



Highlight

Vietnam to focus on digital finance and digital economy in 2023

VIETNAM BUSINESS REVIEW

What's in it today?

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FINANCE

The State Bank of Vietnam pumps more money into circulation

Vietnam to focus on digital finance and digital economy in 2023



INVESTMENT

Global tech investors continue to bet on Vietnam
More German firms eyeing investment opportunities in Vietnam



RETAIL

Retail market returns to pre-pandemic level



E-COMMERCE

Vietnamese leads Southeast Asia in online shopping



ENERGY

Philippines' ACEN continues to bolster its renewable energy capacity in Vietnam
Energy security deemed more likely with appropriate offshore wind strategy



LOGISTICS

Vietnam - Kazakhstan freight rail route launched

FINANCE

The State Bank of Vietnam pumps more money into circulation

The State Bank of Vietnam (SBV) has pumped more money into circulation after three weeks of consecutive net withdrawal. Overnight interest rates are high, while liquidity demand has increased on pre-Tet days. At the transaction session on January 13, SBV, through 14-day treasury bills, withdrew VND20.5 trillion from circulation via open market operations. The interest rate of the bills was 6 percent per annum.

On January 12, SBV withdrew VND21.5 trillion after withdrawing VND24.5 trillion on Jan 11, VND18.5 trillion on Jan 10 and VND25 trillion on Jan 9. These were 7-day bills with interest rates of 5.5-6 percent. As such, from Jan 9-13, SBV withdrew VND110 trillion from the banking system.

However, if noting that the matured bills were worth VND121.75 trillion, the central bank's net injection would be VND11.75 trillion. Also, in the week, SBV maintained the injection of money via repo contracts with value of VND39.667 trillion and recognized five due repo (sales and repurchase agreements) contracts, worth VND27.998 trillion. As such, from Jan 9 to Jan 13, SBV's net injection was VND23.428 trillion.

Last week, SBV made a net withdrawal of VND97.267 trillion from the market. Meanwhile, in the last week of 2022 (December 26-30), its net withdrawal was over VND102.663 trillion.

The central bank made a net injection again when the overnight interest rate in the interbank market increased sharply in the first two weeks of the year, to over 5 percent per annum on Jan 3 and 5.95 percent on Jan 12. The dollar price continued to drop. The selling prices quoted by some commercial banks have become even lower than SBV's buying prices.

Vietcombank, for example, quoted the price of VND23,290 per dollar, while SBV's Exchange was VND23,450 per dollar. This caught the attention of analysts as this allowed SBV to increase the purchase of dollars after having to sell dollars to ease the exchange rate in October and November 2022.

The move led to a sharp fall in forex reserves, from \$110 billion to \$90 billion in early 2023 as estimated by VNDirect Securities.

According to the Saigon Securities Incorporated (SSI), foreign currency supply is profuse in the first months of the year thanks to overseas remittances and this is the time for SBV to buy foreign currencies to increase forex reserve and provide VND liquidity in pre-Tet days. Vietnamnet

[Back to top](#)

Vietnam to focus on digital finance and digital economy in 2023

The Vietnamese Government has asked ministries and localities to focus on promoting the development of digital finance and digital economy in 2023.

Accordingly, the institutions, mechanisms, policies and legal framework would be improved to



accelerate the national digital transformation with a focus on developing human resources and ensuring information security. The digital platforms and national databases would be integrated to improve the efficiency in management and handling of administrative procedures. Non-cash payments for social allowance, pension and social insurance allowance would be promoted while the national

population database would be improved and used to identify customers and authenticate bank accounts.

Digital transformation must also be strengthened at corporations and small and medium-sized enterprises. In the context that global growth momentum losing steam, the Government is looking for new growth drivers, one of which is developing the digital economy. Recently, the Government has raised drastic measures to promote the development of the digital economy. The Government issued a strategy for developing e-Government toward digital Government, the national strategy about developing digital economy and society, and the programme about national digital transformation to 2025 with a vision to 2030.

