



Highlight

Vietnam aims for US \$300 billion green economy by 2050

VIETNAM BUSINESS REVIEW

What's in it today?

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FINANCE

Vietnam's GDP forecast to rank second in ASEAN
Vietnam aims for US \$300 billion green economy by 2050



INVESTMENT

Vietnamese and French business are looking to enhance their collaboration
Austrian firms eye investment cooperation with Hanoi



RETAIL

Government agrees with MoF's proposal on 2% VAT reduction for 2023



E-COMMERCE

Vietnam predicts stable 25% e-commerce growth in 2023



ENERGY

HSS Restoration Asia group expands into Vietnam's renewable energy market
New legislation for renewable energy development is under consideration



LOGISTICS

Railway infrastructure projects grab foreign investors attention
Vietnam's E-commerce boom drives postal sector growth

FINANCE

Vietnam's GDP forecast to rank second in ASEAN

Vietnam's GDP is projected to grow 5.8% this year, sharing the second position with Cambodia in the region, only after the Philippines, according to the International Monetary Fund (IMF).



Notably, Vietnam's public debt is expected to stay at the lowest as compared with eight other ASEAN member countries, the fund said.

The fund also forecast that Vietnam's GDP growth will rebound to 6.9% in 2024, the highest in Southeast Asia, and its public debt will fall to 31.3% of the national GDP in 2028 from the record 47.5% in 2016. The debt-to-GDP ratio in

2028 will be the lowest within two decades.

In terms of inflation, the lender said it will reach 5% and 3% in 2023 and 2024, respectively.

Over the past time, the State Bank of Vietnam (SBV) has constantly cut regulatory interest rates, paving the way for credit institutions to reduce their lending interest rates, thus spurring economic growth, said Dao Minh Tu, deputy governor of the SBV.

Experts described the central bank's reductions as flexible and timely, and expected that 12-month deposit interest rates will hover around 7% and lending interest rates, 10%.

The bank has substantial room to further loosen monetary policy this year, they said, noting that it will continue to cut policy rates by 50 basis points in the second quarter of this year.

Experts from the Bao Viet Securities JSC shared the view that the biggest pressure on interest rates last year came from the US Federal Reserve's continuous rate hikes, making the USD soar to a 20-year high.

Meanwhile, those from the United Overseas Bank (UOB) said the Vietnam's GDP growth of only 3.32% in the first three months of this year, down from 5.92% in the last quarter of 2022, will prompt the central bank to further cut regulatory interest rates, and that the bank is likely to further relax policies in the time ahead. Vnexpress

[Back to top](#)

Vietnam aims for US \$300 billion green economy by 2050

Vietnam aims to increase the green economy's contribution to GDP from \$6.7 billion in 2020 to \$300 billion by 2050. Minister of Planning and Investment Nguyen Chi Dung emphasized the need for drastic and breakthrough steps to achieve this goal.



Green growth is becoming a top priority for economies worldwide due to complex and unpredictable fluctuations and intertwined challenges. Vietnam sees green growth as an opportunity to become a pioneer in the region, catch up with global development trends, and achieve net-zero emissions by 2050. The government has issued a national strategy and action plan on green growth for the period of 2021-2030.

According to preliminary research by Boston Consulting Group, the wind and solar power industries can contribute \$70-80 billion to GDP and directly create 90,000-105,000 jobs. A clean hydrogen ecosystem based on renewable energy has the potential to contribute \$40-45 billion to GDP annually and create 40,000-50,000 jobs.

BCG suggests four key recommendations for Vietnam, including perfecting green strategic institutions, strengthening the construction of a stable green financial system, developing the grid infrastructure system, and accelerating the development of clean hydrogen ecosystems. Vietnam has a great opportunity to transform, catch up, and take shortcuts and be ready for a leap in economic, social, and environmental development. VIR

[Back to top](#)

E-COMMERCE

Vietnam predicts stable 25% e-commerce growth in 2023

According to the Vietnam Online Business Forum 2023 held in Hanoi on Tuesday, e-commerce is expected to remain the fastest-growing and most stable economic sector in Vietnam this year. The Vietnam E-commerce Association (Vecom) highlighted that despite global and domestic economic challenges impacting trade, e-commerce in the country is predicted to grow at a rate of more than 25%, reaching a scale of over \$20 billion.



