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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Government acts to promote economic diplomacy for national development

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The Government has recently issued a resolution approving an action programme on accelerating economic diplomacy for national development for the period from 2022 to 2026.



The action plan is aimed at implementing the Party Central Committee Secretariat's Directive No. 15-CT/TW dated August 10, 2022, on economic diplomacy for the country's development to 2030.

The Government defines economic diplomacy as a central task of the diplomatic sector, an important driving force for national development, and a pioneer in mobilising external resources, thus contributing to the cause of industrialisation and modernisation, and strengthening the capacity, competitiveness, and resilience of the economy.

The action plan underlines the importance of continuing to expand and deepen relations with bilateral and multilateral forums, to make the most of political relations to promote economic cooperation and linkages to serve development.

It also stresses the need to closely monitor the impact of strategic competition among major powers, as well as strategic adjustments, policies, and economic initiatives of big countries towards the region in order to take advantage of opportunities and minimise potential threats.

The Government targets to increase the quality of international economic integration, and effectively implement international commitments, including "new-generation" free trade agreements (FTAs), and bilateral and multilateral agreements in the fields of finance, customs, social insurance, and labour. It also aims to improve the awareness and enforcement capacity of FTA commitments.

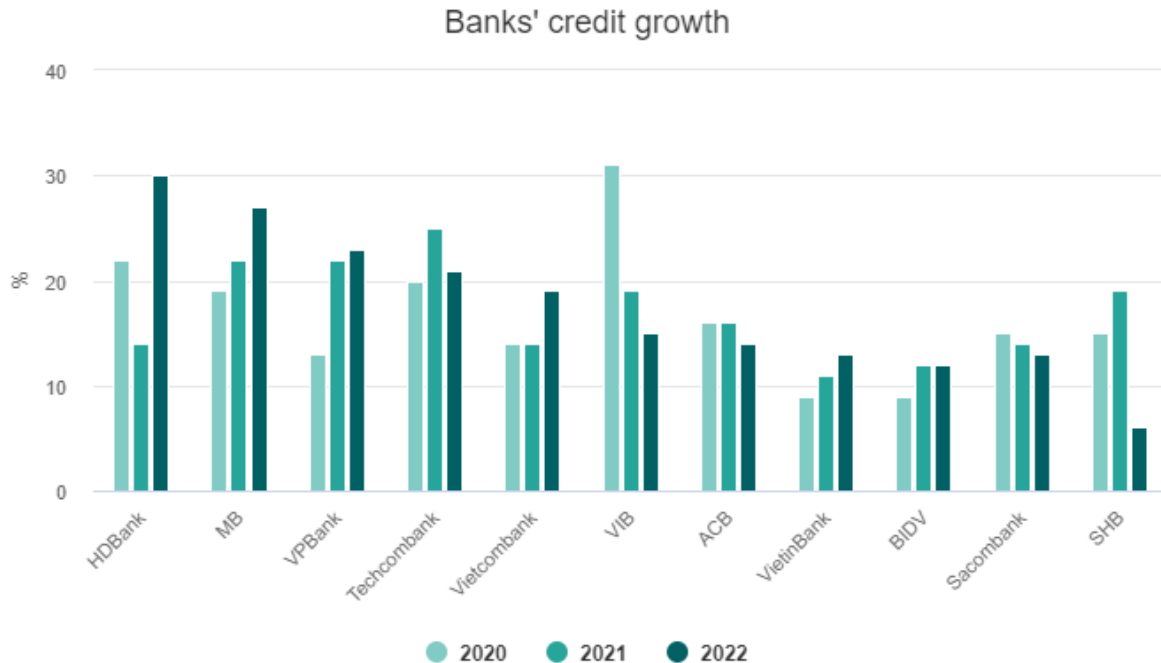
The Government also aims for a higher position of the economy in the global value and production chain, establishing a stable and reliable network of partners for important industries and fields in service of green transformation, sustainable development, digital transformation, technology transfer, and modern technology application.

