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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Vietnam central bank to keep monetary policy flexible in 2023

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Vietnam's central bank pledged on Friday to keep monetary policy flexible for the rest of the year to support economic stability amid external challenges, with space for more interest rate cuts while it prioritizes keeping inflation in check.



The State Bank of Vietnam (SBV) said it was confident the country can keep inflation below 4.5% this year, after the consumer price index in February edged down from the previous month.

Pham Chi Quang head of SBV's monetary policy department, said the U.S. Federal Reserve's move to ease its rate hikes meant Vietnam would consider further cutting rates in future to support growth, which slowed to 3.32% in the first quarter, against a

5.92% expansion in the fourth quarter of 2022.

Earlier this month, the SBV cut several policy rates to increase liquidity and help spur growth, in a surprise move that bucked those of regional peers amid global financial turmoil. "The banking system's liquidity is abundant now," Quang told a news conference.

Vietnam, a regional manufacturing powerhouse, has targeted growth of 6.5% this year, but has been struggling as global demand slows for its key exports, which include textiles, footwear and electronic goods like smartphones. However, global monetary tightening continues to affect Vietnam, as does the ongoing international banking turmoil, said deputy central bank governor Dao Minh Tu. "Our most important task is to keep inflation under control," Tu said. Official data showed consumer prices in March fell 0.23% from February while average consumer prices in the first quarter rose 4.18% from a year earlier.

On Thursday, ratings agency Fitch said recent rate cuts by the SBV would help ease monetary conditions but expected interest rates would be left unchanged in the remainder of 2023. Tu said protecting the banking system was important and some businesses had been struggling to get loans and needed support, including manufacturers suffering from a slump in orders.

Measures would be taken to boost credit access and tighten loans in risk-prone areas, all while ensuring the rate of non-performing loans was under control, Tu said. Vietnam's prime minister earlier this month instructed the central bank to take measures to ease the credit crunch.

"Ensuring the safety of the local banking system is very important now, especially after what has recently happened in the U.S. banking system," Tu added. Vnexpress

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## Government asked to issue revised decree on foreign ownership cap at Vietnamese banks

The State Bank of Vietnam (SBV) has requested that the Government issue a revised decree on foreign investors buying shares from Vietnamese credit institutions.



Under a report recently submitted to the Government, the SBV said the revised decree will seek to amend and supplement a number of articles of the Government's Decree No. 01 dated January 3, 2014. Most notably, the revised decree drafts will increase the foreign ownership limit for credit institutions that receive the compulsory transfer of weak credit institutions to 49%.

Furthermore, Decree No. 01 stipulates that the total share ownership rate of foreign investors must not exceed 30% of the charter capital of a Vietnamese credit institution.

According to details given by the SBV, four banks will receive compulsory transfer of four weak banks, with two of them being allowed to increase the foreign ownership limit to 49%, although detailed plans have yet to be released. Vietcombank, Military Bank, HDBank, and VPBank are the four financial institutions that are reportedly known to either have already stated intentions to receive compulsory transfer, or aim to do so in the near future. Military Bank and Vietcombank had previously intended to take over two weak credit institutions, with these plans given the green light in their shareholders' meetings this year.

During the shareholders' meeting last year, Luu Trung Thai, CEO of Military Bank, said the admission of a bank under the compulsory transfer programme is in line with the Government and the State's policy on restructuring weak banks, as well as making the banking operation healthier and more sustainable. This represents a great opportunity to obtain an operational growth rate higher than the average growth rate by 1.5 to two times in the long term, as well as to improve competitiveness. Meanwhile, with experience in the successful restructuring of credit institutions and its pioneering spirit, HDBank is getting increasingly involved in the compulsory transfer of another weak credit institution after its shareholders voted in large numbers in favour of the plan in a meeting last year.

According to SSI Securities Corporation, the mandatory transfer plan has positive long-term implications for HDBank, even for international investors increasing investment to accompany the bank. Meanwhile, Ngo Chi Dung, chairman of VPBank, said the bank is considering the acquisition of a poor credit institution.