Vecom estimated that in 2022, the retail e-commerce transaction scale comprised about 8.5% of the total retail sales of consumer goods and services in Vietnam, which was worth VND5,680 trillion (\$240.5 billion). In terms of retailing goods alone, the proportion of online retail sales of goods compared to the total retail sales of goods was about 7.2% last year, which was higher than the corresponding rate of 6.7% in 2021.

Despite the difficulties faced by the economy since mid-2022, Vecom assessed that e-commerce grew by over 22% year-on-year in the first quarter and could still reach over 25% for the whole year. Nguyen Ngoc Dung, Vecom Chairman, emphasized that it was urgent to provide smart financial solutions to help businesses make better use of the capital of financial institutions as businesses face difficulties due to the economic recession and difficulties in accessing credit capital.

Furthermore, Vecom reported that more and more businesses in Vietnam are choosing to do business on social networks, particularly TikTok Shop. A survey by Vecom shows that up to 65% of businesses have implemented business activities on social networks, and the number of employees at enterprises who regularly use tools such as Zalo, Whatsapp, Viber, and Facebook Messenger has continuously grown. Selling on social networks is considered the most effective, surpassing other forms such as websites or business applications, as well as e-commerce.

Although only operating since mid-2022, Tiktok Shop has become the third-largest retail e-commerce platform in Vietnam, with Shopee and Lazada being the two largest e-commerce platforms. According to Data Science Joint Stock Company, the total sales of the top four e-commerce platforms, along with Tiktok Shop, amounted to about \$6 billion. Despite economic challenges, e-commerce and social commerce continue to thrive in Vietnam, indicating a promising future for the sector in the country.

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[Back to top](#)

ENERGY

HSS Restoration Asia group expands into vietnam's renewable energy market

HSS Restoration Asia Group, a company specializing in restoration services for air preheaters and gas heaters used in coal-fired power plants, plans to expand cooperation and investment in clean energy in Vietnam. The company's proprietary patent-filed restoration cleaning technology has been proven to lower carbon emissions by up to 2%.



HSS aims to transfer its restoration and maintenance skills from coal-fired power plants to renewable energy, specifically solar and wind power plants in Vietnam. The company plans to adapt its restoration services for these renewable energy sources.

Additionally, HSS plans to build strategic partnerships with foreign companies interested in participating in Vietnam's renewable energy market, including renewable energy developers from the EU, Singapore, Thailand, and the Philippines. The company is open to collaboration with foreign partners to capitalize on the growing renewable energy market in Vietnam.

ESG (environmental, social, and governance) criteria have gained prominence in Vietnam, with 80% of firms in Vietnam making or planning to make ESG commitments in the next two to four years. Vietnam's government has also announced climate action commitments, including net-zero carbon emissions by 2050, creating opportunities for companies like HSS to contribute to the country's green energy transition. Vnexpress

[Back to top](#)

New legislation for renewable energy development is under consideration

Legislation for renewable energy could become the corridor to draw in more resources and assist Vietnam's energy industry in overcoming its low level of development.



Vietnam's Ministry of Industry and Trade has been requested by the government to investigate the feasibility of a renewable energy (RE) law to address the low level of RE development. While the country has made strides in RE development from 2016 to 2020, the lack of a distinct RE law is causing hurdles to its growth.

The MoIT estimates that RE's electricity output has reached 130 billion kWh at the end of December 2022, accounting for almost 48 per cent of Vietnam's total electricity generation output. This includes 35 per cent hydroelectricity and 13 per cent wind, solar, and biomass energy.

The ministry also estimates that the proportion of RE generation in the power generation structure of Vietnam's power system has increased from 27 per cent in 2010 to more than 48 per cent in 2022, with a particularly large contribution from wind and solar power in the 2019-2022 period.

The proportion of RE sources has considerably increased since the September 2022 report, according to the draft Power Development Plan VIII submitted in October 2022. The proportion of RE sources (excluding hydroelectricity) has increased from 24.3 per cent to 25.7 per cent to 27.3 per cent in 2030, and will continue to rise to 59 per cent in 2050. Between 2030 and 2050, the use of solar energy will skyrocket. Therefore, the capacity of concentrated solar power and wind power will be 8,736MW and 28,480MW, respectively, in 2030 and 136,323MW and 153,550MW, respectively, in 2050.

