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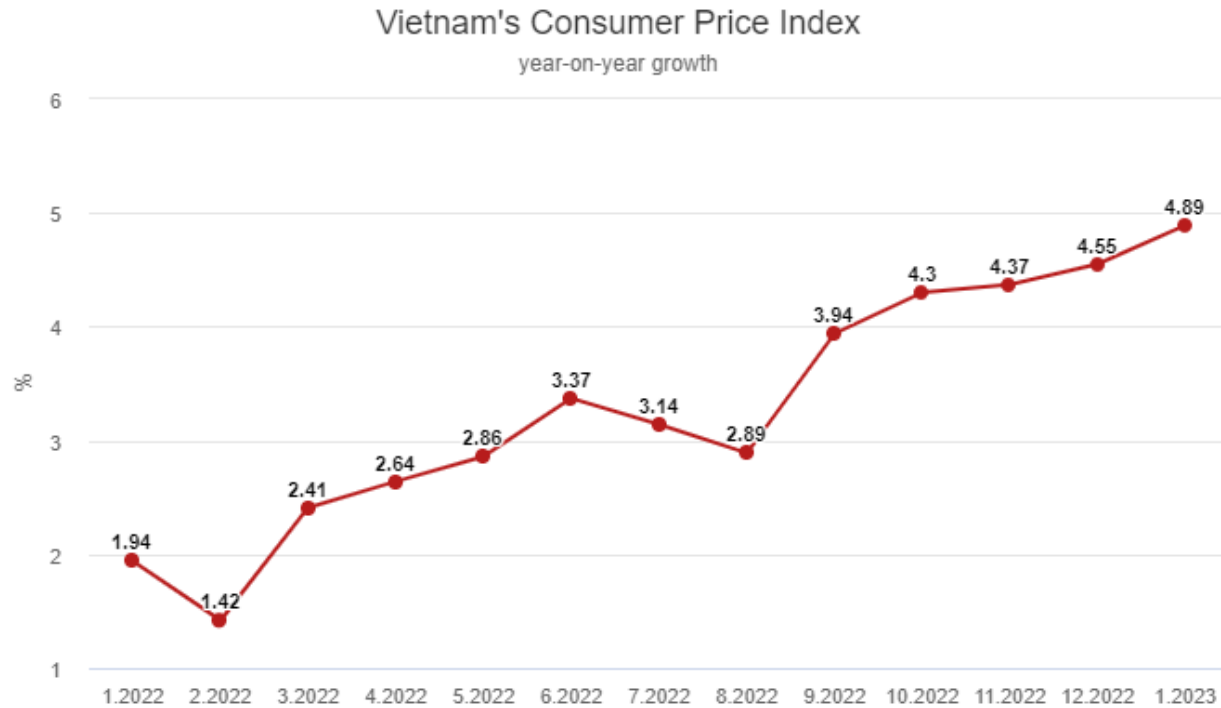
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FINANCE

Vietnam inflation may have reached its peak

Vietnam's inflation has been rising non-stop since September but may have found its peak last month as consumer demand weakens.



Starting from a low base of 1.42% in February last year, the Consumer Price Index (CPI) rose 4.89% last month.

Core inflation, which measures the long run trend in price level, increased 5.21% year-on-year. Pham The Anh, a lecturer at the National Economics University, said that inflation may have peaked in January and that it will start to decline this month, gradually dropping to 3-3.5%.

Vietnam's CPI last year reached 3.15%, much lower than the average of 7.85% in Southeast Asia, while developed countries in other parts of the world recorded double-digit figures.

Analysts have said that this year inflation will transition from developed countries to developing ones, and that as some developed countries have reached inflation peaks, developing countries are now looking for their peaks.

ACB Securities analysts said that there will not be a surge in inflation at least in the first half of this year, and they forecast that the government will succeed in controlling inflation within the 3-4.5% range. The government goal is to keep inflation below 4.5% this year.

