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Vol 04, Feb 01st 2023



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FINANCE

State-owned banks under capital increase pressure

Vietnam's four biggest State-owned banks have an urgent need for capital increase in 2023 as their charter capital is too low, with some unable to ensure the regulated minimum capital adequacy ratio (CAR), according to industry insiders.

A customer at a Vietcombank office in Hanoi. Though the four biggest State-owned banks, including Vietcombank, have been a key force in supporting the economy to overcome difficulties, their charter capital is too low. Photo thoibaonghang.vn

Currently, the big four, including BIDV, Vietcombank, Agribank and VietinBank, only hold more than 40 per cent of the credit market share of the country's banking system, but over the years, especially in the past three years, the banks have been a key force in supporting the economy to overcome the difficulties caused by the COVID-19 pandemic and global economic uncertainties.

State-owned banks always take the lead in implementing incentive policies of the National Assembly, the Government and the State Bank of Vietnam (SBV) such as lowering interest rates and profits to support businesses, but they themselves are facing difficulties in terms of capital.

According to Agribank's chairman Pham Duc An, at the current credit scale, Agribank is unable to ensure the minimum CAR to get higher credit growth due to the low charter capital, which caused the bank to have a low credit growth in 2022 compared to the average rate of the banking system.

Increasing charter capital for Agribank is very urgent as only when the minimum CAR is ensured for developing credit right from the beginning of 2023, Agribank has the resources to serve the capital needs of the economy, especially in rural areas, An noted, suggesting that the Government should advance the VND6.75 trillion of charter capital for Agribank as an estimated plan approved by the National Assembly.

Nguyen Quoc Hung, general secretary of the Vietnam Banks Association, also proposed the Government submit to the National Assembly to increase Agribank's charter capital in order to meet the regulated CAR. As Agribank's CAR is close to the allowed limit, the bank's capital mobilisation and lending will be both restricted without a charter capital hike.

Despite having a proactive advantage over Agribank, the three remaining State-owned banks still have to wait for the Government's approval in order to raise capital as expected. There are many potential risks for the three banks as their CAR is currently just slightly above the regulated minimum. Therefore, BIDV's chairman Phan Duc Tu requested the Government, the Ministry of Finance and the SBV continue allowing State-owned banks to use their after-tax profits after deducting funds in 2022 to increase charter capital in a move to enhance their financial resources and ensure the CAR.

For Vietcombank, though the bank has taken many measures to increase charter capital, its CAR is still very modest compared to its development needs as well as international standards. The bank's

chairman Pham Quang Dung proposed the Government and the SBV continue to give priority to the charter capital increase of State-owned banks.

Vietcombank is looking forward to soon being approved by the Prime Minister to increase its charter capital from the retained profits in 2019 and 2020 after deducting funds, which has been agreed by the SBV and the Ministry of Finance to submit to the Prime Minister. In 2023, Vietcombank plans to ask the SBV to submit to the bank's general meeting of shareholders to further increase its charter capital from all the remaining accumulated profits in 2021 and the previous years.

As the Prime Minister, the SBV and the Ministry of Finance have so far agreed on the proposal in principle, Vietcombank expects to receive support from the Government, the SBV and relevant ministries in the process of reporting, explaining and applying for approval of the proposal from the National Assembly, Vietcombank's chairman Pham Quang Dung said.

According to statistics, as of October 2022, the CAR of the State-owned banks was only 9.04 per cent, much lower than that of other regional countries, such as the Philippines (16.29 per cent), Singapore (17.2 per cent), Malaysia (18.3 per cent), Thailand (19.3 per cent) and Indonesia (23.3 per cent). Moreover, many countries in the region have so far applied Basel III, or a part of Basel III, while banks in Vietnam have mostly implemented Basel II. The low CAR will affect the credit supply of the State-owned banks, which will limit their support to businesses, especially when the economy is facing many potential risks. Notably, if the shortcoming is prolonged, it will be difficult for State-owned banks to maintain their dominant positions in the banking system.

A member of the National Financial and Monetary Policy Advisory Council also said it is necessary to increase charter capital for State-owned banks as sustainable banks will give the best support to the economy. For Agribank, the priority of increasing capital is even more important because the bank mainly serves rural areas, which are key for the economy.

If Agribank is allowed to increase capital, it will provide a large amount of cheap capital to the economy, helping millions of customers develop their businesses. When customers perform well, banks do business effectively, there will be good tax payments to the State.

