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VIETNAM BUSINESS REVIEW

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FINANCE

Insufficient regulations hinder green credit growth

Green credit growth in Viet Nam has remained limited due to the lack of a clear legal framework, according to industry insiders. Data from the State Bank of Viet Nam (SBV)'s Credit Department for Economic Sectors showed as of December 31, 2022, the outstanding loans for green projects increased by 12.96 per cent against the end of 2021 to more than VND500 trillion, accounting for more than 4.2 per cent of the total outstanding loans of the whole economy.



The loans mainly focused on green agriculture, renewable energy, and clean energy. Nguyen Thi Phuong, Deputy General Director of Agribank, said though Agribank has set aside a large amount of capital for green credit, it is not easy to disburse.

In many areas around the country, it is easy to find out a clean agricultural model or a commodity production model, but it is very difficult to find out a green model, which has to meet many criteria

and certifications, Phuong explained. In recent years, green credit in Viet Nam has grown strongly, but banking expert Can Van Luc said green outstanding loans are still modest compared to the total outstanding loans of the whole banking system. To promote green credit, Phuong said it is necessary to have an effective coordination policy to help projects obtain green certifications.

The Viet Nam Business Forum's Banking Working Group (BWG) recommends Viet Nam needs a roadmap to quickly apply green energy and an appropriate green financial framework for projects that can get bank loans through actions such as the development of the transitional financial instruments, the preparation of environmental-social-governance (ESG) reports and the investment portfolio transformation. Commercial banks hope the Government will promote the development of green credit by issuing more detailed guidance on the definition of 'green' and assessment criteria.

To promote green credit, some banks have recently built a sustainable loan framework with a green credit appraisal process. For example, State-owned BIDV, which topped the market in green credit with a total committed capital of more than US\$2.68 billion by the end of 2022, last month issued the sustainable loan framework to ease the green loans. State-owned Agribank has also issued a series of documents on promoting green credit growth, and environmental and social risk management in credit granting activities. Besides State-owned banks, some private banks have also joined the green credit segment, but the disbursement amount was not much as they are still concerned about long repayment period, large investment costs and high market risks of green projects, including renewable energy ones.

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Inflation in Vietnam forecast to reach 4.8% in 2023

Vietnam's inflation rate has been predicted to increase to 3.9-4.8% in 2023, close to the target of 4.5%, as inflationary pressures remain high in the second quarter of this year.

The Ministry of Finance presented this forecast at a meeting of the Price Regulation Steering Committee on March 24 with Deputy Prime Minister Le Minh Khai, based on calculations of the increasing prices of primary products such as petroleum, grains, food, household electricity tariffs, construction materials, education, healthcare and rental housing.

If the CPI rises steadily for the remaining nine months, then the monthly consumer price index will potentially increase by 0.52%. Therefore, this will help ensure the goal of controlling the average inflation rate at 4.5%.

Data from the General Statistics Office showed that the Consumer Price Index (CPI) in March fell by 0.1-0.2% compared to February but surged by 3.4-3.5% over the same period last year.

Generally, the CPI is estimated to rise 4.2-4.3% year-on-year in the first quarter of 2023.

Inflation surged in the first quarter mainly due to the price hikes of goods and services. For example, the price hike of 7.2% in housing and construction materials led the CPI to rise by 7.2%, while the surge of 4.5% in food product prices led to a 1.4% increase in the overall CPI.

Some items that saw price decreases, such as petroleum (-11%), gas prices (-1.8%) and the postal and telecommunications group (-0.3%), helped cool down the CPI in the first three months of the year by 0.01-0.4%.

Given the situation, Deputy Prime Minister Le Minh Khai requested close monitoring of the global economy and the impact of inflation on Vietnam and appropriate coping measures to ensure supply and stabilize prices, especially for essential goods.

He also suggested that the Ministry of Finance and other relevant ministries carefully review and analyze the input-output parameters to improve price management.

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E-COMMERCE

E-commerce accounts for 60% of Vietnamese digital economy

Vietnam's digital economy saw the gross merchandise value (GMV) reaching US\$23 billion last year, with e-commerce making up over 60%.



The 2023 report “Sustainable development of e-commerce – the driving force for the digital economy” said that 2022’s GMV increased 28% over the previous year and is expected to grow 31% at US\$49 billion by 2025.

Vietnam’s digital economy will continue to maintain a growth rate of 19% in GMV during the 2025-2030 period.

Around 60 million Vietnamese people have purchased goods through e-commerce platforms, with each person spending an average of US\$260-US\$285 on online shopping.

Roughly 55% of businesses participating in a survey of the Vietnam E-commerce Association believe that information technology infrastructure and e-commerce play a crucial role in their production and business activities.