A weakened demand is one reason for the lower forecast. Revenues from retail and services in January was only 88.1% of pre-Covid figures, even though it has risen 15.8% year-on-year, according to the General Statistics Office.

The decline in stocks, bonds, and property prices also dragged down consumption, while the high interest rates have encouraged people to save and cut spending, Anh said.

There is lack of data to predict consumer trends in the upcoming months; HSBC and SSI both agreed that they would need to wait for February data to make a forecast.

Another factor that holds inflation from surging is a slower growth in Vietnam's money supply, which rose less than 4% last year, a plunge from the 11-15% recorded in previous years.

Anh said that currency will not have a major impact on inflation now. Global prices of commodities are believed to have peaked and are now on a downward trend.

OPEC countries expect to reach a production of 34.37 million barrels of crude oil a day this year, up 0.8% from last year, while non-OPEC countries are set to see a 0.7% increase in production to 66.3 million barrels a day.

The U.S. is set to produce 440,000 more barrels per day this year. "With this data we believe that fuel prices will stabilize in the first half of this year and will have limited impact on CPI," ACB Securities analysts said. Vnexpress

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E-COMMERCE

E-commerce market achieves major breakthrough

The value of Vietnam's e-commerce market is expected to reach US\$40 billion by 2027, representing growth of 28 percent - the highest expansion rate in Southeast Asia, according to the conclusion of Meta and Bain & Company's annual SYNC Southeast Asia study on the digital economy and the future of e-commerce in the region.



Vietnam's e-commerce market is predicted to record 28 percent growth, the highest rate among Southeast Asian nations, and reach US\$40 billion by 2027. The average contribution of e-commerce to total retail has continued to increase at 15 percent, accounting for six percent of Vietnam's total retail value.

Khoi Le, Meta's Vietnam Country Director, said Southeast Asia's e-commerce market has many opportunities in terms of userbase. Vietnam recorded an increase of four million digital consumers in 2022. Eight out of ten individuals of working age are digital consumers. This means there are 60 million active digital consumers in Vietnam.

According to the White Book on Vietnamese E-Business 2022 released by the Ministry of Industry and Trade's Vietnam e-Commerce and Digital Economy Agency, the size of Vietnam's e-commerce retail sector was expected to increase by 20 percent in 2022, reaching approximately US\$16.4 billion. In addition, it is anticipated that between 57 and 60 million Vietnamese engage in online shopping, spending US\$260-285 per capita.

This outcome is a result of Vietnam's utilization of the e-commerce development trend and the completion of a progressive regulatory framework governing online buying activities. Since the issuance of Government Decree 52/2013/ND-CP on e-commerce, revenues from retail e-commerce have climbed from US\$2.2 billion in 2013 to US\$16.4 billion in 2022.

According to the Vietnam e-Commerce and Digital Economy Agency, e-commerce promotes the growth of electronic payments because 90 percent of goods and products purchased on e-commerce floors are paid for online using bank cards. Despite the pandemic, internet and mobile phone transactions in Vietnam increased by 238 percent.

In its forecast for Vietnam's e-commerce business, the professional team of e-commerce portal iPrice emphasized the relevance of e-commerce in the future. In addition, the iPrice expert team identified several major trends. These include tailoring the shopper experience as consumers become increasingly reliant on e-commerce companies to help them find the things they need while also streamlining the supply chain to reduce delivery time and improve product quality.

The second trend is the development of cashless transactions. According to a survey by Facebook and Bain & Company, the rate of cash payments (Cash on Delivery) in Vietnam declined from 60 percent in 2020 to 42 percent in 2021, while e-wallet usage increased by up to 82 percent, compared to an 18 percent rise in bank transfers.

Implementing the 2021-2025 National E-commerce Development Master Plan, Vietnam's industry and trade sector will continue to collaborate with banks to develop e-commerce in the next years, creating favorable conditions for e-commerce platforms.

