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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Foreign trade may hit record of 780 billion USD in 2022

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Surmounting difficulties to boost economic recovery, Vietnam is expected to post a foreign trade record of 780 billion USD in 2022.



Economic experts described the export and import panorama as highly positive, as two more groups of commodities – transport vehicles and spare parts, and fishery products – have seen 11-month export value of over 10 billion USD, while import of materials for manufacturing have also surged.

By the end of November, exports and imports totalled 673.82 billion USD, higher than the 668.54 billion USD of the whole 2021. Trade surplus stood

at 10.6 billion USD, compared to the 0.6 billion USD in the same period last year, according to the General Statistics Office.

The Ministry of Agriculture and Rural Development said China's rice import has shifted from low to high volume in the year-end period. Some EU countries also tend to import more rice to replace the wheat supply decline caused by the Russia - Ukraine conflict.

This has helped raise Vietnamese rice prices to 480 USD per tonne, 13 - 28 USD higher than Thai rice and 60 - 65 USD higher than the Indian grain, thus substantially contributing to this year's export growth.

Besides, products of the processing and manufacturing industry have also enjoyed growth of 6 - 39.9% in overseas shipments, helping turn export into a "bright spot" of the economy in 2022.

Assoc. Prof. and Dr. Nguyen Thuong Lang from the Hanoi-based National Economics University predicted that although export growth has slowed down slightly compared to the whole-year pace, foreign trade turnover will hit a record of about 780 billion USD in 2022.

This is a stepping stone for Vietnam to achieve 1 trillion USD in trade revenue by 2025, he added.

MA Vu Tuan Anh, President of the Junior Chamber International Vietnam, held that foreign direct investment remains the key driver of foreign trade. Meanwhile, processed and manufactured items are still key commodities, aside from textile-garment and agro-forestry-fishery products, of which timber, wood items, seafood, coffee, rubber, cassava, rice, vegetables, and fruit have generated high trade surplus. VNA

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## E-COMMERCE

### E-commerce week and Online Friday 2022 opens in Vietnam

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An e-commerce week will be held from November 28 to December 4 while Vietnam Online Shopping Day - Online Friday 2022 is scheduled to last from December 2-4, according to the Ministry of Industry and Trade (MoIT).



The week-long event offers opportunities for enterprises operating in the fields of e-commerce and digital technology to introduce their products, services and solutions to developing Vietnam's e-commerce.

According to the MoIT, during the above-mentioned time frame, consumers can buy products at attractive

prices on the website <https://onlinefriday.vn>.

The ministry will coordinate with TikTok to introduce hashtag #OnlineFriday2022 on the platform with 60 million views, encourage users to make videos to share useful shopping experiences as well as introduce quality products and attractive promotions to millions of consumers across the country.

The MoIT will also work with ACCESSTRADE - one of the largest and most reputable affiliate marketing platforms in Vietnam - to share and offer solutions to help businesses quickly access technologies to increase revenue.

Online Friday 2022 aims to promote the development of e-commerce and the application of solutions to support enterprises in increasing sales and developing sustainably, it said. VOV

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## ENERGY

### European corporations take part in growing green economy

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Regional business executives of leading European corporations in various sectors met with Prime Minister Pham Minh Chin at the Green Economy Forum and Exhibition (GEFE) 2022 on November 28 in Ho Chi Minh City.



GEFE 2022 is the largest event of its kind in Southeast Asia and will continue until the end of this month. It includes an exhibition with 150 vendors showcasing environmentally friendly products and solutions, a plenary session and more than 30 sessions shedding light on the latest development in renewable energy and energy transition, fuel, waste and water treatment, digital life, and the future of cities.

In his remarks at the plenary conference, PM Chinh stressed that the country was committed to strengthening climate resilience and green development due to Vietnam's position as one of the most vulnerable countries to climate change. He added that to combat climate change and develop a circular, digital economy, policies must be geared towards improving the lives of all citizens. PM Chinh also hoped that the European Union and its financial institutions would support Vietnam's development of advanced technology, green capital, and human resource training.