Many enterprises are investing in automation, cloud technology, artificial intelligence and infrastructure connectivity.

At the digital transformation forum held on March 21, experts said that the development of e-commerce required various factors, including sustainable business development, sustainable infrastructure development, high-quality human resources, and technology application in improving customer’s experience.

However, digital transformation is still facing problems related to the legal framework, human resources, and digital infrastructure. Saigontimes

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ENERGY

Offshore wind farm project proposed in Can Gio

Japanese and local investors have asked the HCMC government for approval of an offshore wind power project with a capacity of 6,000 MW in the outlying coastal district of Can Gio, reported the local media.



The HCMC People's Committee is seeking feedback from relevant agencies on the proposed project before it asks the Government to include this wind farm into the National Power Development Plan for the 2021-2030 period, with a vision to 2045.

The wind farm would be located 55 kilometers off the coast of Can Gio District on an area of 325,123 hectares.

The investors, including Asia Petroleum Energy Corporation, Tokyo Gas Corporation and Shizen Energy Corporation, also plan to build an onshore substation on eight hectares of land in Hiep Phuoc Industrial Park Phase 2.

The two-phase project is planned for operation by 2036 and it would be connected to the national grid to supply power for a hydrogen manufacturing facility.

A total of VND397,605 billion, including for site clearance, would be needed for the project, of which investors would contribute 30% and the rest would come from local banks.

Two other large-scale wind farm projects have been proposed in Can Gio District. If these two projects are included in the planning and approved for construction in the coming years, HCMC would have a huge source of renewable energy. Saigontimes

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Vietnam's clean energy transition accelerates

Vietnam is undergoing clean energy transition at an accelerating rate and is considered the leader of clean energy transition in Southeast Asia, Shubham Rai, a research intern in the Southeast Asia and Oceania Centre at Manohar Parrikar Institute for Defence Studies and Analyses (MP-IDSA), India, wrote in an article.



The article, entitled “Clean energy transitions in Vietnam: Opportunities and Challenges” recently published on the IDSA website, said Vietnam has Southeast Asia's largest installed solar and wind power capacity, having surpassed Thailand in 2019. Vietnam has increased its solar and wind capacities in the last four years, with the share of solar power in electricity generation rising from practically nothing four years ago to 11% in 2021.

The nation's overall solar power capacity reached 16,500MW by 2020, much higher than its official target of 850MW. It has become the tenth biggest solar power generator in the world.

While solar power has experienced the most significant growth, installed wind power capacity has also increased rapidly, reaching 600MW by the end of 2020, placing it second to Thailand among Southeast Asian nations. The country has huge potential for hydropower, which currently makes up 33% of the total energy generation. According to the author, the Vietnamese Government implemented various plans and policies to exacerbate the process of clean energy transitions. Among the most notable policy incentives include the National Development Strategy, Feed-in Tariff (FIT) scheme and the National Development Power Plans.

The National Development Power Plan, the country's primary energy outlook published once a decade, outlines how the country will generate energy. The recent plan, which came in 2021 and applicable till 2030, has prioritised the growth of renewables, particularly offshore wind energy. The plan provides a

list of incentives to enhance clean energy transitions, like tax exemptions on raw materials imports, equipment, and finished clean energy products.

Furthermore, it also lowered the interest rate for lending and investments in the renewable energy sector. Other major policy incentives include the waiving or lowering of tax on leasing and land usage for solar and wind projects. Tariffs on imported goods required as inputs for installing solar power plants were also exempted. Last December, Vietnam established a US\$15.5 billion Just Energy Transition Partnership with foreign partners, including the UK, the US, the EU and Japan.

The partnership aims to hasten the reduction of carbon emissions and boost the use of renewable energy. According to the Just Energy Transition Partnership Plan, Vietnam is expected to achieve peak emissions in 2030 and net zero emissions by 2050, with the aim to generate 60GW of renewable energy in 2030.

However, Vietnam's energy systems are also frequently challenged by climatic hazards like typhoons and floods. In the past decade, Vietnam transitioned from an energy exporter to an energy importer, creating concerns for its energy security. For Vietnam to continue to lead Southeast Asia in sustainable energy, it must tackle these challenges effectively, it said. VNS

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RETAIL

Vietnamese retail market attracts foreign investors

The nation is becoming an attractive retail market for companies globally with many regional and global FDI investors recently revealing their plans to increase capital and expand distribution networks here.



According to details given by the Ministry of Industry and Trade, the Vietnamese retail market is valued at US\$142 billion and is expected to increase by nearly 2.5 times to US\$350 billion by 2025.