It will actively perfect the defence system to protect the domestic economy, enterprises, and market in line with international commitments. The Government also looks to strengthen the early warning capacity of trade remedy cases, as well as the capacity to handle international trade and investment disputes.VNA

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## Deposit growth lags behind credit in 2022

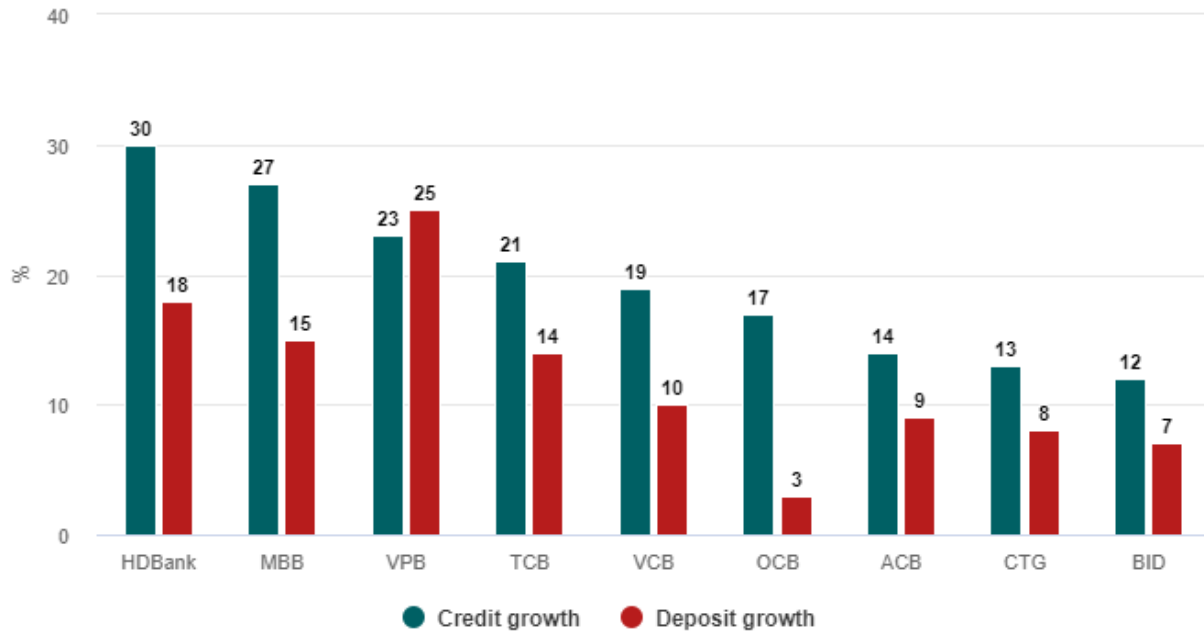
Banks saw a large gap between credit growth and deposit growth last year as businesses withdrew money prematurely to pay for expenses while mobilizing deposits faced difficulties. State-owned lenders Vietcombank, VietinBank and BIDV last year all posted the highest credit growth rate in the last three years.



Vietcombank, the most profitable lender, gave out more than VND1,100 trillion (\$46.37 billion) in loans, up 19% from 2021. The size of VietinBank's loans increased by 12% to VND 1,200 trillion, while BIDV's grew 13% to VND 1,500 trillion.

Private lenders such as HDBank and MB posted growth of 30% and 27% respectively, higher than in 2021 and 2020. VPBank posted 23% growth, a three-year high. Deposit growth, however, lagged behind. Vietcombank's deposit growth was recorded at 9%, while VietinBank and BIDV posted growths of just 8% and 7% respectively. HDBank's deposit growth was 18%, and MB's was 15%. VPBank was the only exception with its deposit growth exceeding credit growth by 2% points.

### Credit and deposit growth



Nguyen The Minh, director of analysis at Yuanta Securities, said that businesses often put cash into banks for unexpected expenses and get loans for normal expenses. But last year, especially in the second half, many companies had to withdraw their money to cover operational costs as they could not raise money from other channels, such as bonds, while accessing credit was difficult, he said.

"Companies needed capital but they could not get loans, and that was why they had to withdraw their savings to cover expenses," said Minh. "This affected bank deposit mobilization." This is also shown in a drop in the current account savings account (CASA), which is the money banks get from customer payment accounts that he or she can withdraw at anytime. Techcombank's CASA over total deposit ratio dropped from 47% to 34% during the year. MB saw the ratio decline from 40% to 37%.