European Commissioner Sinkevičius offered his thoughts on EU-Vietnam bilateral cooperation and the European Union's ongoing climate resilience, circular economy, and biodiversity initiatives. "The European Union and Vietnam work closely on several topics, but we need global action – at all levels and within this decade – for a climate-neutral, nature-positive, and resilient world," said Commissioner Sinkevičius. In his speech, EuroCham chairman Alain Cany spoke about the core purpose and vision of GEFE 2022. "In my heart, I know that Vietnam can achieve a robust green transition only through a whole-of-society transformation that reimagines how people live and how economic development is approached," he said. "To accomplish this, the European and Vietnamese governments, the private and public sectors must work together. Without doing this completely and immediately, we will most certainly fail. GEFE 2022 can and will help accelerate this process through the strength of our bilateral partnership."

In addition, a panel discussion was held, which featured a conversation on "Green Economy: Vietnam's Greatest Development Opportunity" with representatives of domestic and international firms involved in the green transition, particularly in energy, sustainability, transport, and finance. VIR

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## Coro Energy negotiating to purchase 3.25MW portfolio of leased rooftop solar in Vietnam

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Coro Energy Plc., a Southeast Asian energy company with a natural gas and clean energy portfolio, has begun exclusive negotiations to purchase a portfolio of leased rooftop solar projects in Vietnam with a combined generating capacity of 3.25MW.

Coro and the shareholders of KIMY Trading and Service JSC have entered into an exclusivity period for three months as Coro explores the potential to scoop up a 100 per cent interest in a leased rooftop solar portfolio across four locations close to Ho Chi Minh City.

The leased rooftop solar portfolio has been in operation for two years and is covered by a power purchase agreement with a remaining duration of eighteen years with the state-owned Electricity of Vietnam as the power off-taker. The value of the proposed acquisition is estimated to reach \$1.7 million, or \$548 per MW.

This will be paid by the assumption of \$1 million of existing specialist renewables debt with a Vietnamese bank by Coro as well as \$200,000 payable on completion of any acquisition in new ordinary shares in the company – locked in for 18 months from completion. The transaction is also covered with \$250,000 in cash on completion and a further \$250,000 in cash in six equal monthly instalments from completion.

The exclusivity will expire on February 22, 2023, and the company warns its shareholders that any acquisition remains subject to due diligence by the group, the negotiation and entry of binding agreements, and the availability of funding.

Commenting on this deal, Michael Carrington, managing director of Coro Renewables said, "I am delighted with this exclusivity period, which allows the company to commence deep-dive due diligence. Any acquisition pursuant to the exclusivity period would take our Vietnam portfolio to 6.26MW in total, thereby accelerating our solar deployment in the nation."

Throughout the past two decades, Vietnam's GDP has grown in excess of 5 per cent per annum fuelling significant power demand growth. To meet this demand, the country is now planning 15-20 per cent (approximately 35GW) of additional renewables capacity by 2030. At the same time, Vietnam has pledged to achieve net-zero carbon emissions by 2050. The latest move by Coro contributes to facilitating the country's transition to a low-carbon. VIR

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## RETAIL

### AI - the future of retail

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Technology is changing the retail sector, with artificial intelligence (AI) shaping shopping centers and stores of the future.



The Covid-19 pandemic changed traditional retail as many customers had to shop online. However, stores still play an important role in distribution channels.

According to a study by McKinsey & Company (USA), even during the pandemic, 85% of consumers still preferred to buy at stores. Many customers liked seeing colorful candy packages, smelling freshly baked cakes or trying food at the

supermarket.

To give customers a better experience, stores use AI, which is believed to be the future of retail. According to TechEmergence, retail is one of 10 industries with strong AI investment. Forbes says that 84% of retailers believe that investing in AI will give them a greater competitive advantage.