Investors are waiting for the government to direct the ministry to adjust the new power pricing mechanism for transitional projects to reflect the current situation, while regulations promoting and supporting RE are dispersed throughout numerous legal documents, promulgated and overseen by numerous ministries and industries.

A separate set of regulations is needed to drive the growth of RE and Vietnam must investigate and develop new laws to attract resources to build a RE corridor. VIR

[Back to top](#)

RETAIL

Government agrees with MoF's proposal on 2% VAT reduction for 2023

The Government has agreed with the Ministry of Finance (MoF)'s proposal on a plan to reduce taxes, fees and charges for 2023, which suggested a 2% reduction in the value added tax (VAT) on goods and services subject to a 10% VAT.



According to a document sent from the Government Office to the MoF, Deputy Prime Minister Le Minh Khai agreed on principle that the MoF reports to the Government for submission to the National Assembly (NA) and NA Standing Committee for consideration and permission of the building and issuance of a NA resolution on VAT reduction with simplified order and procedures.

The Deputy PM asked the MoF to work with the Ministry of Justice and other relevant ministries and agencies on the drafting of the resolution, and report to the Government before April 25.

Regarding the continued reduction of fees and charges, the Deputy PM ordered the MoF to actively build relevant regulations on the work.

Under the MoF's proposal submitted to the PM on April 14, the ministry suggested a VAT reduction from 10% to 8% for a number of goods and services, along with a 20% cut in the percentage of goods for VAT calculation for business establishments (including business households and individuals) when issuing invoices for all goods and services subject to the VAT.

The ministry suggested that the policy, which is expected to boost the economy, should be applied until December 31. It estimated that the policy will result in a reduction of 5.8 trillion VND (246.7 million USD) monthly for the State budget's revenue, or about 35 trillion VND for the last six months of this year.

Besides, the MoF also proposed a reduction on about 35 kinds of fees and charges from July 1 to December 31. Last year, similar policies provided businesses and people with a support worth about 233 trillion VND (9.91 billion USD) on taxes, land rents, fees and charges. NDO

[Back to top](#)

LOGISTICS

Railway infrastructure projects grab foreign investors attention

Many foreign investors have expressed their interest in railway projects of Vietnam amid the Ministry of Transport (MoT)'s efforts to attract private and foreign investment in railway infrastructure, an official of the Vietnam Railway Authority (VNRA) has said.



VNRA Deputy General Director Tran Thien Canh said the East Japan Railway Company (JR East), a leading railway operator in Japan, has sent a document to the MoT showing its interest in a project on upgrading the Hanoi - Hai Phong rail route and a railway project linking with the Hai Phong international gateway port.

In June 2022, a JR East delegation had the first working session with the MoT and the Vietnam Railways Corporation and made a fact-finding trip of the Hanoi - Hai Phong rail route.

At a recent meeting with the MoT, Spanish Ambassador to Vietnam Pilar Méndez Jiménez said her country, home to the world's second longest express railway system, wishes to cooperate with the ministry in developing the railway system, including high speed rail (HSR).

Talking to MoT officials at another meeting, a World Bank representative also voiced interest and willingness to work with Vietnam to invest in the North - South express railway project.

The MoT noted the share of rail transport has been shrinking and for many years, there haven't been any new rail routes taking shape.

The strategy for socio-economic development for 2021 - 2030, adopted at the 13th National Party Congress, requested due attention be paid to rail transport development, some sections of the North - South high-speed railway projects carried out, and the construction of urban railways in Hanoi and Ho Chi Minh City sped up.

The railway sector's capital demand by 2030 is estimated at about VND240 trillion (US\$10.2 billion), including over VND46.3 trillion for upgrading existing routes, VND112.3 trillion for building the high-speed railway, and over VND80 trillion for developing new normal rail routes.

Despite many investors' interest in those projects, some experts pointed out that numerous difficulties are hampering the attraction of private and foreign investment.

Transport expert Nguyen Xuan Thuy held that with clear and transparent mechanisms, it is completely possible to attract private investment, and only when private capital is mobilised effectively can demand for railway infrastructure development be met.

The Vietnam Railway Authority said the biggest barrier to private investment attraction is that infrastructure projects in this field require huge capital while their profit is low. Meanwhile, specialised agencies have yet to issue guidance for the implementation of support mechanisms for investors.