In January, total retail sales of consumer goods and services decreased by 6% on-month to more than VND481.8 trillion, equal to US\$20.4 billion, due to weaker demand as many commodities were purchased ahead of the Lunar New Year. In addition, people spent more on festival activities in the post-Tet period, said the General Statistics Office. However, it still marked an annual rise of 13%.

For the first two months of the year, the country's total retail sales of consumer goods and services advanced by 13% over the same period from 2022 to over VND 994.1 trillion. Due to stable and positive growth, the Vietnamese retail market has always been appreciated by foreign enterprises.

Thailand's Central Retail Corporation (CRC) recently announced a capital increase of US\$1.45 billion in Vietnam. This represents the largest investment ever announced by CRC with the goal of doubling the number of stores to 600 in 57 of 63 provinces. This year has seen the company spend over VND4.1 trillion in the market, with a specific focus on developing essential foods businesses, stabilising prices, and restructuring electronic stores.

Vietnam is the market, along with Thailand, that brings in the largest revenue for the group at about 21% to 22% of total revenue. Last year, the overall figure stood at 25%, said Olivier Langlet, CEO of Central Retail Vietnam. Furthermore, Aeon Co., Ltd, one of the largest Japanese retail companies, is also in the process of accelerating the opening of shopping malls in the country to nearly three times to about 16 by 2025, focusing largely on the food segment.

Last month, saw Aeon Mall in Hue begin constructing on a site spanning an area of 8.62 hectares, with a total investment capital of roughly US\$169 million. This is the biggest complex of trade centres and services throughout the region. FDI is one of the most important elements which can help the nation to transform itself into one of the most open economies in the region and grow quickly, according to a representative of HSBC Vietnam.

Currently, both regional and global FDI investors, as well as multinational corporations, contribute to more than 80% of total export turnover from the country and about 25% of domestic investment value.

Research from HSBC indicates that by 2030 the Vietnamese domestic consumer market will outstrip that of Thailand, the UK, and Germany.

“In 2023, we will see some multinational corporations in Asia showing their interest in Vietnam, engaging in retail, semiconductors, electronics, mobile components, plastic, renewable energy, and logistics industries. They are looking for ways to expand or make new investments in Vietnam,” the representative added. Vietnamnet

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LOGISTICS

Big race for investment in e-commerce logistics

Live selling is a trend that has gained popularity in Southeast Asia in recent years as a way for businesses to sell their products or services directly to consumers, according to a report conducted by Ninja Van Vietnam.

A steep increase in online sales has put pressure on the logistics system, thereby triggering the race to invest in Vietnamese e-commerce logistics, according to details given by insiders.



In terms of e-commerce, the logistics system plays the role of the end-to-end connection of the entire supply chain system, whilst an effective logistics system represents the "key" to increase customer's shopping experience.

However, in a recently published e-commerce report it was pointed out that current logistics costs in e-commerce remain still quite high.

Accordingly, logistical costs for retail businesses account for a large proportion of the cost, ranging from 10% to 20%.

In relation to logistical costs, transportation costs have the highest contribution rate, hovering between 60% and 80%, in addition to other costs such as loading and unloading, storage, and order division.

For logistics costs, transportation costs have the highest contribution rate, ranging from 60% to 80%, along with other costs such as loading and unloading, storage, and order division.

Furthermore, the nation's e-commerce market is in the process of growing rapidly, with the number of daily transactions of e-commerce sites reaching tens of thousands of orders, requiring an increased logistics system for the industry as a whole.

Realising the great potential of the market, many businesses have actively invested in opening modern transit centres in accordance with e-commerce standards.

As part of this race, foreign brands such as BEST Express, J&T Express, Lazada, and Shopee are dominating.

These businesses tend to increase their investment in logistics by applying advanced technologies such as machine learning, artificial intelligence (AI), Internet of Things (IoT), and blockchain as a means of optimising logistics operations.

These technologies are then duly applied with a focus on improving accuracy, reducing the time and cost of the transportation, warehouse management, and distribution processes, thereby improving operational cost efficiency while simultaneously ensuring service quality remains high.

Furthermore, firms are also expanding their search for reliable logistics partners, investing in infrastructure and high-quality human resources in order to ensure smooth and efficient logistics operations.

For example, BEST Express currently has 42 large and small automatic sorting centres nationwide which greatly helps to shorten intercity transportation time.

In which, two classification points in Cu Chi in Ho Chi Minh City and Tu Son in Bac Ninh province have the second largest scale of BEST Inc. throughout all of Southeast Asia.

The total area of warehouse that BEST Express is exploiting has therefore increased to more than 100 hectares.

"The construction of 42 centers across the country helps the company significantly shorten the time of handling and transshipment of goods. The enhanced sorting capacity helps us to deliver goods to customers faster and more complete, especially during peak shopping periods," a representative of BEST Express said.