According to a Statista report, AI in the retail industry is expected to reach \$24 billion by 2027, up from \$3 billion in 2020, with a 29.7% annual growth rate. Cost savings, increased productivity and increased revenue are the top three benefits brought by AI for the retail sector.

AI is used in traditional retail operation and management to outpace competitors. It also helps them detect new trends to guide their development strategy.

On the customer side, AI provides information about each buyer such as eating preferences, food allergies, and the purpose of the purchase. From there, stores approach consumers through promotions, product display methods, and product packages to meet customers' needs. Payment is also more convenient thanks to AI. Store staff only play the role of customer guide.

#### AI in Vietnam

Some retailers in Vietnam initially used AI in business operations. MM Mega Market has used AI for cameras installed at entrances and exits, which are connected to the central server system to analyze the number of people shopping and send information to the Management Board if the limit is exceeded.

Doji uses smart robots to welcome customers, has an E-Catalogue with 360-degree jewelry product experience, a virtual jewelry testing application (Wonder Touch) using AR technology, and unique exploration tours with VR technology.



Masan has also applied AI-powered digital use. By using cameras combined with AI, it simplifies the sales process, frees employees from time-consuming tasks to focus on consulting, cross-selling and improving customer satisfaction. Masan has successfully piloted the mini mall model and replicated the model to 30,000 stores.

Dr. Vo Tri Thanh said that building a consumer-retail ecosystem in the current digital era is a revolution. This not only solves the problem of providing goods and services with the best quality, but also positively impacts society, bringing benefits to consumers, manufacturers and retailers.

Mr. Nguyen Hoang Tung, General Director of VVN AI Technology Joint Stock Company, said the application of AI should start from the difficulties of enterprises. Businesses that need to apply AI should choose available applications, just enter their data to get the desired results.

Dr. Hoang Ngoc Duong, Deputy Director of Viettel Cyberspace Center, said that in order to develop AI, it is necessary to build platforms based on a shared database.

However, the number of businesses in Vietnam applying AI is still limited. The Prime Minister has issued the National Strategy on Research, Development and Application of Artificial Intelligence to 2030. Accordingly, the goal is to build 10 prestigious AI brands in the region by 2030 and to set up three national innovation centers on AI. VNN

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## More than 90 of consumers prioritise locally-made products

More than 90% of consumers said that they prioritise made-in-Vietnam commodities when making a decision on the purchase of anything, according to the steering committee for the Ministry of Industry and Trade (MoIT)'s "Vietnamese people prioritise made-in-Vietnam products" campaign.



The committee said that Vietnamese commodities have made up 90% of the goods sold in retail outlets owned by domestic enterprises and 60-96% of the foreign supermarkets in Vietnam.

In traditional retail channels, the rate of Vietnamese goods in markets and groceries is at least 60%. Particularly, since the COVID-19 pandemic broke out, 76% of the Vietnamese consumers have preferred domestic products, especially those with

guaranteed quality and health benefits.

Up to 75% of the consumers have recommend family members and friends to buy locally-made products.

Le Viet Nga, Vice Director of the MoIT's Department of Domestic Market, affirmed that the campaign to encourage Vietnamese to prioritise the use of Vietnamese commodities has helped changed domestic consumers and businesses' awareness of made-in-Vietnam products.

Nga underlined that with clear origin, trademark and quality that is comparable to foreign-made products, Vietnamese commodities are winning stronger confidence from domestic consumers.

In order to further spread the campaign, the MoIT has organised a wide range of trade promotion activities and encouraged the application of e-commerce in shopping activities.

Most recently, the ministry implemented an annual programme to identify Vietnamese goods on a national scale with the name "Pride of Vietnamese goods" and "Quintessence of Vietnamese goods" in 2022, with an aim to further enhance the position and competitiveness of Vietnamese goods amid the country's deep regional and international integration.

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## LOGISTICS

### Blockages remain on Vietnam's path to full logistics potential

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Vietnam has the potential to be a regional logistics hub, but issues in policy, infrastructure and human resources remain to be solved, industry insiders said.