A banking expert even said if considering the State budget as an investment, investing in State-owned banks will get the best return as they have been steadily profitable and annually contributed trillions of Vietnamese dong in tax to the State budget. Vietnamnews

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Central bank sets rules on transfer of money abroad

The State Bank of Vietnam has issued new regulations on cases of purchasing, sending, and bringing foreign currencies abroad for sponsorship and assistance purposes of organizations.



organisations.

According to Circular 20/2022/TT-NHNN, those cases include purchasing, sending, and bringing foreign currencies abroad for sponsorship and assistance purposes under commitments and agreements between the State, Government, and local administrations with other countries. The funding comes from the budgets or money sources of sponsoring and assistance providing

organisations. The cases also include purchasing and sending foreign currencies abroad for supporting the settlement of natural disaster, epidemic, and war consequences. The funding is from donations by domestic organisations and individuals, and/or money sources of sponsors and assistance providers.

They also cover purchasing and sending foreign currencies abroad to finance programmes, funds, and projects established by domestic organisations and/or foreign ones with the view of supporting and encouraging the development in the fields of culture, education (scholarship granting), and health care. The funding comes from money sources of sponsoring organisations.

The document also stipulates other cases of transferring money abroad from Vietnam for other purposes. It will take effect on February 15. VNA

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E-COMMERCE

Authorities enhance e-commerce supervision

Relevant ministries and agencies will tighten management and supervision of e-commerce to discover violations and prevent tax losses in 2023.



According to the Ministry of Industry and Trade (MoIT)'s E-commerce and Digital Economy Agency, it will coordinate with other relevant units under the Ministry of Information and Communications, and the Ministry of Finance to take measures in connecting and sharing data to strengthen the management of business activities on social networks in particular and in cyberspace in general.

The inspection will be also applied to see the responsibilities of e-commerce exchanges and social networks in screening, preventing and blocking accounts that do not provide adequate information and have signs of trading violated and counterfeit goods.

The agency will continue to work closely with the MoIT's Market Management Agency, the Ministry of Public Security's Department of Cybersecurity and High-Tech Crime Prevention, the Ministry of Science and Technology, and the Ministry of Information and Communications to inspect and supervise the businesses' compliance with the law on e-commerce according to the plans approved by the Minister of Industry and Trade.

It will also review existing policies to take practical adjustments with an aim to better manage e-commerce business activities. The agency will upgrade infrastructure systems and supporting services for e-commerce besides developing and applying new technologies in e-commerce, and supporting the digital transformation of enterprises.

In addition, it will promote training to improve the inspection and handling of violations in e-commerce. Events on anti-counterfeiting and enhancing the responsibility of e-commerce website owners in protecting consumers' interests will be also organised. In 2022, Vietnam's e-commerce sector continually developed to become an important distribution channel. During the economic recovery period after the pandemic, e-commerce has been one of the pioneering areas of the digital economy.

According to a survey of the Ministry of Industry and Trade, retail e-commerce revenue in Vietnam last year surged by 20% compared to 2021, reaching 16.4 billion USD, accounting for 7.5% of the country's total retail sales of goods and services.

With the goals of creating trust for consumers in online shopping, protecting healthy traders and promoting e-commerce development, the department reviewed and requested e-commerce companies

to remove or lock 1,663 stalls with 6,437 violated and counterfeit goods, and block five infringing websites.

However, to both prevent tax loss and ensure the legitimate interests of business individuals, experts said there should be regulations on the responsibility of information security of relevant organisations and individuals. Specifically, the responsibility for the security of websites and the responsibility to provide information to the tax authorities, helping to make tax management more effective.

According to Associate Professor Le Xuan Truong, Director of the Academy of Finance's Faculty of Taxation and Customs under the Ministry of Finance, the Government should add a regulation that forces e-commerce trading floors to be responsible for withholding and paying taxes on behalf of individuals as well as perform payment intermediary services and participate in operating and controlling delivery activities and receiving money from buyers.