Specifically, the Ministry of Industry and Trade will continue to improve the legal framework; promulgate policies, regulations, and implement comprehensive solutions to increase the rate of e-payment on mobile platforms and reduce the use of cash; develop infrastructure and solutions to support electronic transactions and integrate payments in e-commerce; and concentrate on the development of payment utilities on mobile platforms.

To create more favorable conditions for e-commerce, the ministry will continue to improve the legal framework and issue policies to increase the rate of electronic payments; provide infrastructure and solutions to support electronic transactions; and develop payment facilities such as e-wallets, QR code, NFC, and POS.VEN

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ENERGY

Burdens still to be tackled to ensure efficient DPPA pilot

Foreign investors have been closely monitoring a proposed pilot on the direct power purchase agreements in Vietnam, especially those with a long-term business strategy in renewable energy. However, the country's limited mechanisms may mean the long-term goals will be difficult to attain.



International developers have called for a direct power purchase agreement pilot for many years, Photo: Shutterstock

The European Chamber of Commerce in Vietnam (EuroCham) last week noted that the objective of 100 per cent clean energy is a challenging target but it is one that has become commonplace for global companies.

“To support these initiatives, we would welcome the immediate implementation of the direct power purchase agreement (DPPA) pilot scheme of 1,000MW capacity – with further expansion after the pilot, or correction of rules if not. There should also be an easing of the regulatory burden on companies wishing to implement clean energy plants,” said Tomaso Andreatta, chairman of EuroCham’s Green Growth Sector Committee.

A DPPA would allow businesses in Vietnam to purchase electricity directly from private firms producing renewable energy, instead of through local power utilities. The measure would help individual companies to achieve their own clean energy supply targets.

It was noted that electricity from liquefied natural gas (LNG) plants will not assist EuroCham members in achieving their clean energy goal, as LNG is not a clean fuel from extraction to consumption. Therefore,

the rising use of LNG to produce electricity will not increase the attractiveness of Vietnam as a manufacturing location when judged by the clean energy objective, according to the Green Growth Sector Committee.

The Ministry of Industry and Trade (MoIT) has prepared several draft legislative instruments since 2020 on the DPPA pilot scheme, including a May 2021 draft circular and October 2021 report, together with a May 2022 draft decision. These core documents provide an insight into the DPPA pilot's likely structure and conditions, but no specific launch date for the scheme has been confirmed by the prime minister.

Unlike the latest draft circular, the decision does not describe the implementation and pricing mechanisms of transactions in significant detail, nor specify the criteria for participation in the programme. In addition, although it is not explicitly stated in the draft decision, a difference in the pricing mechanism is that power consumers will purchase power from Electricity of Vietnam at retail price rather than spot price, plus applicable fees and charges, as was stipulated under the draft DPPA circular.

Global firms had been ramping up calls for such a pilot over the years, with 26 top international companies and organisations purchasing more than 16 million mWh of electricity and boasting total investment in Vietnam of \$1.57 billion, as well as signing a declaration of support for DPPA in Vietnam in 2019.

Vietnam has experienced a rapid deployment of solar (18GW) and wind (4GW) assets over the past three years. This has resulted in material issues around grid congestion and curtailment, requiring wholesale upgrades to Vietnam's transmission infrastructure. As a result, the DPPA scheme is limited to an aggregate capacity of only 1,000MW.

The current draft Power Development Plan VIII acknowledges Vietnam's existing grid overload and curtailment issues, with the MoIT committing to building 86 gigavolt-amperes of additional capacity for 500kV stations and nearly 13,000km of transmission lines, requiring up to \$32 billion in investment to 2030. VIR

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Vietsovpetro urged to pay more attention to renewable energy

Vietsovpetro should pay more attention to renewable energy, especially wind power which is Russia's strength, First Deputy Speaker of the Federation Council of Federal Assembly of Russia (upper house) Andrey Yatskin said on February 20.