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## E-COMMERCE

### Vietnam's e-commerce expected to grow further

Despite the global recession that has hit e-commerce markets in the world's biggest economies, Vietnam appears well positioned, in contrast, and is expected to grow through this phase, according to an article published on the foreign investment consulting firm Dezan Shira & Associates' Vietnam



Briefing website. The article cited Nirgunan Tiruchelvam, an analyst at Aletheia Capital, as saying that e-commerce markets in developed economies are struggling, but the same may not be experienced in fast growing emerging markets like Vietnam.

The global e-commerce sector was valued at over 3 trillion USD in 2022, according to Statista's E-commerce Report 2022. The three biggest e-commerce markets – China, the US, and Europe – account for the lion's share of this total e-commerce trade with a collective 2,723 billion USD in revenue. However, despite this big number, global e-commerce revenue fell, for the first time ever, in 2022.

A broad range of factors have contributed to contraction in the e-commerce market, with inflation and the pandemic considered two factors that have played a pivotal role in the market's contraction. Moreover, the Russia-Ukraine conflict provoked energy price shocks impacting fuel prices, according to the article.

For international e-commerce businesses, the global economic turmoil has translated to falling stock prices, and most prominently, layoffs. This layoff trend, however, has not hit Vietnam quite as badly, the article continued. Vietnam's e-commerce market hit 14 billion USD in 2022 and may reach as high as 32 billion USD by 2025. Google's e-Conomy SEA 2022 report predicts that Vietnam will be in the top three countries attracting the most investors in the e-commerce sector.

AIA Insurance Inc, SBI Holdings, and Alibaba are just a handful of the big names pouring money into Vietnam's Tiki, Lazada, and Sendo e-commerce marketplaces. Furthermore, the Ministry of Industry and Trade (MoIT)'s Vietnam E-commerce in 2022 report estimates that the online shopping value per user will also continue to increase.

The article pointed out that in Vietnam, the development of e-commerce has leapfrogged traditional retail like supermarkets and convenience stores. It makes sense then that McKinsey and Company has forecast that Vietnam's e-commerce market could be as big as traditional retail as soon as 2025. A trend that is not being seen in other parts of the world. VNA

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## ENERGY

### Vietnam to complete policies and laws for sustainable energy development

Experts discussed the implementation of policies and laws on energy development in the 2016-2021 period at a conference co-organised by the Vietnam Union of Science and Technology Associations



(VUSTA) and the National Assembly (NA)'s Committee for Science, Technology and Environment (CSTE) in Hanoi on March 5. Chairman of the National Assembly (NA)'s Committee for Science, Technology and Environment Le Quang Huy said that in the 2016-2021 period, the energy industry had developed rapidly in all sectors and fields, achieving many remarkable results.

The energy industry's achievements are an important premise to conducting the Politburo's Resolution 55, issued on February 11, 2020, on Vietnam's energy orientations and development strategies to 2030. However, Huy warned the energy industry still has some shortcomings, such as domestic energy supplies not meeting demand, the sector still lacking infrastructure, and technology levels in some areas needing improvement.

Huy suggested experts focus on discussing the current situation, completing policies and laws on energy development, and proposing specific solutions. From there, the proposals can be submitted to the NA Standing Committee to solve the present difficulties and problems, and improve policies on energy development towards ensuring a fair energy transition and national energy security. VUSTA Chairman Phan Xuan Dung said that to achieve green, sustainable economic development and climate change adaptation, Vietnam was promoting energy transformation with cooperation and support from partners.

The country has gradually reduced fossil fuels, prioritising renewable, new and clean energy. Prime Minister Pham Minh Chinh announced at the 26th United Nations Climate Change Conference (COP26) that Vietnam would achieve the goal of becoming carbon neutral by 2050. Assessing the actual implementation of policies and laws in energy planning in Vietnam, Associate Professor Truong Duy Nghia, Chairman of the Vietnam Thermal Science and Technology Association, said that the inter-sector relationship was not clear enough.