He added that more than 40 countries have so far regulated the responsibility of e-commerce exchanges in deducting taxes of individuals if the floor provides payment services, or directly participates in the delivery and receipt of goods of buyers and sellers.VNA

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ENERGY

Rising energy costs to require roadmap for businesses' timely adjustment of strategies

The Vietnamese industrial sector may need to reevaluate in order to minimise the effect of rising power costs. This time of year is critical for the competitiveness of foreign-owned businesses in Vietnam. Last Tuesday, Hark-Kyu Park, president and CFO of Samsung Electronics, expressed the company's expectation that the Vietnamese government would continue to support its development. He said that Vietnam is an essential partner and Samsung's biggest manufacturing hub worldwide.



Do Nguyet Anh, chairman of the board at Northern Electric Equipment (NEE), said last month that Samsung in northern Vietnam “stopped several manufacturing lines” and “restricted satellite operations.” The longer-than-usual production halt resulted in a drop of 300 million kWh. Samsung is now one of NEE's major clients in terms of power use.

The steady recovery of domestic production is anticipated to result in a rise of 8-9 per cent in the industrial production index in 2023. Since Q4 of 2022, however, industrial output growth has slowed, reflecting uncertainties caused by low global demand and ongoing pandemic disruptions.

Anh observed that several significant power users, including steel, cement, and electronics, are lowering output and cutting manufacturing lines, reducing energy consumption. She said that NEE's production position was “far more challenging” as a result.

In 2022, the growth of commercial power in the north slowed to around 5 per cent, the lowest level in almost a decade. In prior years, this percentage usually ranged around 11-17 per cent.

Although it has not been verified that the price of energy will rise, variables influencing the input of the power sector are exerting pressure on the selling price of electricity. In accordance with 2017 legislation, the average retail price of electricity is modified depending on input changes at all stages of energy production, transmission, distribution, and retailing. Electricity of Vietnam (EVN) is permitted to raise the figure if the average retail price of electricity increases 3-5 per cent.

From 5-10 per cent of the average retail price of power, EVN must seek clearance from the Ministry of Industry and Trade (MoIT); beyond 10 per cent, the prime minister can raise rates. According to experts, it is likely that EVN's plan is to raise the average power price above 5 per cent, stemming from consultation with the MoIT and associated units.

Currently, the average retail price of electricity is 8 US cents per kWh; if a rise of 5-9 per cent is suggested, it may increase 0.4-0.72 US cents per kWh, and the average power price to consumers might climb 8.4-8.7 US cents per kWh. If the proposal rises by more than 10 per cent, the average price of

electricity may increase by more than 0.8 US cents per kWh and may increase by more than 8.7 US cents per kWh.

“Therefore, the pressure would be enormous for textile businesses if EVN increases electricity costs as recommended,” said Pham Van Viet, general manager of Viet Thang Jeans. Electricity costs a typical factory between \$26,000 and \$43,000 each month.

Viet is afraid that if the price of power increases, the company’s products will no longer be able to compete. Due to rising inflation, decreased orders, and enormous inventories on the US and European markets, the output market is extremely competitive.

“We still do not have enough orders for the first months of 2023. The company’s capacity has been decreased by 80 per cent, and employees have been laid off on a rotating basis,” Viet said.

“If the government is compelled to raise the price of power, there should be a roadmap and an early notification so that enterprises may adjust their production and business strategies appropriately,” Viet added. “The government must also evaluate the rate of growth in power prices, which must be commensurate with the resilience of companies.”

The cost of electricity is particularly high for energy-intensive businesses like cement, metallurgy, and seafood processing. Tran Van Linh, chairman of Thuan Phuoc Seafoods and Trading Corporation, said that increasing power costs in 2023 is not “appropriate timing”.

Prawn exports are experiencing difficulty in the two major markets of the United States and the European Union, owing to decreased demand caused by inflation and intense competition from nations like India and Ecuador. Current production costs for Vietnamese shrimp are around \$1 per kg higher than those of their rivals.

According to Linh, if the price of energy rises at this time, companies will simultaneously experience two negative effects – the price of electricity and the cost of inputs will increase, and production expenses will continue to rise. “Businesses inevitably lose money because buyers refuse to pay higher costs for prawns, limit orders, or even abandon the market,” Linh said.