First Deputy Speaker of the Federation Council of Federal Assembly of Russia (upper house) Andrey Yatskin presents a souvenir to Vietsovpetro.

At a working session with representatives from the Russia-Vietnam oil and gas joint venture in the southern province of Ba Ria-Vung Tau, Yatskin stressed that Russia always supports Vietsovpetro for stronger relations between the two countries.

Acting Director General of Vietsovpetro Vu Mai Khanh noted that with the support from both sides, the joint venture will focus on renewable energy, particularly wind power.

2022 is the first year Vietsovpetro ended the decline in production, and increased its reserves at over 3.5 million tonnes, exceeding the set plan by 25%.

With its determination and creativity in management and administration, Vietsovpetro is striving to exploit nearly 2.9 million tonnes of oil and condensate gas, earn a total profit of US\$222 million, and contribute US\$673.4 million to the State budget in 2023. VOV

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RETAIL

Thai largest retailer to pour over US\$ 1.4 billion in Vietnam

Central Retail Corporation (CRC), the largest retailer of Thailand, has announced its biggest investment in Vietnam at 50 billion baht (1.45 billion USD) in the 2023-2027 period to accelerate its market presence in the country.



According to CEO of CRC Yol Phokasub, the firm sees Vietnam as a high-potential market that posted continuous economic growth. With CRC's strong foothold in the country, it has set a five-year roadmap to continue its expansion there, allocating 50 billion baht over a five-year period.

The Vietnamese retail market, valued 49.7 billion USD, is expanding 10-12% each year.

The CRC invested more than 10 billion baht to expand its retail business in Vietnam during 2012-2022. It has more than 340 stores with a total gross floor area exceeding 1.2 million square metres across 40 provinces.

Olivier Langlet, CEO of Central Retail Vietnam, said that the company recorded rapid sales revenue growth in the country, rising from 300 million baht (8.7 million USD) in 2014 to 38.6 billion (1.12 billion USD) in 2021.

He said that Vietnam's economy continues to grow despite uncertainties, with GDP growth expected to increase by 6.7 per cent and 7.2 per cent in 2023 and 2024, respectively, compared with 3.5 per cent a year in Thailand over the next two years. This will make Vietnam Southeast Asia's fastest growing market, he said.

Central Retail Vietnam wants to grow its food business nationwide to reinforce its leading position in Vietnam's hypermarket segment by rebranding and renovating 10 GO! branches and expanding Tops market and Mini go! branches by adding 8-10 outlets to better serve the needs of local consumers, he said.

The company vows to strengthen its fresh food category and the non-food category to drive customer traffic via renovation, in addition to preparing for new branch launches in the future, he underlined.

He said the firm plans to renovate 10-12 branches of Nguyen Kim, an electrical appliance chain, and add 3-5 new branches, including stores in its GO! malls. VNA

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LOGISTICS

Vietnam's logistics industry looks bright despite headwinds

Vietnam's logistics industry remains a bright spot amidst intensifying headwinds in the global market.



Alexer Yap, head of YCH Cambodia, Laos, Myanmar, and Vietnam said, "ASEAN's economy is expected to grow slowly yet robustly amidst strong inflationary pressures and projected global economic downturns. Despite this, the outlook remains positive for the growth of the logistics industry in Vietnam, reinforced by the massive shift in manufacturing from China to Southeast Asia."

In addition, Deputy Prime Minister Le Minh Khai recently signed Resolution No.163/NQ-CP to promote the simultaneous execution of important tasks and solutions for the logistics sector. Yap stressed that this is an encouraging move for the nation. Vietnam is experiencing exponential growth as a top-of-mind location in ASEAN to venture into, especially for the manufacturing sector due to its strategic location and low-cost labour. To support this growth, a push for infrastructure, systems, and processes is essential.