"Vietnam is becoming a new manufacturing hub outside of China. It will gradually gain a bigger share in air cargo transport," said Tran Tuan Anh, CEO of logistics firm ITL Corp, at a recent forum.

The country's logistics industry is estimated at \$40-42 billion and recording double-digit growth, according to the Ministry of Industry and Trade.

It ranked 11th out of 50 markets in the Agility Emerging Markets Logistics Index 2022, but fourth in international logistics opportunities, behind China, India and Mexico. By the end of September, Vietnam had 30 foreign and four domestic airlines operating 68 routes to 16 countries and territories.

As of this month, the ratio of passenger and cargo aircraft are being split 60:40 in Ho Chi Minh City and 30-70 in Hanoi, which is a good sign, said Anh. Vietnamese airports in Hanoi and HCMC are now being used as hubs with cargo from India, Myanmar, Japan and China being delivered here on their way to the U.S. and Europe.

"Air cargo brands are interested in Vietnam and third-party logistics firm could start building consolidation hubs in Vietnam instead of Hong Kong and Singapore," he said, forecasting for the next three years. Cargos are also exchanged between Hanoi and HCMC with Incheon, Shanghai and Hong Kong, he added. But still the overloaded airports and lack of parking space are problems that need to be resolved.

J. Michael Carson, regional sales director of Boeing Commercial Airplanes for Southeast Asia and India, said Vietnam cannot depend on the passenger flight network to serve cargo transport. It needs policies to attract cargo-only airlines. Vietnam is the best developing Southeast Asian aviation market among members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), but it has challenges in capacity, he said, adding that it will need 2,800 cargo aircraft by 2041. Another area of attention is seaport transport.

The amount of cargo passing through Vietnamese ports by 2030 are set to double to 1.1-1.4 billion tons a year, offering a great opportunity for both domestic and foreign transportation companies, said Vo Duy Thang, head of the transportation and maritime services department under the Maritime Administration.

The country now has 500 ship operators but most not capable of transporting overseas. Popular routes are to nearby locations like Singapore and China. A government report titled Vietnam Logistics 2022 pointed out that roads remain the dominant transporting channel in Vietnam, and investment in key ports and railway stations is necessary.

Human resources is another issue. Over 53% of logistics businesses in HCMC have a shortage of staff who are trained in the subject. A total 30% have to re-train their staff upon recruitment, according to a survey by the Ho Chi Minh City Institute for Development Studies. "There is a big gap between the requirement and ability to achieve those requirements," said Tran Tuan Anh, head of the Central Economic Committee. Becoming greener is another criterion that Vietnamese businesses need to pay attention to.

A survey by the Vietnam Association for Logistics Manpower Developer found that over 50% of trucks return empty, which is inefficient and increases negative environmental impacts, said Deputy President of the association Trinh Thi Thu Huong. Vnexpress

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## Global giants eye Vietnam e-commerce logistics market

The world's largest container shipping line Maersk and U.S. express delivery company FedEx are seeking to enter Vietnam's e-commerce logistics market.



Ditlev Blicher, regional managing director for Asia-Pacific, A.P. Moller – Maersk (Maersk), was in the country this week, three months after the Danish company spent US\$3.6 billion on acquiring Hong Kong firm LF Logistics.

He said with LF Logistics' expertise in omnichannel orders, Maersk would have a better position in the global e-commerce market, including Vietnam. His company plans to offer both business-to-business (B2B) and business-to-consumer (B2C) delivery services, he said.

Hoan Dang, head of omnichannel order fulfillment at Maersk Vietnam and Cambodia, said with the acquisition of LF Logistics, his company could join hands with e-commerce platforms to handle goods orders in the Vietnamese market. FedEx is integrating its services with e-commerce platforms to enable online retailers to use them without having to leave the platforms.