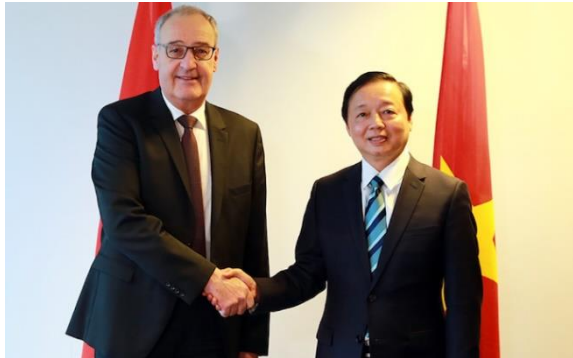
When it comes to the rise in the selling price of energy from the standpoint of businesses, when input costs rise, the selling price must rise as well. Dr. Nguyen Duc Do, deputy director of the Institute of Economics and Finance, said that retail electricals have not yet been subject to competition from a commercial standpoint. Do said that an increase in power rates at this time would also negatively impact production and people’s livelihoods. “The existing power market is still a strong monopoly, and the justification for the price hike is tough to digest,” he said.

“If there is no rise, on the other hand, the electrical business cannot sustain losses indefinitely. Therefore, the authorities must examine whether and by how much to raise prices in order to balance the interests of individuals, enterprises, and EVN.” VIR

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Vietnam fosters shift to renewable energy

With an emphasis on sustainable power, the Vietnamese government has enacted several procedures and regulations to foster an equitable energy transition.



Switzerland will assist Vietnam's transition to a circular economy and digital transformation in line with sustainable trends, Guy Parmelin, said head of Switzerland's Department of Economic Affairs, Education, and Research, in talks with Tran Hong Ha, Vietnam's deputy prime minister, on January 16.

Vietnam's deputy prime minister Tran Hong Ha with Guy Parmelin, Switzerland's head of Department of Economic Affairs, Education, and Research

The Swiss government is drafting a new energy plan until 2050, with an emphasis on renewable energy. Parmelin praised Vietnam's pledge to cut emissions at COP26 and congratulated Vietnam on signing a fair energy transition agreement with G7 nations and development partners.

In the meantime, the Vietnamese side seeks Switzerland's participation in more types of cooperation to aid Vietnam's transition from fossil to renewable energy sources. To attain its goal of zero emissions by 2050, Vietnam must collaborate in research and innovation.

Two weeks ago, Pham Nguyen Hung, deputy director of the Electric and Renewable Energy Authority under the Ministry of Industry and Trade (MoIT), said that the Vietnamese government had issued numerous policies and mechanisms to promote renewable energy sources.

Vietnam is the leader in the area in terms of renewable energy capacity growth. According to MoIT, the total installed capacity of renewable energy sources reached 20.7 GW in 2021, more than 27 per cent of the power system's total installed capacity.

In Vietnam, renewable energy has accounted for 27 per cent of the installed capacity of the overall power system during the last three years. According to Vietnam Electricity, this is a significant supplementary source of electricity supply, satisfying the present high load demand with an estimated 10 per cent annual growth rate.

According to Hung, the world's renewable energy technology is advancing swiftly, the cost of technology is decreasing rapidly, and technical solutions for electricity transmission and storage are making significant strides.

Hung said, "This is an excellent chance for the government to continue formulating policies and programmes to fulfil the objective of an energy transition toward green development."

The Ministry of Information and Technology is working to review and finalise the National Power Development Plan for the period 2021-30, with a vision to 2050 (PDP8), as well as to examine and

propose legislation on renewable energy development to create a favourable legal corridor to encourage domestic and foreign private enterprise investors to invest in the construction of this energy source.

According to the PDP8 draft, renewable energy sources would steadily grow their proportion to about 24 per cent by 2030 and surpass 50 per cent by 2045. For instance, wind power's share of total installed capacity will rise from 10.8 per cent to 15.8 per cent by 2030, with offshore wind power alone accounting for 4.8 per cent.

The renewable energy market for the next phase is awaiting a new policy, PDP8, and the electricity purchase price policy for transition projects and new investment projects has not yet been announced.

Hong Kim Vi, Thailand's Super Energy Corp. deputy general director of global relations, divided energy investments in Vietnam into three categories: first is international investors. Second is Vietnamese companies gaining financing from both local and international institutions. Third is investors who want to engage in initiatives but have not yet secured funding.

The future development of renewable energy sources in Vietnam requires a "solid and long-term strategy," according to Vi. Vietnam lacks clear legislation regarding power selling prices, investor selection methods, and the foundation for executing renewable energy projects between now and 2025, and beyond. VIR

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RETAIL

Retail sales of goods, services up 20% in January

Vietnam's total retail sales of goods and services in January was estimated at VND544.8 trillion (\$23.22 billion), up 20% as compared with the same period last year, according to the General Statistics Office (GSO).