He added that this has to come from a top-down approach, exercising simultaneous implementation of regulations to develop the systems, structures, and infrastructure. From YCH Group's perspective, the signing of Resolution No.163/NQ-CP is a welcoming piece of news to push Vietnam SuperPort to become the first-of-its-kind multimodal logistics infrastructure and ready to drive supply chain connectivity in the region. This will help Vietnam's aspiration to stay competitive and boost the logistics industry in the country and beyond. Vietnam is at a sweet spot for logistics providers, as its strategic location makes it ideal for facilitating the cross border movement of goods.

Meanwhile, Jan Segers, general manager of Noatum Logistics Vietnam Co., Ltd., said that Vietnam is mainly a free on board market, so shippers and suppliers depend on demand from overseas where presently people are suffering or spending less due to inflation and recession. This is likely to last until the third quarter or even longer. Many of Noatum Logistics' overseas customers have already postponed their orders or even cancelled them. The company has to look for new markets and products.

He believes that Vietnam can increase the competitiveness of its logistics as long as the congestion around the ports is resolved. Meanwhile, imposing extra costs like infrastructure tax will not boost competitiveness.

According to a global survey released by Germany's Container xChange, businesses around the world deem Vietnam and India as attractive alternative locations for the diversification of their supply chains away from China this year. 67 per cent of respondents thought that Vietnam and India would emerge as functioning container shipping hubs this year and change the existing layout of the global transport industry.

More trade flows are emanating from these alternative manufacturing centres. Vietnam, for example, now hosts about 20 of Apple's approximately 200 regional suppliers. It has also become the second-largest e-commerce market in Southeast Asia, after Indonesia. The e-commerce boom has created additional demand for the logistics sector.

In this context, global companies are keeping an eye on the expanding Vietnamese market. FedEx announced in December that it would assist Vietnamese companies in taking advantage of new chances for cross-border trade provided by the Regional Comprehensive Economic Partnership. DHL Express, a leader in global logistics, has spent \$2.1 million to build a service centre in Hanoi, which marks another step in the company's continued commitment to facilitating international trade for Vietnam.

Yap from YCH said that Vietnam has a coastline of more than 3,000km that extends from the north to the southwest. Vietnam's geographical standing sees the country sharing borders with China, Cambodia, and Laos, establishing itself as an important logistics route between Indochina and the rest of the world.

"The strategic importance of Vietnam is evidenced by the exponential influx of foreign direct investment," he said.

"As big manufacturing names start to search for alternatives to China, Vietnam has benefitted significantly from the likes of Apple, Samsung, Intel, and more. Many logistics and supply chain providers recognise this phenomenon and are looking to enter Vietnam to capture the growing demand for logistics and related services. YCH Group is the largest Singaporean investor, as well as the first and one of the largest foreign supply chain providers in Vietnam," Yap concluded.

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Over 13 trillion VND planned for Mekong Delta coastal road

The Mekong Delta province of Ben Tre plans to invest 13 trillion VND (547.25 million) in building a 53-km coastal road this year.



According to Cao Duc Minh, Director of the provincial Department of Transport, the coastal road will cross Tien, Ham Luong and Co Chien rivers and connect Ben Tre with its two neighbour provinces of Tien Giang and Tra Vinh.

The road will start at the intersection with provincial road 877B in Phu Dong commune, Tan Phu Dong district, Tien Giang province, and end at

Thanh Phu bridge, Long Hoa commune, Chau Thanh district, Tra Vinh province.

The project will be funded by official development assistance (ODA) programmes for the Mekong Delta's sustainable development and the Ben Tre budget, he said.

In the first phase, from now to 2025, a two-lane road, plus 13 bridges along the way, will be built at a total cost of VND13 trillion. After 2025, the project will need an extra VND15.5 trillion to expand the width of the road from 12 metres to 100 metres in urban areas and 46 metres in suburban areas.

The road is part of a 740km coastal road project in the Southwestern region approved by the Government 13 years ago, running through the seven Mekong Delta provinces of Tien Giang, Ben Tre, Tra Vinh, Soc Trang, Bac Lieu, Ca Mau, and Kien Giang.