State agencies, railway businesses, and investors are expecting improvements in railway infrastructure development following the Politburo's issuance of Conclusion No 49-KL/TW on February 28, 2023 on orientations for the development of rail transport in Vietnam by 2030, with a vision to 2045.

Minister of Transport Nguyen Van Thang said to develop the railway network for 2021 - 2030, with a vision to 2050, the ministry has proposed increasing medium-term public investment and prioritising major railway projects to enhance transport connectivity and reduce logistics costs during 2021 - 2025.VNA

[Back to top](#)

Vietnam's E-commerce boom drives postal sector growth

Vietnam's postal sector is set to double its revenue to \$5bn by 2030, driven by the growth of e-commerce.



This trend has forced companies to reduce delivery times, speed up services and offer more competitive pricing. As a result, more than 800 firms have entered the market to compete, with the number of new companies up 12% YoY. Last year, the postal sector in Vietnam recorded revenue of \$2.28bn, up 16% YoY, with growth rates of 24% YoY expected until 2030.

Among the firms vying for a slice of the market, Giaohangtietkiem (GHTK) JSC, specialising in last-mile logistics, has 16.44% of the total revenue. Its focus on operational innovation practices, data digitisation and use of advanced technology has helped it build a network of more than 1,500 offices, 2,500 delivery trucks and 30,000 local delivery people. Other firms, including Express Delivery Services Company (GHN Express), Viettel Post and Vietnam Post Corp., have also invested heavily in technology to improve their operations and efficiency, with the aim of providing faster and cheaper delivery services.

Vietnam Post's target is to generate between \$2.4bn and \$2.6bn in revenue by 2025, while Viettel Post has improved its operations to reduce delivery time by 30% in 2022. Saigontimes

[Back to top](#)

INVESTMENT

Vietnamese and French business are looking to enhance their collaboration

Vietnamese and French businesses met at a forum in Hanoi to discuss cooperation opportunities and strengthen bilateral ties as part of the 50th anniversary of diplomatic relations between the two countries. The event attracted 50 Vietnamese and 12 French localities, as well as many state and private organizations.



Discussions focused on sustainable cities, environment, water and water treatment, culture, heritage, tourism, smart cities, and digitization. Hanoi and Toulouse signed a cooperation agreement, while Vietnamese provinces like Lam Dong, Thai Nguyen, Binh Dinh, and Quang Ngai held meetings with French localities and businesses to discuss cooperation opportunities in waste water treatment, agriculture, and tourism. Bilateral trade

between the two countries reached \$5.33 billion in 2022.

France's total registered investment capital in Vietnam has reached over \$3.8 billion, ranking 16th out of 143 countries and territories investing in Vietnam. French enterprises have been present in 36 localities in Vietnam such as Ho Chi Minh City, Hanoi, and Ba Ria Vung Tau. Meanwhile, Vietnam invested in France with the total capital of over \$73 million.

Bilateral trade in 2022 reached \$5.33 billion, of which, the export turnover of Vietnam to France will reach \$3.7 billion and the import turnover of Vietnam from France reached \$1.63 billion. VIR

[Back to top](#)

Austrian firms eye investment cooperation with Hanoi

Austrian companies want to cooperate with Hanoi in areas that they are strong in, especially the development of smart cities and urban transport, said Philipp Gady, Vice President of the Austrian Federal Economic Chamber who accompanied Foreign Minister Alexander Schallenberg during a visit to Vietnam from April 16-18.

At a meeting on April 18 with Vice Chairman of Hanoi's People's Committee Nguyen Manh Quyen, Gady said Austrian companies hope to early finalise an MoU on cooperation with Hanoi authorities to promote bilateral relations.

For his part, Vice Chairman Quyen said that in the capital's development master plan, which is scheduled to be submitted to the National Assembly for approval in October, smart city development is a top priority, along with the adoption of technologies to manage traffic and the transition to green energy.

During this process, the capital will need the support of experienced and capable international partners. Therefore, he said Hanoi welcomes Austrian companies to the city for exploring cooperation possibilities.

Austrian Federal Minister for European and International Affairs Alexander Schallenberg made an official visit to Vietnam from April 16-18 at the invitation of Foreign Minister Bui Thanh Son. Austria now ranks among Vietnam's top 10 European trading partners. In 2022, bilateral trade was worth US\$2.8 billion, with Vietnam exporting nearly US\$2.5 billion worth of products to the European nation. VNA

[Back to top](#)

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