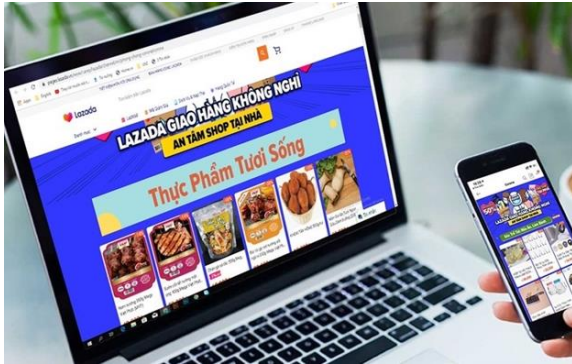
According to the current regulations, State-owned Vietcombank is not qualified to raise the foreign ownership cap as the State must hold more than 50% of the bank's capital. Therefore, two of the remaining three banks MB, HDBank, and VPBank will have the opportunity to increase the cap.

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## E-COMMERCE

### Vietnam's e-commerce industry changes towards sustainable development

The E-Commerce Industry 2023 Report shows that sustainability will be the development trend of Việt Nam's e-commerce in the future.



According to this report, with the theme of Sustainable E-Commerce: Driving the Digital Economy, recently released by the Vietnam Chamber of Commerce and Industry (VCCI) and Lazada, e-commerce is an indispensable activity, playing the role of narrowing the gap between people, businesses and localities and optimising intermediate costs to promote production and business.

E-commerce is entering the stage of sustainable and responsible business, experts said in the report.

VCCI vice chairman Nguyen Quang Vinh was quoted by the Business Forum newspaper as saying that "Business today must create new values, not only economic values. Enterprises need to think beyond economic issues, being social and environmental values. That's the new way of doing business today."

After the COVID-19 pandemic, consumers have more choices in commercial activities, while competition from new commerce models is increasing. That situation reduces user satisfaction with e-commerce from 65 per cent to 41 per cent. So, e-commerce that does not change means it is going to fall behind.

According to the report, statistics show that 57 per cent of Vietnamese users now stop buying products or services that have an adverse impact on the environment or society. Therefore, choosing sustainable growth will be an indispensable choice for e-commerce floors in the future.

This report states that Việt Nam's e-commerce is entering a new stage of development, focusing on sustainability based on the combination of market and technology with selective investment and cost optimisation for sustainable development goals.

As a bridge connecting businesses to consumers during the sustainable development of e-commerce, Lazada Vietnam and VCCI have pointed out forecasts of some sustainable development trends of the domestic e-commerce industry.

In terms of investment, the sustainable development of e-commerce will continue to focus on long-term investments in infrastructure, technology, logistics and human resources.

In terms of business, the e-commerce industry will create more value for stakeholders via building a community for partners in fields such as payment, operations and logistics, businesses (sellers and brands), and consumers.

In terms of technology, the e-commerce businesses will give priority to investment in technologies that support the trade openness of the e-commerce trading floors, and use of APIs (Application Programming Interfaces), to connect and take full advantage of services of many partners on e-commerce platforms.

For the customer experience, they will connect the shopping behaviours of consumers towards a comprehensive and long-term shopping trend from the step of search, selection, purchase, payment, exchange and return of goods.

In terms of payment, they will increasingly expand connections with a diversity in financial partners and development of "buy now, pay later" model, to meet the payment needs of consumers and create more flexible and easier manners in shopping on e-commerce.

"This report is expected to help the businesses clearly and fully realise the sustainable development goals of the domestic e-commerce industry. They need to act for the sustainable development and promptly grasp the new opportunities from this sustainable development," Vinh said.