He said it is not clear that the development planning of one sector is influenced or affected by the others and vice versa. Nghia suggested that it was necessary to confirm the work's starting and completion time in the planning. In the vision stage, it is also necessary to have specific plans and avoid too much change. With the same point of view, professor Tran Dinh Long from the Vietnam Electricity Association suggested that the power plan No 8 should be approved soon. Otherwise, it would affect the technology and financial supply chain. The power plan No 8 should take into account clean and green energy transition. VNA

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## Singapore Power Limited acquires solar farms in Vietnam

Singapore Power Limited (SP Group), a sustainable energy solutions provider in Asia Pacific, has acquired 100 megawatts-peak (MWp) of solar power assets in Vietnam, showing a long-term commitment to the country.



The two solar farms acquired by SP Group, the Europlast Phu Yen Solar Power Plant (50MWp) and the Thanh Long Phu Yen Solar Power Plant (50MWp) in Phu Yen Province, are both located in the south-central coast of Vietnam. The Europlast Plant has been in operation since 2019 and generates 60 Gigawatt-hours (GWh) of clean electricity annually, while the Thanh Long Plant was established in late 2020 and has been generating 70GWh of clean electricity annually.

The two solar farms will provide a total of 130 GWh of clean electricity to the Vietnam Electricity power grid annually and can power more than 36,000 households in the country. Both solar farms combined will help Vietnam to reduce its CO2 emissions by up to 105,000 tonnes annually.

Despite global economic uncertainty, SP is confident of Vietnam's continued long-term development. The deal marks SP's first investment in solar farm assets in Vietnam, and is part of SP Group's green ambitions in Vietnam to invest and develop 1.5 GW of utility scale and rooftop solar projects by 2025. This is aligned with the company's long-term vision to help Vietnam achieve its sustainability targets of reaching net-zero emissions by 2050.

With Vietnam in discussions on a Direct Power Purchase Agreement (DPPA), end-customers may be able to purchase renewable energy directly from solar farms to supply their clean energy demands in the future.

SP currently designs, deploys and operates rooftop solar solutions that generate clean energy to green part of customers' energy mix. With this acquisition, SP will have the capability and expertise to help customers achieve 100 per cent clean energy consumption when the DPPA is in place. This acquisition

demonstrates SP's long-term commitment to be a one-stop provider of sustainable energy services that enables commercial and industrial customers to achieve their net-zero ambitions.

Brandon Chia, managing director, Sustainable Energy Solutions (SEA and Australia), SP Group, said "This acquisition is a key milestone of our long-term ambitions to help Vietnam transition towards a cleaner and economically sustainable future by incorporating more renewable energy for the country. Through our solar power offerings in both rooftop and utility-scale solutions, SP Group will be a one-stop provider to help our Vietnam customers meet their decarbonisation goals."

"In addition to renewables, we aim to help businesses and cities in Vietnam go green and to optimise energy demand and increase energy efficiency for commercial buildings, manufacturing facilities, and industrial parks," added Chia.

Since 2021, SP has been developing rooftop solar projects across the country through several partnerships and joint ventures, accumulating a total of more than 115MW of rooftop solar assets to date. The ventures include a partnership agreement with CJ OliveNetworks to jointly invest, build, and develop up to 50MWp of rooftop solar projects across Vietnam over the next two years. SP also inked an agreement to install up to 20MWp of rooftop solar power at three mega factories for manufacturer TKG Taekwang Vina in Vietnam. VIR

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## RETAIL

### Huge investment expected to boost Vietnam's retail market

The huge investment of retail giant Central Retail Corporation in Vietnam's retail market continues to demonstrate the attractiveness and development potential of the Vietnamese market in 2023.



According to Bangkok Post, Central Retail Corporation (CRC), Thailand's biggest retail group, announced its largest investment in Vietnam in the 2023-2027 period, worth 50 billion baht (1.45 billion USD). CRC CEO Yol Phokasub said that CRC considers Vietnam a high potential market with increasing economic growth. With a strong foothold in Vietnam, the company has laid out a five-year roadmap for further expansion and allocation

of 50 billion baht.

The company has recorded rapid sales revenue growth in Vietnam, increasing from 300 million baht in 2014 to 38.6 billion baht in 2021.