The latest edition of the e-Conomy SEA report by Google, Temasek Holdings Pte and Bain & Co published in late December highlighted that Viet Nam had the fastest growing digital economy in Southeast Asia with a year-on-year increase of 28 per cent in gross merchandise value (GMV). The report pointed out that the driving force for Viet Nam's digital growth was the growing penetration of new forms of commerce across urban and rural regions for businesses. Logistical infrastructure also improved to facilitate nationwide e-commerce transactions and there was a noticeable high-quality homegrown tech workforce that had been driving innovation in Viet Nam.

Tran Minh Tuan, director of the Department of Digital Economy and Society under the Ministry of Information and Communications, said that based on the survey of Financial Times and Omdia, Viet Nam was the second fastest growing digital economy in the world, expanding at the rate of 12.3 per cent in 2022, after India. In 2023, Viet Nam might fall behind Mexico and India but could take the lead in the world in digital economy growth in the 2022-26 period. Tuan pointed out that the scale of Viet Nam's digital economy remained modest, leaving significant room for future development, especially in connectivity, digital payment and digital entertainment. Digital finance was expected to see breakthrough development with a compound annual growth rate of 114 per cent in 2021-22 and at 56 per cent in 2022-25. The department said that the digital economy contributed 14.26 per cent of GDP in the third quarter of 2022. Viet Nam targets to increase the contribution of the digital economy to GDP to 20 per cent by 2025. VNS

[Back to top](#)

E-COMMERCE

Vietnamese leads Southeast Asia in online shopping

Vietnamese purchases of goods online and the value of online orders both increased significantly in 2022, according to market analysis firms.



To prepare for the 2023 Tet holiday, Nguyen Thi Ngoc in Thanh Xuan district, Hanoi, has ordered 4 kilograms of maize vermicelli made in Cao Bang and mushroom and bamboo shoots via Postmart, an e-commerce platform run by Vietnam Posts.

Ngoc is pleased that she can place orders online and receive deliveries, which saves her time and money. For young people, especially Gen Z, online shopping is common. Nguyen Hong Trang, a student at Hanoi University, orders 3-4 products via e-commerce platforms each week and food via Grab. “I can buy everything from e-commerce platforms, from clothes and books to makeup,” she said.

A survey of online consumer behavior of people in Southeast Asia conducted by Lazada and Milieu Insight found that 73 percent of consumers in the region consider online shopping an indispensable part of their daily life. The figure was around 60 percent two years ago. Vietnam’s digital economy witnessed the highest growth rate in Southeast Asia with estimated gross merchandise value (GMV) of 28 percent, from \$18 billion in 2021 to \$23 billion in 2022 thanks to a 26 percent growth rate of e-commerce compared with the year before.

Eight out of every 10 people continue to shop online because of convenience, though average spending per customer has been lower than two years ago. It is a tendency that consumers still maintain the habit of shopping online. Eight of every 10 people still shop online for the convenience, though the average spending is lower than two years ago.

Consumers also spend more time and effort to seek products with good prices and discounts. The most searched keywords are ‘ao khoac nam’ (men’s jacket), ‘tui xach nu’ (women’s bags), ‘dep nu’ (women’s sandals), ‘san pham duong da’ (skin care products), ‘son moi’ (lipsticks).

According to Khoi Le, Vietnam Country Director of Meta, value of online orders in Vietnam increased from \$45 in 2021 to \$50 in 2022. Tran Trong Tuyen, CEO of Sapo, a technology firm, said e-commerce marketplace is the most favorite shopping channel which is used by 49.69 percent of sellers, followed by Facebook with 39.13 percent, and websites with 9.94 percent.

Tuyen said that e-commerce will lead Vietnam’s digital economy growth. Buyers will become ‘digital consumers’, who will still use e-commerce platforms and online shopping in the next 12 months. Vietnamet

[Back to top](#)

ENERGY

Philippines' ACEN continues to bolster its renewable energy capacity in Vietnam

Filipino power producer ACEN, Ayala group's listed energy platform, continues to strengthen its renewable energy capacity in Vietnam after the company and BIM Group received financing worth \$107 million.



ACEN and BIM Group, through their respective subsidiaries, recently announced that the companies' joint venture development for the 88MW Ninh Thuan wind farm located in South Central Vietnam has received an innovative \$107 million financing package from the Asian Development Bank (ADB) and parallel lenders to support the plant's operations and the partners' common goal to aid the country to reach its climate

action targets.