The office explained that the hike was attributed to the growing consumption demand as Tet (Lunar New Year), the biggest and longest festival in the Southeast Asian nation, fell in the month.

Of the total, the retail sales of goods were VND435.4 trillion, a year-on-year rise of 18.1%, with the biggest increase seen in garments (27%).

The revenue from lodging and catering services reached VND56 trillion, representing a year-on-year rise 37.3%.

Notably, tourism raked in VND2.2 trillion, a surge of up to 113.4% from the corresponding time last year, with the highest increases recorded in such localities as Hai Phong (541.5%), Da Nang (387.1%), Tien Giang (380.2%), Lao Cai (196.3%), Hanoi (113.8%) and Ho Chi Minh City (98.7%).

The revenue from other services was valued at VND51.2 trillion, up 16.8% year-on-year.

The GSO said the purchasing power during the holiday rose about 8-10% against other months and was equivalent to the same period last year, with the strongest growth seen in food, foodstuff and essential goods.

Hoang Anh Duong, Deputy General Director of the Market Surveillance Agency under the Ministry of Industry and Trade, said market management forces have intensified inspections and supervisions, especially on e-commerce platforms and social networks, while coordinating with other competent agencies in controlling the quality of oil and gas products. Vnexpress

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LOGISTICS

Hai Phong aims to become an international logistics centre

The northern city of Hai Phong aims to become a regional and international logistics centre due to its many advantages as a transportation hub for all five types of traffic, including sea, road, air, railway, and inland waterways.



This objective is highlighted in the northern city's service sector development project for 2030, with a long-term vision to 2045, including logistics services.

The city is also studying to develop a project to establish a free trade zone, considered a breakthrough solution to exploit the best advantages in the logistics sector of Hai Phong.

The Politburo's Resolution 45 on building and development of Hai Phong city by 2030, with a vision to 2045 also states that Hai Phong must be built into a national logistics service centre by 2025.

"By 2030, it will become a modern international logistics service centre with sea, air, highway and high-speed rail".

According to former Secretary of the Hai Phong city Party Committee Tran Luu Quang, who has been appointed to the Government's Deputy Prime Minister, to develop logistics services, Hai Phong will promote administrative reform and digital transformation in the field of seaports and logistics.

It will strengthen investment attraction and trade promotion, and form logistics service chains with high added value and regional linkages.

According to the Ministry of Industry and Trade, Hai Phong has great advantages in infrastructure of seaports, fishing ports, warehouses for industrial production, and import and export activities of goods.

At the same time, some of 14 industrial parks (IPs) are built on the basis of logistics services to increase connectivity among enterprises at the supply chains.

In the past, Hải Phòng has focused on investing and upgrading seaport infrastructure in line with the development trend of regional and international shipping. Its transport system is improved and more synchronous.

Many projects on developing logistics centres in industrial zones and economic zones (EZs) have also received licences of investment, such as a logistics centre invested by KM Cargo Services Hai Phong Co, Ltd with a capital of 34.8 billion VND; a logistics project with total investment capital of 35 million USD developed by ECPVN Hai Phòng 1; JD Property Logistics Park Hai Phong 1 project in the non-tariff zone

and Nam Dinh Vu Industrial Park with a total investment of 32 million USD. Those have created new opportunities for the logistics service industry in Hai Phong. Quang said that in 2022, traditional and advantageous service sectors such as seaport and logistics services have made strong developments. They have actively contributed to the socio-economic development of Hải Phòng and the northern key economic region.

Hai Phong's growth rate of logistics services is about 20-23% per year and this sector has accounted for 13-15% of the city's GRDP. The volume of goods through the ports in the city has grown strongly, accounting for a large market share in the seaport system of the country.

Pointing to the service's shortcomings, Dan Duc Hiep, former Vice Chairman of the municipal People's Committee, said that Hanoi has about 1,000 enterprises registering to provide logistics services, but they have limited competitiveness and a low market share. The majority of cargo volume via Hai Phong seaport continues to be transported by road, putting great pressure on the transport system. Meanwhile, transporting goods by rail and inland waterway is still weak.

There is also the problem of labour shortage, especially high-quality labour. Logistics and production enterprises of Hai Phong are always in a serious shortage, especially logistics sales staff, logistics information technology staff, and staff coordinating transportation and warehouse operations.

