country's growing economy with sufficient and reliable power sources to meet the country's socioeconomic goals while at the same time reducing greenhouse gas emissions.

According to the latest draft of Vietnam's Power Development Plan VIII, the total installed capacity for power production is up to 146,000MW in 2030 and 388,000MW in 2045.

Several Danish original equipment manufacturers, wind developers, and suppliers are already present in Vietnam, and in 2020, the majority of new onshore wind turbines deployed were delivered by Danish companies. VIR

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## Authorities seek investors' ideas for renewable energy price framework

There have been numerous complaints regarding the development of the electricity price bracket, however only 59 out of 293 units and projects, or just 20 per cent of renewable energy investors, have contributed ideas or proposals themselves.



Hundreds of investors attended a meeting of the Electricity Regulatory Authority and Vietnam Electricity (EVN) last Friday, where director of the Electricity Regulatory Authority Nguyen Anh Tuan quoted Circular No. 15, dated October 3, 2022, as saying within 15 days of the effective date of the circular, the investors of solar power plants, floating solar power plants, inland wind power, and wind power at sea have to submit their projects to

his agency for appraisal. Tuấn said in order to build a price frame, EVN needs to have all the parameters of the feasibility studies and the technical design of the power plant approved by the competent state agency.

Experts from the Ministry of Industry and Trade (MoIT) said although it was related to business operations as well as removing obstacles in the implementation of renewable energy projects, it was difficult to understand why many project investors were not interested in answering the issues.

Most investors asked state management agencies to develop a framework of mechanisms and guidelines to remove problems related to renewable energy prices.

Tuan agency said the Electricity Trading Company (EVNEPTC), authorised by EVN, sent an urgent document to 293 units and projects that have signed contracts with EVN on October 12, asking for their comments about the matter before October 21. By the deadline, EVNEPTC had only received information from 59 units and projects, adding that some units and projects have submitted details but still lacked some information. Tuan told local media: “The investors should actively cooperate and provide all necessary information for EVN to summarise and develop a price framework to submit to the Electricity Regulatory Authority for appraisal.”

Within the framework of the meeting, leaders of the Electricity Regulatory Authority and EVN specifically explained to the investors the information and documents that need to be provided in accordance with Circular 15. At the same time, they discussed the order of building and promulgating the electricity generation price framework for renewable power projects.

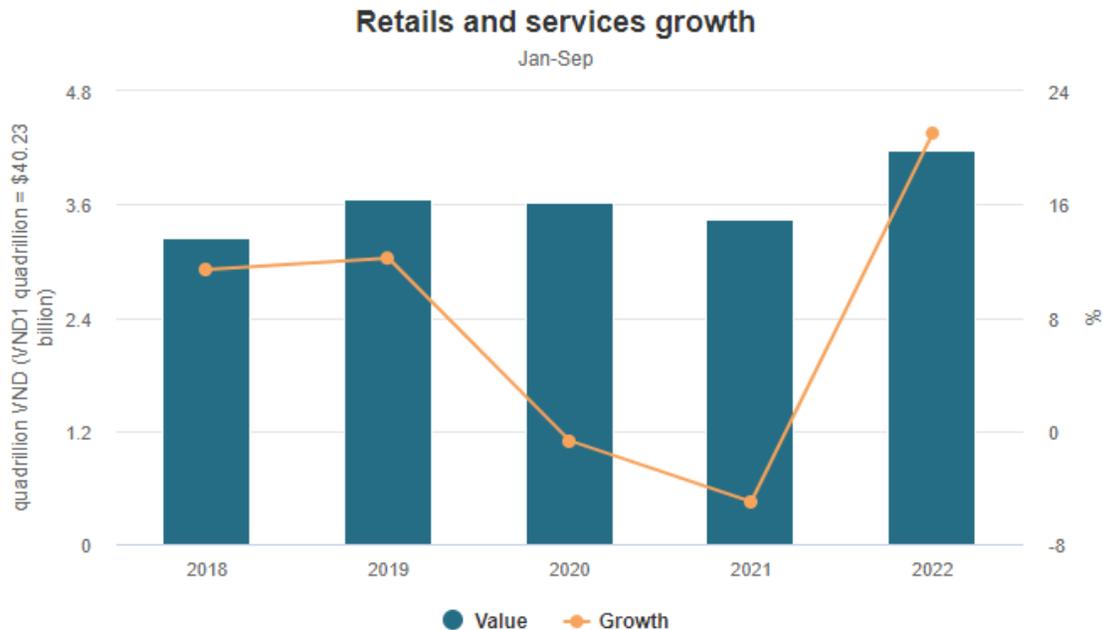
EVN General Director Tran Dinh Nhan also suggested that when investors cooperate in providing information, EVN will try to process information as quickly as possible to build a price framework for electricity generation and promptly report to the MoIT. VNS

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## RETAIL

### Retail giants eye expansion as economy looks up

Retailers are planning to expand in Vietnam, which is poised to become one of the world's 10 largest consumer markets this decade.