Leveraging Vietnam's strong potential for wind power, ACEN has jointly developed wind projects with its long-time partners in the country, including the BIM Group. Their joint project, the Ninh Thuan Wind farm, commenced operations in September 2021 and is expected to produce 339 gigawatt hours of renewable energy per year that will help avoid 215,000 tonnes of CO2 emissions annually.

ACEN international CEO Patrice Clause said, "This major boost to our wind farm's financing from the Asia-Pacific climate bank, ACEN's long-standing financing partner ADB, and our other parallel lenders will help catalyse renewable energy capacity by 2030. It sends an important message to the market to scale up climate-resilient investments with sufficient speed to help deliver our respective net-zero goals."

Jackie B. Surtani, ADB Private Sector Operations Department's Infrastructure Finance Division director for East Asia, Southeast Asia, and the Pacific said, "Energy demand in Vietnam has grown rapidly even during the pandemic, and it is crucial that this demand is met through clean energy that will drive sustainable economic growth. This project is a crucial step toward Vietnam's resilience and ongoing recovery by further expanding the country's renewable energy mix and contributing to its net-zero targets." ADB will also grant the Ninh Thuan Wind farm an additional \$5 million from the Goldman Sachs and Bloomberg Philanthropies-backed Climate Innovation and Development Fund. The grant will be used for initiatives to mitigate environmental and social risks. With ACEN's rapid progress in the development of its projects in Vietnam, the company moves even closer toward its aim to accelerate the energy transition in the region and achieve its bold vision to reach 20GW of renewable capacity by 2030.

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[Back to top](#)

Energy security deemed more likely with appropriate offshore wind strategy

Offshore wind power is not only expected to contribute to Vietnam's net-zero goal by 2050 but also help with the country's ever-increasing hunger for energy.

Imai Masanori, president of Toda Corporation, held a meeting with the Ministry of Industry and Trade (MoIT) at the end of last December, proposing the construction of a wind measuring station in the south-central province of Binh Thuan's waters to gain specific data on the province's offshore wind potential. "The Japanese government has provided funds for Toda to conduct studies on the potential of offshore floating wind power in Vietnam," he said.

"Toda can help Vietnam deal with financial problems when developing offshore wind power at seaports, or small islands, at a low cost. We are the first company licensed to produce floating wind power offshore in Japan's deep sea, and are building a wind farm to locally produce electricity," Masanori said.

Vietnam and Japan have pledged to be carbon-neutral by 2050. Vietnam, which has no experience in offshore wind power development, plans to develop 7,000MW of offshore wind power by 2030, according to the draft Power Development Plan VIII by the MoIT.

In October, Electricity of Vietnam (EVN) also proposed to the government to create a mechanism to develop about 4,000MW of offshore wind power in the north of the country to ensure electricity. The north currently accounts for nearly half of Vietnam's electricity demand.

EVN's updated calculations on electricity supply and demand in 2022 showed that new power sources in the north are expected to operate very little, and additional power sources in Vietnam's central and southern parts (mainly renewable energy) can only partially support the north as the transmission capacity through the 500kV lines is technically limited to a level that ensures safety and stability of the system.

In addition to EVN, some localities such as Quang Ninh, Ho Chi Minh City, Haiphong, Thai Binh, and Nam Dinh have asked the government to develop offshore wind power sources as more and more domestic research also leads to the possibility of wind power development.

According to a survey by the Energy Assessment Programme for Asia of the World Bank, Vietnam has the largest wind potential in Southeast Asia with an estimated capacity of over 513,000MW – 200 times the capacity of Son La Hydropower Plant and more than 10 times the total forecasted capacity of Vietnam's electricity industry by 2020.

According to the General Department of Meteorology and Hydrology under the Ministry of Natural Resources and Environment, sea areas have the best potential for exploiting wind energy in Vietnam. In particular, the wind potential is at a "good to excellent" level in the coastal areas from Ninh Thuan to Ba Ria-Vung Tau provinces with an annual average wind speed of 8-10m/s, and an average annual energy density of 600-700W per square metre.

Cao Thi Thu Yen, renewables and environment expert at the Power Construction Consulting Company 1, said, "Vietnam has great potential for offshore wind power development thanks to its long sea route."