The 2023 e-commerce industry report said that Việt Nam's digital economy in 2022 was considered to have the fastest growth in ASEAN. E-commerce is one of the pioneering fields of the digital economy, creating driving forces for economic development and digital transformation in the businesses. E-commerce activities continued to grow by double digits, reaching 28 per cent in 2022. VNS

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## ENERGY

### Green hydrogen factory project commences in Vietnam's Tra Vinh Province

TGS Tra Vinh Green Hydrogen Company, a member of The Green Solutions Group on March 30 started construction of Vietnam's first and largest green hydrogen factory in the Mekong Delta province of Tra Vinh's Duyen Hai District, with the total investment of VND8 trillion (US\$341 million).



*The groundbreaking ceremony for Vietnam's first and largest green hydrogen factory in the Mekong Delta province of Tra Vinh*

A green hydrogen factory project is set to become operational in Tra Vinh Province in Vietnam, producing 24,000 tonnes of green hydrogen and 195,000 tonnes of oxygen annually. The project will cover an area of 21 hectares and is expected to create direct jobs for 300-500 local residents. The project aligns with the province's goal of sustainable economic growth and becoming a green energy centre in the Mekong Delta region and the entire country. The production of green hydrogen from renewable energy has been identified as a priority foundation industry for development in Vietnam's chemical industry.

Hydrogen is an important chemical, widely used in the metallurgical industry, oil refining, semiconductor production, cosmetics and is also a basic raw material for the production of other chemicals serving many industries.

The production of green hydrogen from renewable energy has been oriented for development according to the Strategy for Development of Vietnam's chemical industry to 2030, with a vision to 2040. VNS

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## Germany ready to assist Vietnam in energy transition

A German official has voiced the country's readiness to become a trustworthy and capable partner helping with energy transition in Vietnam.



Jochen Flasbarth, State Secretary at the German Federal Ministry for Economic Cooperation and Development, made the remark while attending a workshop in Berlin on March 31.

The event, held by the Vietnamese Embassy in Germany and the Vietnamese Innovation Network in Europe (VINEU), discussed the enhancement of cooperation under the Just Energy Transition Partnership (JETP) framework towards net zero emissions in Vietnam by 2050. It was part of the Berlin Energy Transition Dialogue Week 2023.

Expressing his impression of renewable energy development in Vietnam as he saw during a visit last September, Flasbarth held that with advantages for wind and solar energy, Vietnam will become a pioneer in energy transition in Southeast Asia. The Vietnamese Government has also proved its ambitious targets about mitigating climate change and reducing the dependence on thermal power plants to prepare for a clean energy system in the future.

However, the energy transition process is successful only when it is carried out in a just manner and generates chances for domestic industries and sustainable job opportunities for local people. Besides, targets of the JETP should be quickly turned into concrete policy measures and policies, he recommended. Flasbarth added that existing solutions of the EU, including Germany, can be transferred to Vietnam via investment and trade activities.

In his speech, Vietnamese Ambassador to Germany Vu Quang Minh said that at the 26th UN Climate Change Conference of the Parties (COP26) in 2021, Vietnam made ambitious commitments, including becoming a carbon-neutral economy by 2050, only five years later than Germany. This is a very challenging target in terms of not only technology, economy, or finance but also social aspects connected with this major transition, including the rights and interests of all ethnic groups and the parties concerned, he said.

Therefore, Vietnam needs international partners' cooperation and support to achieve this target, Minh noted, adding that its Ministry of Industry and Trade is also exerting efforts to complete the national electricity development planning for the 2021 - 2030 period, with a vision to 2050, that will gradually reduce the country's dependence on fossil fuel sources and develop renewables such as hydropower, wind power, solar power, and biomass power to cut down greenhouse gas emissions.

Talking via teleconferencing, Vietnamese Deputy Minister of Industry and Trade Dang Hoang An said the energy transition process in Vietnam is being accelerated in the spirit of bringing into play internal strength and enhancing cooperation with international partners along with bilateral and multilateral

financial institutions. He underlined the role of partners in helping the country achieve net zero emissions by 2050.