Japanese fashion brand Uniqlo said it would open a store at Vincom Ba Trieu mall in Hanoi this week and two others at Vincom Royal City and Vincom Tran Duy Hung to take the total number of its stores in Vietnam to 15 three years after entering the country.

Earlier this month Thailand's Central Retail, the owner of hypermarket and retail chain GO!, said it plans to more than double the number of outlets in the country from the current 340 to 710 by 2026. It will spend 30 billion baht (US\$790 million) on the expansion, according to Japanese newspaper Nikkei.

It targets sales of 100 billion baht by 2026 compared to the current 38.6 billion baht, Olivier Langlet, CEO of Central Retail Vietnam, said. South Korea's Lotte, which has invested \$5 billion in Vietnam, plans to set up a mall in Hanoi, chairman Shin Dong-bin said in late August during a meeting with Vietnamese President Nguyen Xuan Phuc.

Auto assembler THACO plans to open an E-mart supermarket in Sala Thu Thiem in HCMC this month. It already has a store in the city's Go Vap District, which reported sales of VND1.6 trillion (\$68.5 million) last year. South Korean-owned E-mart entered Vietnam in 2015 and its local operations were acquired by automaker THACO last year under a franchise deal, which stipulates at least 20 stores must be opened by 2026.

Vietnamese supermarket chains such as Nova Market and WinMart+ are reportedly doing well. This year Vietnam has attracted a lot of FDI in the wholesale and retail sectors, and more retailers have leased space in HCMC amid growing demand.

Total retail sales of consumer goods and services in the first nine months jumped 21% year-on-year to more than VND4.17 quadrillion, according to the General Statistics Office. Analysts said the retail sector has recovered quickly after the Covid-19 pandemic was brought under control. Colliers, a global real estate services provider, said the fact that some international agencies have raised their forecast for Vietnam's GDP growth has sent a positive signal to big retail brands. Vietnam is expected to become the world's 10th largest consumer market by 2030, surpassing Germany and the UK, Tim Evans, CEO of HSBC Vietnam, said at an economic forum in September.

In Asia, Vietnam, Bangladesh and India will see the highest increase in consumer spending this decade. Vnexpress

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## LOGISTICS

### Freight down but other difficulties persist

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While freight rates have fallen sharply, logistics companies still face high warehouse costs and human resource shortages.



At a business forum on 19 October logistics firms said since August international freight has almost returned to normal pre-Covid levels though not domestic rates.

The cost of shipping a container from Vietnam to North America has decreased to US\$ 2,000-5,000 from \$18,000-26,000 and to China has to VND 8-15 million (\$333-625).

But storage costs remain high and warehousing supply is insufficient, and logistics companies continue to face labor shortages, Le Quang Trung, deputy general director of the Vietnam Maritime Corporation, said.

Le Thi Ngoc Diep, head of the trade department at SLP Vietnam Company, said high warehousing costs are pushing up transport costs, making it difficult for logistics firms in Vietnam to compete with others in the region.

Besides, seaports and warehouses in Vietnam are not well planned but are scattered, she said. Only 30% of warehouses are in the northern region, adversely affecting cargo transport and management of domestic and international supply chains, she added.

Local logistics firms called for establishing a trading floor for booking and management of cargo more effectively, building smart ports and financially assisting in the development of logistics technologies. Vnexpress

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## Waterway transportation agreement benefits Vietnam

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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

A waterway transportation agreement between Vietnam and Cambodia that came into effect in 2011 has facilitated the passage of nearly 78,000 vessels and more than 406,000 sailors.

Some 20 million tonnes of cargo and 1.3 million passengers have been transported via the Vietnam-Cambodia waterway routes, contributing to socio-economic and cultural development in each country and the bilateral friendship, according to the Vietnam Inland Waterways Administration.

The volume of containers on the routes has increased by 20% each year to reach nearly 350,000 TEUS in 2021, and is expected to hit about 400,000 TEUS this year. Transportation services have generated jobs and brought about US\$60 million to businesses operating on those waterway routes each year.