Hardy Diec, managing director of FedEx Express Indochina, said e-commerce would continue to flourish in Vietnam. Earlier this month his company opened a new \$2-million operations center in Hanoi's Bac Tu Liem District. Vietnam will be one of the top 10 countries for FedEx in terms of trade volume growth over the next five years.

Vietnam will achieve the highest growth in the digital economy in Southeast Asia between 2022 and 2025, a report by Google, Temasek and Bain & Company has forecast. Its digital gross merchandise volume is likely to reach \$23 billion in 2022, and \$32 billion by 2025. According to global firm Allied Market Research, Vietnam's express delivery market is expected to be worth \$4.88 billion by 2030 after growing at 24.1% annually, with the growth of e-commerce being one of the main drivers.

Logistics firms are expanding their services and lowering prices. This month Lazada Logistics announced it would start offering omnichannel deliveries for online shops. J&T Express announced cuts of 10-20% in freight.

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## INVESTMENT

### FDI inflows report some improvement on-month

Total foreign direct investment inflows for January-November have narrowed the gap with on-year performance by less than 5 per cent, instead of the two-digit drop seen in previous months.



According to the Ministry of Planning and Investment's Foreign Investment Agency, Vietnam counted total foreign direct investment (FDI) inflows of about \$25.1 billion in the first 11 months of the year, equivalent to 95 per cent of the previous year's total.

Of this, \$11.5 billion was poured into 1,812 newly licensed projects, up 14.9 per cent on the number of projects last year but a sharp reduction of 18

per cent in value.

Another \$9.54 billion was added to 994 projects currently underway, a rise of 23.3 per cent in value and 13.3 per cent in quantity. Overseas investors also poured almost \$4.08 billion into around 3,298 share purchase deals, a slight down of 7 per cent over the same period last year. FDI disbursement climbed well by 15.1 per cent on-year, to around \$19.68 billion.

Among the 19 sectors receiving funds in the first 11 months, processing and manufacturing took the lead with almost \$15 billion, accounting for 59.5 per cent of total FDI. This was followed by real estate (\$4.19 billion), power generation and distribution (\$2.26 billion), and sci-tech and professional activities (\$1.03 billion). Singapore led the 107 countries and territories investing in Vietnam in period, with total capital placed of around \$5.78 billion, followed by Japan (\$4.6 billion) and South Korea (\$4.1 billion).

Ho Chi Minh City attracted the highest amount of FDI at just under \$3.54 billion, followed by Binh Duong with \$3.03 billion and Quang Ninh with \$2.19 billion. The export turnover of foreign-invested enterprises (FIEs) continued increasing, by 14.8 per cent on-year to about \$255.1 billion, including crude oil, making up more than 74 per cent of the country's total export value. Their import turnover was estimated at \$217.5 billion, up 10.2 per cent on-year and accounting for 65.2 per cent of the total.

FIEs' trade surplus was \$37.6 billion (including crude oil) in the first 11 months, while local businesses reported a trade deficit of \$28.5 billion.

The over 36,100 valid foreign-invested projects accumulated across the country boast total registered capital of more than \$437 billion. Their disbursement was about \$271.3 billion, equivalent to 62 per cent of the valid registered capital. VIR

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## Japanese-funded \$35 million R&D centre opens in Da Nang

The US\$35-million Fujikin Danang Research, Development and Manufacture Centre, funded by Fujikin Incorporated from Japan, has freshly been inaugurated in the central coastal city of Da Nang.



Located at the Da Nang Hi-tech Park, the facility, whose construction began in 2021, focuses on projects involving drones, robots, water purification technology, and medical equipment and related software.

To provide manpower for the R&D project, Fujikin Incorporated has already inked a human resources training deal with the Da Nang University for Science and Technology.

According to the municipal Hi-tech Park and Industrial Zones Authority, a series of investors, including aerospace components manufacturer Universal Alloy Corporation (UAC) of the US, Tokyo Keiki Precision Technology Inc and Niwa Foundry from Japan, and Dentium company from the Republic of Korea, have already opened factories at the 1,100ha 'green' hi-tech park.

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