Representing Vietnamese experts, intellectuals, scientists, and entrepreneurs in Europe, VINEU Vice Chairman Cao The Anh also pledged to make contributions to the sustainable development of the homeland and the world via innovation, science - technology, and technology transfer. Some participants at the workshop suggested a joint working group gathering relevant ministries of Vietnam and Germany be established to implement JETP-related initiatives early. VNA

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## RETAIL

### Goods retail sales, service revenue rise almost 14% in first quarter of 2023

Total retail sales of goods and consumer service revenue increased 13.9% year on year to over 1.5 quadrillion VND (63.9 million USD) in the first quarter of 2023, compared to the 5% growth in the same period of 2022, the General Statistics Office (GSO) reported.



Excluding the price factor, the retail sales and service revenue went up 10.3% while that in Q1 last year rose 2%.

Compared to Q1 of 2019, before the COVID-19 pandemic broke out, the amount in this year's first three months increased 26.7%, the GSO noted.

Retail sales are estimated at nearly 1.19 quadrillion VND, up 11.4% (8.4% if the price factor is excluded). In particular, sales of grain food and foodstuff grew 14.6%, apparel 12.3%, vehicles (excluding automobiles) 4.5%, and household items and equipment 3.9%. Cultural and educational goods saw a decline of 2.7%.

Meanwhile, accommodation and food services generated about 161.1 trillion VND in Q1, up 28.4% from a year earlier.

Tourism revenue surged 2.2-fold from a year earlier to around 6.8 trillion VND, partly thanks to a large number of New Year cultural and tourism activities which were not held in the same period last year due to COVID-19, according to the GSO.

In March alone, retail sales of goods and consumer service revenue totalled 501.3 trillion VND, up 2% month on month and 13.4% year on year.

GSO General Director Nguyen Thi Huong attributed such results partly to the reopening to international tourists on March 15, 2022, overseas tourism promotion activities, and domestic consumption stimulation. Vietnamnet

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## LOGISTICS

### Port operators would like to increase container fee

Seaport operators want the government to increase its terminal handling charge as they claim they lose billions of dollars annually at the current level, which is lowest in Southeast Asia.



In a proposal to the government by the Private Sector Development Committee, port operators say that the current terminal handling charge (THC) in Vietnam is only 40-50% that of other countries in the region.

Le Quang Trung, Deputy Chairman of the Vietnam Logistics Association, said that international shipping firms collect from their customers a THC of \$140 per 20-foot container, but only pay Vietnamese seaport operators \$45-52, or 37% of the total.

Cambodian port operators, however, get as much as \$90 per container, and operators in Singapore receive \$115.

According to international norms, 80% of the THC must go to the port operator, and therefore Vietnamese operators should get \$80-100 per container instead of \$45-52 as current, Trung said.

Port operators have therefore proposed that the Ministry of Industry and Trade raise the THC in Vietnam gradually to reach the same level as other regional countries.

A 15-20% increase annually for four or five years will bring THC in Vietnam to the regional average of \$101 per container. Vnexpress

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## Vietnam to enhance competitiveness of logistics sector

Vietnam will focus on enhancing the competitiveness of the logistics sector and removing bottlenecks in the sector in order to promote trade and investment with India, an official has said.



Speaking at a meeting in Ho Chi Minh City on March 30, Pham Thi Ngoc Thuy, director of the Office of the Private Economic Development Research Committee, noted that there was immense potential for improvement in bilateral trade between Vietnam and India, especially in the logistics sector.

Vietnam's heavy investment in infrastructure development has created significant opportunities for logistics enterprises, she said.

In addition to logistics, other key investment sectors include hi-tech agriculture, food processing, renewable energy, the supporting industry, healthcare, education, infrastructure, and tourism, among others.

Bilateral trade between the two countries has grown steadily from US\$200 million in 2000 to US\$15.05 billion in 2022, up 13.6% year-on-year, she said.

India is the eighth largest trading partner of Vietnam, while Vietnam is India's fourth largest trading partner in the Association of Southeast Asian Nations (ASEAN), she added.

Vietnam has become an attractive destination for Indian investors thanks to its stable political environment, appealing policies, affordable labour costs, and potential market access due to free trade agreements that the country has concluded, she said.