CEO of Central Retail Vietnam Olivier Langlet said "Vietnam's economy continues to grow despite uncertainties. I expect Vietnam's GDP to expand by 6.7% and 7.2% in 2023 and 2024, respectively, compared with 3.5% per year for Thailand. This will make Vietnam the fastest growing market in Southeast Asia."

Under the expansion plan, Central Retail Vietnam aims to double the number of stores to 600 in 57 out of 63 provinces and cities across Vietnam by 2027, with a total floor area of 2 million m<sup>2</sup>. "Central Retail Vietnam has set its ambition to become the No. 1 food omni-channel retailer and the No.2 in terms of the number of shopping malls in Vietnam by 2027," Langlet said.

In addition to Central Retail Vietnam, many other retail channels are also expected to increase investment in the Vietnamese market. Japan's Aeon Group is planning to implement 16 more projects in Vietnam until 2025, including 3-4 projects in Hanoi, while it will also launch new retail models.

Regarding domestic retail businesses, Deputy General Director of WinCommerce Nguyen Thi Phuong said that WinCommerce will maintain 3,400 supermarkets and convenience stores in 62 provinces and cities and will continue to promote its system of supermarkets and convenience stores. VNA

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## LOGISTICS

### Railway and seaport networks need to be arteries of economy

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The railway network connecting economic hubs and seaports needs to be designed as the key arteries of the economy, Deputy Prime Minister Tran Hong Ha said at a meeting with the Ministry of Transport and relevant departments on March 2.

The discussion focused on the planning, policies, solutions and resources to implement the railway and seaport planning for the 2021-2030 period, with a vision to 2050.



A report by the Ministry of Transport said that the goal is that by 2030, the network of seaports in Vietnam can handle up to 1.4 trillion tonnes of goods and 10.3 million passengers.

Around 33,600ha of land and 606,000ha of water surface are expected to be used to develop this network. The demand for investment by 2030 is about 313 trillion VND (13.2 billion USD).

This funding is expected to be mobilised from the private sector, among other sources. The State budget capital is focused on public maritime infrastructure and key economic areas. Ha also proposed an overall review of the general, specialised and inland waterway ports for renovation, utilising the transportation potential of the dense river network across the country.

He added: “The railway network planning must not only stop at renovating and repairing, but follow a modern, comprehensive direction to respond to the development demands in the future.” The roadmap also needs to be supported by in-depth studies for synchronised implementation of detailed plans.

Suggesting selecting one railway route to focus on, the Deputy PM asked the Ministry of Transport to work closely with the Ministry of Natural Resources and Environment for land use at intersections and stations. He also asked the transport ministry to focus on several key railway and seaports projects in the 2023-2025 plan, while carefully reviewing and estimating investment resources, economic efficiency and the role of the State in the projects to be deployed in the following phase.

The railway network investment and development projects to 2023 are expected to make breakthroughs on the main routes of great demand, utilising its strengths in transporting a large volume of goods and passengers through medium and long distances. The total demand for capital for the railway network by 2030 is estimated at about 240 trillion VND (10.1 billion USD), using the State budget as well as other sources.

After the master plans for the railway and seaport networks are approved by the Prime Minister, the transport ministry will actively implement the project, conducting evaluation after the first year, completing regulations and detailed plans, and allocating capital sources for the medium-term. VNA

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## An international transit terminal project in Can Gio district to start in 2024

An international transit terminal project in Can Gio district, Ho Chi Minh City, has been proposed to start in 2024 and have its first phase put into use in 2027.



As the cargo volume handled at seaports in HCM City is forecast to be 60 million tonnes higher than their capacity by 2030, the southern metropolis wants to accelerate the construction of this 5.3 billion USD terminal, which is expected to create a breakthrough in sea-based economic activities for not only the city but also the entire Vietnam, according to the Lao dong (Labour) daily.

Bui Hoa An, Deputy Director of the municipal Transport Department, was quoted by the newspaper as saying the cargo volume handled at local seaports stood at over 164.19 million tonnes in 2021. With an annual growth rate of 3.8%, it is forecast to approximate 230 million tonnes by 2030 while the capacity of existing facilities by that time is only 170 million tonnes.