According to Vu Duc Thinh, logistics director of Lazada Vietnam, this new sorting centre is not only a breakthrough as part of the development process of Lazada Logistics, but also marks an important step forward in terms of the country's commercial logistics industry in general.

"With the new sorting center, we aim to bring our customers the best online shopping experience and convenience, with the fastest and most reliable delivery. We believe that with these efforts, Lazada Logistics will actively contribute to building a sustainable e-commerce logistics ecosystem, setting new standards and further promoting the overall development of the industry," Thinh shared.

In addition to Lazada, Shopee has also invested in three centres in Vietnam. According to a representative of Shopee, these facilities are located in strategic locations to ensure 24-hour circulation of goods.

Moreover, they also invest in modern technology at centres to classify each type of goods, such as cooling warehouses and high-value goods storage. VOV

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Vietnam named in Agility's top 10 Emerging Markets Logistics Index 2023

Vietnam has been ranked in the top 10 places in the 2023 Agility Emerging Markets Logistics Index compiled by Agility, one of the world's top freight forwarding and contract logistics providers.

Vietnam is at the 10th place, up one spot compared to the previous year. Among Southeast Asian countries, Vietnam are fourth, behind Malaysia, Indonesia, and Thailand.



Agility ranked 50 economies based on three factors which make them attractive to logistics providers, freight forwarders, shipping lines, air cargo carriers, and distributors. The factors include domestic logistics opportunities, international logistics opportunities, digital readiness, and business fundamentals.

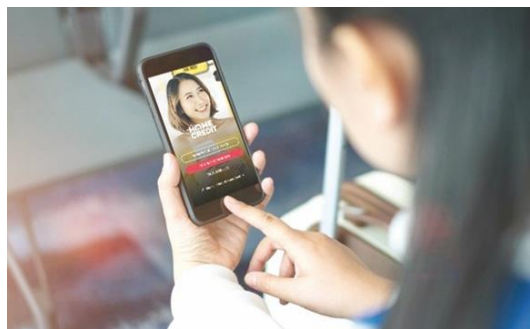
According to details provided by Agility, Vietnam performed well in terms of international opportunities, duly ranking fourth globally with 6,03 points. The country came in 16th for domestic logistics opportunities, 19th in business fundamentals, and 15th for digital readiness. China remained as the world's leading emerging logistics market followed by India and the UAE. VNA

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INVESTMENT

Multinational financial groups expand consumer finance business in Vietnam

Foreign direct investment (FDI) in Vietnam in Q1 2023 was at \$5.45 billion, a 61% drop from the previous year, mainly due to a lack of billion-dollar projects with the \$1.32 billion Lego investment making up 41 per cent of FDI in the first quarter last year.



However, large foreign financial groups have actively penetrated the Vietnamese consumer finance market, which has significantly helped accelerate the digitalisation of the country's financial services.

Many multinational financial groups, including UOB, MUFG, and SMBC from Japan, are investing in Vietnamese commercial banks and consumer finance units to promote their consumer lending activities.

Vietnamese groups such as Masan, FPT, Viettel, and Bamboo are also investing in the consumer finance segment. Investment in digitalization is currently the key for large financial companies to compete and expand their market shares, with companies such as VietCredit and MCredit experiencing positive growth rates.

The Vietnamese consumer finance market is experiencing increasingly fierce competition and M&A deals from multinational corporations targeting the country's consumer finance segment, which are forecast to stimulate the wave of digitalization and microfinance coverage in the country in the coming years. VNA/VNS

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Chinese electronics firms explore investment opportunities in Vietnam

Vietnam Investment Consulting (VNIC) and YueQiBao organized a seminar in Hanoi on March 27, aiming to promote networking and collaboration between Chinese electronics businesses and Vietnamese investors.



The event was attended by representatives from 72 Chinese electronic enterprises, as well as co-sponsors Bao Minh Industrial Park, China Mobile, Bank of China, LAUN, Core5 IP, ANDES E&C, INST, Vietinbank, CMI, and typical Vietnamese investors, construction contractors, financial and legal entities. The seminar focused on introducing the North Vietnamese electronics sector, promoting investment through investment policies and environments, and sharing case studies from current Chinese foreign direct investments (FDIs) in Vietnam.

The seminar also highlighted the investment status and current investment incentive programmes by presenting case studies from investors, particularly in the electronics industry in North Vietnam. After the seminar, VNIC signed a strategic cooperation agreement with Core5 Haiphong Co., Ltd. and Core5 Quang Ninh Co., Ltd. to develop a distribution system to promote two Indochina Kajima projects in Haiphong and Quang Ninh. VIR

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