However, exploiting these potentials depends on many factors, including development policy, and marine and coastal resources.”

Yen added that offshore wind power development in Vietnam should soon have an overall assessment, meeting the two urgent goals of power supply and policy improvement. “In Vietnam, the equipment and components for the construction and installation of onshore wind power are still mainly imported, so the price of electricity from these sources remains high,” she said.

Offshore wind power investment is decreasing rapidly but also remains high. “A 1,000MW project in Vietnam can currently cost about \$3.15 billion, forecast to decrease to \$2.15 billion by 2030. Offshore wind power development in Vietnam requires large investment and is dependent much on a project’s capacity, scale, and technology type,” Yen said.

Nguyen Anh Tuan, former deputy director of the Institute of Energy, said the underwater foundations of offshore wind turbines can act as artificial reefs, attracting some species of krill and fish, thus directly affecting the food chain of large organisms.

“If wind power projects do not strictly manage the undersea cables connected to the turbine towers and the power station system far away from the transmission system, many problems can occur, such as cable breaks,” Tuan warned.

He believes that offshore wind power can be a breakthrough to ensure national energy security, but must proceed to develop a national master plan on offshore wind power development.

“It’s especially important to develop supportive policies and mechanisms for offshore wind power development in association with the implementation of the Vietnam Maritime Strategy,” Tuan concluded. VIR

[Back to top](#)

RETAIL

Retail market returns to pre-pandemic level

The Vietnamese retail sector has recovered to the pre-COVID-19 level, with 53.8% of total retailers reporting similar or better business outcomes, according to Vietnam Report JSC.



In its recently released survey, Vietnam Report said that after the pandemic is controlled, the Vietnamese retail market saw the speeding up of the application of digital technologies in business administration, operations, logistics and distribution of many firms.

Meanwhile, a report from the Ministry of Industry and Trade (MoIT) showed that Vietnam's retail market currently values at 142 billion USD, which is expected to reach 350 billion USD in 2025, making up 59% of the country's 2022 GDP.

Last year, total revenue from retail sales of goods and services rose 21%, exceeding the target set by the MoIT. However, according to MoIT Deputy Minister Do Thang Hai, the figure is equivalent to 82% of the calculated level in normal conditions, while the sector is still facing many problems, including those in logistics, infrastructure and linkage in the supply chain.

Vu Thi Hau, President of the Association of Vietnam Retailers, said that to catch up with the strong growth of e-commerce activities, the association is building a project on digital transformation in the retail sector, which is expected to help payment process easier.

Hau said she believes that 2023 will be a successful year for both domestic and foreign retailers with stronger recovery of the market after the pandemic. VNA

[Back to top](#)

LOGISTICS

Vietnam - Kazakhstan freight rail route launched

A container cargo rail route between Vietnam and Kazakhstan was launched last December, according to the Railways Transport and Trade Joint Stock Company.



Specifically, a train carrying electronic products departed from Ho Chi Minh City to Hanoi, transited through Xi'an of China and arrived in Almaty of Kazakhstan.

This was not the first time Vietnam used the China-Europe Express to transport goods through the Eurasian continent. Previously, most of the electronic components from Vietnam were shipped to Central Asian countries by sea.

Due to the restrictions of the exit plan, the arrival time of the goods is uncertain. It usually takes about 50 days. According to insiders, the use of the new rail transport route from Vietnam to Kazakhstan via China will reduce at least half the time compared to the sea route, and help solve transportation problems between ASEAN and Central Asian countries. Vietnamnet

[Back to top](#)

INVESTMENT

Global tech investors continue to bet on Vietnam

Vietnam's growing capacity to make complex tech products is attracting more foreign investors who are setting up factories.



Apple supplier BOE Technology Group plans to invest US\$400 million to build two factories in Vietnam, Reuters reported recently.

It is in talks to lease land in the north to put up factories to add to its relatively small plant in the south that supplies mostly television screens to South Korea's Samsung and LG Electronics, the report said.

BOE is the latest tech company to eye Vietnam as its next manufacturing hub, where already smartphones, laptops and cameras are made by or for multinationals such as Samsung and Apple.

In the north, where Apple suppliers such as Luxshare and Foxconn already have a presence, BOE will lease 100 hectares to build a \$150-million plant for making remote control systems on 20 ha and others for manufacturing displays.