Given this, it is necessary to build a new terminal in Can Gio in the 2021 - 2030 period to cater for the sea freight growth before and after 2030, he reportedly noted.

Pham Anh Tuan, General Director of the Portcoast Consultant Corporation, said the Can Gio international transit terminal is set to have 7.2km of wharves and cover some 570ha. It will be able to handle the world's largest container ships (24,000 twenty-foot equivalent units) at present.

The project will be implemented in seven phases, the first of which is hoped to start in 2024 and become operational in 2027 while the last is set to be put into service in 2045.

The official said that once operational, the terminal will contribute about 9 trillion VND (379.6 million USD) to the budget each year and create 7,000 jobs.

Not only giving a boost to socio-economic development in Can Gio district, it is also expected to help HCM City sustain its role as a logistics centre of the region and Asia and become an international financial hub. VNA

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## INVESTMENT

### Around US\$ 370 million in FDI inflows flood the real estate sector

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Foreign capital is pouring swiftly into the real estate market despite the depressing internal environment.



As of February 20, according to the Ministry of Planning and Investment, the real estate sector placed second among businesses and areas that are attracting foreign investment with the total investment capital of almost \$396.9 million, representing more than 12.8 per cent of the total. Compared to 2022, this figure climbed more than threefold.

Several industry professionals believe that industrial real estate will be the brightest light in the nation's real estate market in 2023. According to Trang Bui, general director of Cushman & Wakefield Vietnam, the country is the top market for industrial real estate investments.

According to her, Vietnam's location between China and Singapore and bordering the East Sea – one of the world's most important marine trading zones – gives it a strategic advantage. Vietnam is also the gateway to Laos, northeastern Cambodia, Thailand, and southwest China, and its location at the junction of global marine and aviation routes facilitates trade with both neighbouring and distant nations.

Around 40 per cent of cargo travelling from the Indian Ocean to the Pacific will transit the East Sea en route to China, Japan, South Korea, and the United States. Economist and Associate Professor Dr. Dinh Trong Thinh determines that Vietnam's real estate still has deficiencies in some areas. Thus, there are still several aspects that would benefit from international investment. Specifically, infrastructure is the component that helps Vietnam to lure foreign investment in general, and the real estate industry in particular.

The tourism and resort real estate sectors follow. Although Vietnam has developed a number of attractive tourist and resort locations over time, unfortunately, the optimal method for managing the firms and the substantial client base has not yet been established.

"If international companies invest, it will increase the number of tourists visiting Vietnam. In addition, there are relatively few items in the low-cost commercial housing market since investment is primarily concentrated on high-quality products," stated Thinh.

According to the General Statistical Office, the number of newly founded real estate enterprises in the first two months of 2023 was just 550, a 62.4 per cent decrease from the same time in the previous year. Additionally, 235 businesses were closed, an increase of roughly 20 per cent over the same time frame. There were 608 real estate businesses that resumed operations, a decrease of 18.8 per cent. VIR

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## Vietnam's outbound investments reached US\$ 115.1 million in the first two month of 2023

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Vietnam's outbound investments reached \$115.1 million in the first two months of this year, 2.16 times higher than that the same period last year, according to the General Statistics Office (GSO).

Of the sum, \$109.4 million was poured into 10 new projects, a 2.1-fold rise year-on-year. Meanwhile,



four other projects increased their capital by nearly \$5.7 million.

Vietnamese firms invested in 10 sectors abroad, including information-communications, services, wholesale and retail, health care, processing and manufacturing.

Singapore was the biggest recipient of the investments, with a combined capital of US\$105.5 million poured into a new project and another existing one. It was followed by Israel and Laos.

Vietnamese conglomerate Masan Group's subsidiary The Sherpa received a license to place \$105 million in Singapore-based tech firm Trust IQ Pte. Ltd. The project is part of Masan's strategic goal by 2025 to create a consumer - retail - technology ecosystem.

As of February 20, Vietnam counted 1,617 valid overseas projects valued at more than \$21.89 billion, with 141 by State-invested firms worth some \$11.67 billion, making up 53.3% of the total.

Laos, Cambodia and Venezuela lured the most Vietnamese investments, mainly in mining, and agriculture, forestry and fishery.

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