At the same time, most employees of enterprises lack logistics knowledge and skills. This will be a big challenge for the development of the service in the future. According to forecasts, Hai Phong needs about 369,000 logistics workers by 2025, including 252,600 trained workers. By 2030, this number will increase to 460,000 employees, including 368,000 trained workers.

Human resources for the logistics sector in Vietnam in general and Hai Phong in particular will still lack in both quality and quantity for many years in the future. The human resource at present meets only about 40-45% of the industry's needs. Therefore, Hai Phong needs to have a strategy on sustainable development of human resources for the logistics sector, Hiep said. VIR

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INVESTMENT

Japanese groups to pour hundreds of millions into projects in Quang Ninh

Several Japanese groups have plans to invest in projects worth hundreds of millions of dollars in the northern province of Quang Ninh in 2023.



Notably, the Tenma group from Japan has plans to invest \$150 million in a factory to produce plastic injection moulds in the province.

Hirohiko Hirono, CEO of Tenma, explained that the factory is planned to cover an area of 18 hectares in Song Khoai Industrial Park (IP).

Within the framework of the meeting with leaders of Quang Ninh People's Committee, Hitoshi Kimura, managing director of Castem Co., shared the plan to develop a \$14 million metal casting factory which will cover an area of two hectares.

Acting Chairman of Quang Ninh People's Committee Cao Huy Tuong said that the province will create the most favourable conditions possible for investors, including land clearance, investment procedures, and other incentives.

Earlier on January 13, Yaskawa Electric Group from Japan worked with Huy to present a feasibility report on a \$100 million investment to build an automatic machine tool factory in Song Khoai IP. The Japanese company specialises in motion control, robotics, and systems engineering, amongst others.

Nakajima Takeo, chief representative of the Hanoi Office of the Japan Trade Promotion Organisation and vice president of the Japanese Chamber of Commerce and Industry in Vietnam said, "With Quang Ninh's strategic location, logistics services, manufacturing, green energy, LNG, aquaculture, and agriculture are all attractive sectors for the Japanese."

"Within various manufacturing sectors, including automotive and parts, electric and electronics, machinery, semiconductors, and industrial materials, the Japanese have the potential to expand production in Vietnam. The province has invited IP developers to build competitive business sites. Also, the state has invested in ports, roads, and an airport with public funds and private finances," Takeo said.
VIR

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FDI inflows to Vietnam reach almost US\$ 1.7 billion in January

According to the General Statistics Office (GSO), Vietnam lured \$1.69 billion in foreign direct investment (FDI) as of January 20 this year, a year-on-year decrease of 19.8 per cent.



There were 153 newly-registered projects totalling \$1.2 billion, up 48.5 per cent in quantity and 3.1 times in value against last year's January.

About \$651.9 million of FDI capital was poured into the fields of wholesale, retail, and repair of automobiles and motorised vehicles, accounting for 54.1 per cent of the total registered sum. Meanwhile, the processing and manufacturing industry attracted \$351.2 million, making up 29.1 per cent of the total registered capital.

According to the GSO, 28 foreign countries and territories invested in Vietnam in January. Singapore took the lead with \$767.6 million, accounting for 63.7 per cent of the total newly registered capital. China came in second with \$198.2 million, making up for 16.4 per cent of the total sum.

Meanwhile, Vietnamese investors have received investment certificates for three project overseas with the total capital of \$126.7 million, up by 3.4 times against the same month in 2022.

In 2022, Vietnam lured over \$22.4 billion in FDI capital. The country is anticipated to draw \$36–38 billion in FDI capital in 2023, according to the Foreign Investment Agency under the Ministry of Planning and Investment.

There are favourable indicators for Vietnam to facilitate FDI attraction in 2023. Beside positive economic growth in 2022, local authorities have made constant efforts in improving the investment climate, building trust with investors, and effectively exploiting free trade agreements.

A report by HSBC also points out that Vietnam's FDI attraction will benefit from China's move to reopen borders in 2023. China has invested heavily in consumer electronics sector in Vietnam. High-profile examples include Apple's plans to relocate the MacBook supply chain to Vietnam.

On the contrary, the FDI flows from the South Korea, Japan, and Taiwan (China) into Vietnam will be accelerated. This trend is expected to continue into 2025 as Vietnam will be a preferred investment destination for these Asian investors. VIR

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