Dang Hong Nhung, from the Agency for Foreign Trade under the Ministry of Industry and Trade, said the logistics sector in Vietnam had great potential for growth, given the heavy investments in infrastructure systems, including building and expanding expressways, airports, seaports, and logistics centres.

The Government last year issued a resolution to enhance the competitiveness of the logistics sector, making it a high-added value services sector.

Under the resolution, Vietnam aims to promote the logistics development with production, import and export activities.

It's necessary to establish sustainable supply chains, improve the quality of human resources and promote digital transformation and technology application in the logistics sector.

The resolution also aimed to promote the development of green logistics, which has become a trend and an important indicator for the sustainable development of the logistics sector.

The Government has instructed the Ministry of Finance to continue reviewing the policies of taxes and fees while customs procedures would be further simplified to create favourable conditions for logistics services providers.

She also noted that 2023 would be a challenging year as the global economy is in a recession coupled with high inflationary risk, leading to a decrease in trade activities as well as logistics activities.

She recommended companies prepare for uncertainties in the context of the ongoing Russia – Ukraine conflict, natural disasters, diseases, or unexpected incidents.

Bui Trung Thuong, Vietnamese Trade Counsellor in India, said India has a long coastline that is very convenient for shipping while Vietnam has a direct shipping route to India.

Vietnam and India should cooperate in building and expanding expressways, airports, seaports, and logistics centres, he added.

Experts also recommended Vietnam develop a strategy for green logistics to 2030, in which, the digital transformation should be sped up, infrastructure quality increased and conditions for multimodal transport improved.

Policies should also be raised to encourage small- and medium-sized enterprises to switch to green logistics and use renewable energy, they said.

Vietnam and India established diplomatic relations in 1972, which was lifted to a comprehensive strategic partnership in 2016. VNA

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## INVESTMENT

### Japanese investors appreciate potential of vietnamese property market

As many as 180 Japanese business representatives and financiers attended the Vietnam Real Estate Seminar which was organised on April 1 in Tokyo by Vinhomes Joint Stock Company in collaboration with VietnamGroove Real Estate Business Investment Joint Stock Company.



The event aims to help Japanese investors gain a better understanding and provide deeper insights into the Vietnamese property market.

Upon addressing the event, Counselor Tran Thi Thu Thin, representative of the Vietnamese Embassy in Japan, welcomed the fact that Vinhomes and Vingroup are actively returning to the Japanese market after three years of being affected by the COVID-19 pandemic. Simultaneously, she expressed her hopes that this seminar will provide a good opportunity for Japanese businesses and investors to better understand the investment environment in Vietnam, as well as offering co-operation opportunities with Vinhomes.

“The Vietnamese Government as well as the Vietnamese Embassy in Japan will always accompany and create favorable conditions for Japanese businesses to make successful, sustainable and long-term investments in Vietnam as a contribution to bringing Vietnam-Japan relations to new heights,” Thin said.

For his part, Nguyen Duc Quang, deputy general director of Vinhomes, said that 2022 represented a challenging year for the Vietnamese real estate market. However, Vinhomes continued to set unprecedented sales records. By the fourth quarter of 2022, Vinhomes became the leading real estate developer in the country by accounting for 27% of the market share.

“Vinhomes will continue to develop megacities of thousands or tens of thousands of hectares, with a world-class scale and class, pioneering model cities in the green-smart era, and being proud to put Vietnam on the global urban map,” Quang emphasized.

At the seminar, Japanese investors highly appreciated the potential of the Vietnamese real estate market. Nobuaki Higashi, head of Overseas Sales Department of Nomura Real Estate Development Co., Ltd., said that Nomura understands the potential of the nation’s real estate market because the country recorded a high economic growth rate of approximately 8.2% in 2022 and is in the midst of a golden population structure.

Therefore, the Vietnamese economy in general and the real estate market in particular will continue to grow strongly moving forward, he added.