When opened to traffic, the coastal road will shorten the distance between the Mekong Delta's provinces and the southern economic hub of Ho Chi Minh City and help reduce traffic congestion and accidents on National Highways 1A and 50. VNA

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INVESTMENT

FDI into Vietnam remains strong in 2023

Foreign investments are expected to flow into the tech and property sectors this year despite concerns about a global economic slowdown.



They tripled year-on-year to US\$1.2 billion in January, with the number of projects surging by 48.5% to 153, according to the Ministry of Planning and Investment.

The investment in Vietnam's tech sector is a positive considering the short-term decline in the global tech industry, according to lender HSBC.

Chinese display manufacturer BOE is reportedly planning to invest \$400 million to build two factories in Vietnam, while Apple plans to start making MacBooks in the country this year. Some property market insiders expect a boost in foreign investment. Last year property ranked second in FDI at \$4.45 billion, or 16.1% of the total investment.

Starting in mid-2023, when interest rates are likely to stabilize, investment is expected to pour into Asian property, especially Vietnam, which is considered a safe country to invest amid global uncertainty. "There is still a large amount of capital waiting to be pumped into the property market," David Jackson, CEO of property consultancy Colliers International Vietnam, said. "Office, industrial and logistics are set to attract the most interests in Vietnam this year."

Residential and tourism property are also expected to benefit. But global recession and tightened spending remain obstacles. "We believe the situation will improve in the second half of the year and become favorable for FDI," ACB Securities said in a note.

Foreign portfolio investment has been robust, with exchange-traded funds investing more than VND3 trillion for a fourth month in a row in January. On the stock markets, foreign investors' net buying was worth VND4.2 trillion last month.

But SSI Securities warned that the reopening of China means investors could take their money there, weakening inflows into neighboring markets. Vnexpress

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Vietnam becomes a new destination for foreign companies

The article said Vietnam recorded the strongest economic growth in Asia in 2022 following a period of closure due to the COVID-19 pandemic. Switzerland is well-positioned to leverage advantages brought about by the Vietnamese economy. Two-way trade between Switzerland and Vietnam hit about 3.2 billion USD in 2020.



Hundreds of Swiss companies have been among the most important European investors present in Vietnam. In particular, the Swiss industrial equipment sector should fully tap the growing trend of "Made in Vietnam" products.

According to the article, the industrial boom in Vietnam could be clearly felt when entering the Van Trung Industrial Park, which is an hour's drive to the north of Hanoi. Early in the morning, many people were lining up in front of recruitment office of Foxconn - the most famous subcontractor for Apple. In front of a large dormitory for workers, there is also a large poster with a notice that Foxconn is recruiting 10,000 employees with favourable working conditions.

Foxconn is not the only factory hiring a large number of workers. Not far away, LuxShare, a competitor, is announcing that it will recruit 13,000 new employees. An automobile supplier is seeking 700 eligible positions while a solar panel manufacturer is announcing the recruitment of 6,000 positions.

Large industrial zones are being built and taken over by advanced electronics manufacturers, said the article.

The Republic of Korea's electronics conglomerate Samsung inaugurated a brand new research and development centre in Hanoi in December 2022. It also plans to invest around 3.2 billion USD to produce semiconductors in a neighbouring province. The US's semiconductor equipment company Amkor Technology will soon open a factory near the airport. And Pegatron of Taiwan (China) that produces components for electric carmaker Tesla and assembles iPhones, has recently begun operations near Ha Long Bay.

The article attributed Vietnam's above-said attraction to various factors such as a stable investment environment, 15 free trade agreements, including one signed in 2020 with the European Union (EU), helping Vietnam become a hub of industrial production at affordable costs.

Vietnam is being rated by foreign investors as a top priority for investment. Therefore, the country will continue to witness the emergence of super factories in the future, it concluded. VNA

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