BOE will invest \$250 million in a plant on 50 ha while suppliers will use the remaining 30 ha. Everything will be in place by 2025. The company plans to make the more sophisticated organic light-emitting diode, or OLED, screens there rather than liquid-crystal displays.

A recent survey by German logistics firm Container xChange found that 67.3% of respondents believe Vietnam and India will rise as container shipping hubs in 2023.

They expect the two countries to change the global shipping industry as companies look to expand their network of manufacturing locations, the survey, which polled 2,600 industry professionals in 20 countries, said. Their expectations seem to be influenced by the fact that many tech giants established or expanded their presence in Vietnam last year.

In December Apple was reported to soon begin MacBook production in Vietnam for the first time, while Samsung, which has been making half of its smartphones in Vietnam, opened its biggest research and development center in Southeast Asia in Hanoi. American aviation firm Boeing held its first Aerospace Industry Forum in Vietnam in August, seeking local suppliers for its global supply chain.

U.S. company Synopsys, one of the world's biggest chip design software makers, is set to invest in and shift its engineer training to Vietnam, while last year South Korea's Amkor Technology signed a deal to set up a \$1.6-billion semiconductor materials manufacturing factory in the northern province of Bac Ninh. "Vietnamese workers have been improving in their tech manufacturing capability, and foreign companies such as Samsung have been increasingly recruiting locals from the top local universities," Do Thi Thuy Huong, a member of the Vietnam Electronics Industries Association's executive board, said.

In the last five years Vietnam has expanded its presence in supply chains and is now capable of making complex products, which is why more foreign firms are choosing it as their next manufacturing hub, she told VnExpress International.

The Politburo, the Communist Party's highest body, issued a decree in 2019 that sought to improve the quality of foreign projects in the country. FDI plays a major role in the Vietnamese economy, accounting for a large share of all investment. FDI disbursement last year rose 13.5% to \$22.4 billion.

In September last year Prime Minister Pham Minh Chinh told a group foreign business executives that Vietnam would create a safe and transparent investment environment and urged them to keep faith and do long-term business in the country.

The government has always had consistent policies to ensure economic stability, control inflation and maintain reasonable foreign exchange and interest rates, he added. Vnexpress

[Back to top](#)

More German firms eyeing investment opportunities in Vietnam

Germany's weekly Die Zeit (The Times) has ran an article spotlighting Vietnam's prosperous economy and its open-door policy to investors, affirming that these has helped attract more German firms to the country.

The article emphasised the economic and social changes in Vietnam in recent years, especially the sharp decrease of the poverty rate.

It cited data of the World Bank, noting that per capita income in Vietnam has doubled in the past 10 years and Vietnam aims to become an industrialised and high-income country by 2045. This means that Vietnam will become one of the 45 countries with an annual per capita income of over \$12,695.

The article quoted Torben Minko, CEO of B. Braun Vietnam – a subsidiary of B. Braun Group of Germany, -as saying that Vietnam's development leads to the firm's development which is hiring a total of 1,600 employees. B. Braun Vietnam is constructing its third factory in the southwestern area of Hanoi, which is expected to create jobs for about 200 labourers, he said.

According to Minko, Vietnam has opened its door, therefore more and more Western corporations are looking to the Southeast Asian nation compared to just a handful of European companies in the past.

Vietnam's economy is growing faster than any other country in Asia, the article said, stressing that it still achieved impressive economic achievements even during the Covid-19 crisis.

In 2022, despite the crises and armed conflicts in the world, Vietnam's economy still grown by 8.02%, while prices did not increase as strongly as in many other countries, it noted.

The newspaper added that Vietnam is drawing companies from all over the world, and new factories are springing up almost everywhere in the country.

Chief Representative of the German Industry and Commerce Vietnam (AHK Vietnam) Marko Wald said that he receives many requests for assistance to inquire about Vietnam.

Hundreds of German businesses are seeking to expand their operation to Vietnam, especially since Vietnam lifted entire Covid-19 restrictions

Meanwhile, Till Gartner, Director of Mgm – an IT firm of Germany, spoke highly of Vietnam's reliability, and said that many companies are considering investing in the country. Vnexpress

[Back to top](#)

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