As of October, around 100 enterprises, organisations and individuals had been operating waterway routes between Vietnam and Cambodia, including big firms with representative offices in Cambodia like SNP, Gemadept, GLS and Tan Cang Cypress. To accelerate the implementation of the agreement, a joint group has been set up to handle difficulties reported by organisations, individuals and businesses.

The group has also raised proposals to facilitate transportation on the Mekong River. The Vietnam Logistics Association said State management agencies have taken solutions to make it easier for waterway transportation between the two countries. The association suggested competent agencies review regulations on goods supervision and inspections and add the coastal route between Vietnam's Cai Mep-Thi Vai and Cambodia's Sihanoukville; and the Cua Tieu-Cai Mep-Thi Vai route into the list of waterways outlined in the agreement. VNS

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## INVESTMENT

### Vietnam needs to enhance institutional reform to attract high-quality FDI from EU

Vietnam must further disseminate information on the EU-Vietnam Free Trade Agreement and EU-Vietnam Investment Protection Agreement (EVIPA) to boost reform, improve its business climate, and attract foreign direct investment (FDI) inflows from the EU, according to insiders.



These recommendations were put forward by think-tanks at a workshop in Hanoi on October 25 to discuss the EU's FDI inflows into Vietnam following the enforcement of the EVFTA in August 2020 and the impending implementation of the EVIPA.

In a joint report presented at the workshop, the Vietnam Institute for Economic and Policy Research (VERP) and Konrad-Adenauer-Stiftung Institute in Vietnam (KAS) shared the view that the number of projects registered for investment by EU enterprises has been increasing since 2010, mostly in the manufacturing and processing industries.

However, FDI inflows from the bloc into Vietnam remain modest compared to other ASEAN countries, analysts pointed out. They cited statistics from Eurostat and the General Statistics Office of Vietnam, saying Vietnam attracts between 2-5% of the investment capital that the EU allocates in the world.

The Netherlands is the largest European investment partner for Vietnam, making up almost half of the total, followed by France, Luxembourg, Germany, Denmark, and Belgium. The scale of EU-invested projects in Vietnam is still hugely disparate, with few large-scale and high-value projects.

Nevertheless, experts affirmed that the EU-invested projects have significantly helped spur growth, accelerate economic restructuring, improve competitiveness, and increase budget revenue for provinces and cities across the country.

In addition, the EU's FDI has become one of the main driving force for improving the overall quality of the investment environment in Vietnam. Assoc. Prof. Dr. Nguyen Chien Thang, director of the Institute of European Studies under the Vietnam Academy of Social Sciences, said Vietnam is a bright spot for FDI attraction, despite facing global uncertainties such as COVID-19 pandemic and the Ukraine-Russia conflict.

These positive signs can largely be attributed to improved infrastructure, drastic actions by localities in improving the investment climate, and an abundant workforce. Sharing this perspective, Nguyen Hong Van, external relations manager under the European Chamber of Commerce in Vietnam (Eurocham), noted European business stakeholders remain optimistic about the prospects for their own businesses in the fourth quarter in Vietnam.

Van, however, stated that high freight costs are a hindrance for FDI attraction from the EU in the time ahead. At the workshop, experts suggested Vietnam continue to fine-tune its legal system, simplify administrative procedures, and invest in training high-skilled workforce in a bid to attract high-quality FDI inflows from the EU.

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## Can Tho to develop smart industrial park

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The government of Can Tho City has presented an investment certificate to investors to develop phase one of the smart Vinh Thanh Industrial Park.

The 293-hectare industrial park will require an investment of over VND 3.7 trillion, and be equipped with modern and innovative technology, focusing on green and sustainable development.

Work on the project is expected to start in 2023. Upon its completion, the industrial park will create jobs for 15,000-20,000 people.

The main investors comprise the Investment and Industrial Development JCS (Becamex IDC Corp), the Vietnam-Singapore Industrial Park Joint Venture. Co., Ltd (VSIP JV) and the Vietnam-Singapore Industrial Park and Township Development JSC (VSIP).

The project is located at Vinh Trinh Commune, Vinh Thanh District, Can Tho City, close to Vam Cong Bridge and Chau Doc-Can Tho-Soc Trang Expressway. The Lo Te-Rach Soi Expressway will pass through the industrial park.

Vinh Thanh Industrial Park is one of the key projects with close connections to Thot Not-Vinh Thanh Eco-Industrial Zone, Mekong Delta Agricultural Product Center, key traffic projects and logistics centers, said Tran Viet Truong, chairman of Can Tho People's Committee. The Saigontimes

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