According to Higashi, Nomura is involved in investing in eight projects throughout Vietnam, with a total scale of 24,000 apartments.

“We have devised two strategies, including investing in many places with a focus on Ho Chi Minh City and Hanoi, and combining many forms of investment, not only in the housing sector, but also in the transportation and hotel sectors. In the future, we will also consider investing in the development of villas.”

Regarding the potential of the Vietnamese market, Shin Aoki, an official of the Urban Renaissance Agency (UR), said that Vietnam is a favourite destination among Japanese businesses, including real estate businesses, adding that in the near future, many Japanese firms will continue to pay attention to and invest in the country. UR is in the process of studying to co-operate with Vietnamese businesses to invest in the field of apartments and houses, he continued.

During the course of the seminar, there were presentations and discussions held on potential and investment opportunities in the Vietnamese real estate market.

Furthermore, Vinhomes representatives also introduced the projects that the company has set up to launch with Japanese partners such as Mitsubishi and Nomura. In addition, it answered questions raised by Japanese investors about the process and procedures for investment in the Vietnamese property market. VOV

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## Viet Nam still remains in good position in FDI attraction

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Viet Nam still remains in good position in luring foreign direct investment as there are "green shoots" which reflects investors' confidence in the medium to long-term prospects of Viet Nam's fundamentals.

Ms. Yun Liu, ASEAN economist at HSBC Global Research, made the above statement in her recent interview with VGP. According to Yun Liu, in 2022, Viet Nam continued to attract a lot of FDI, especially in the electronics manufacturing space; but compared to where it was during its peak in around 2015-2016, the ratio of new FDI to GDP saw a slowdown.

So, for the first quarter of this year, the total overall FDI has slowed, but FDI to the manufacturing sector has actually gained. Looking at Viet Nam from a long-term perspective, the country really has a good structural story, especially in terms of both FDI and consumption. Total retail sales of goods and consumer service revenue increased 13.9 percent year on year in the first quarter of 2023, which was very impressive.

Viet Nam has a lot of potential for consumption to grow even further, given the improving labor market, falling unemployment rate and rising wages. More and more people have moved out of the agricultural sector into more productive services and the manufacturing sector, which is also intensifying the urbanization trends. In the long term, Yun Liu expressed her belief that Viet Nam is a very good story on this front, and actually, a lot of foreign investors are also seeing that opportunity and are moving quite early—for example, some of the Japanese, Korean and Thai investors.

Viet Nam's gross domestic product (GDP) grew about 3.32 percent year on year in the first quarter of 2023, highlighted Yun Liu, adding that the main drag of that growth was sluggish manufacturing.

In fact, the manufacturing sector saw the first year-over-year decline that Viet Nam has seen in the past two years. The trade headwinds that we have started to see since the last quarter of 2022 have been intensifying.

"If we look at different categories of goods that Viet Nam exported over the last three months of this year, it is actually broad-based weakness. So, a lot of it is related to the downturn of global electronic cycle. From some of the leading indicators, we are seeing some initial signs of export order stabilization from around the globe. But for that to translate into a meaningful rebound, it is actually something that will still take quite a lot of time. So, we expect growth to pick up more meaningfully in the second half this year", noted Yun Liu.

Regarding export orientations in the upcoming time, the HSBC Economists said that it is quite a challenging situation, not only for Viet Nam but for a lot of export-oriented economies in Asia. For other ASEAN countries, a lot of them suffered the same situation. Broad-based weakness actually started with electronics goods but all the other items also suffered quite sharp declines. VOV

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<b>Head Office</b>	Floor 5 <sup>th</sup> – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
<b>Rep. Office</b>	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
<b>Telephone</b>	+84-24-6275-5246 ; +84-24-6273-6989
<b>Fax</b>	+84-24-6273-6988
<b>URL</b>	<a href="http://www.seiko-ideas.com">www.seiko-ideas.com</a>
<b>Email</b>	<a href="mailto:newsletter@seiko-ideas.com">newsletter@seiko-ideas.com</a>

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