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VIETNAM BUSINESS REVIEW

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FINANCE

Vietnam's digital economy may reach US\$49 billion by 2025

Vietnam's digital economy may take the lead in Southeast Asia with average growth of 31% a year and reach US\$49 billion by 2025, said a report by Google, Temasek and Bain & Company.

Vietnam's online retail sales hit US\$16.4 billion in 2022, accounting for 7.5% of the country's total retail sales of consumer goods and services. The rate is expected to rise to 10% by 2025.

The nation was the third-largest digital economy in the region with US\$23 billion in 2022, after Indonesia and Thailand, said the Department of E-Commerce and Digital Economy under the Ministry of Industry and Trade, citing data from the report.

A survey conducted by the department showed that around 78% of Vietnamese internet users purchased goods through e-commerce platforms in 2022.

The figures reflected international optimism about the Southeast Asian country's digital economy and e-commerce growth.

According to the department, Vietnam was officially hooked up to the internet in 1997. Over the past 20 years, the internet has grown rapidly in the country and has become an important shopping channel for consumers. Vietnamnet

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The State Bank of Vietnam continues to reduce policy interest rates

The State Bank of Vietnam (SBV) has announced two decisions to further reduce policy interest rates, which will become effective from May 25, 2023.



The first decision, No. 950/QĐ-NHNN, stipulates the interest rates of refinancing, rediscount, overnight interbank electronic payment, and compensatory lending for capital shortfall in offset payments by the SBV to credit institutions (CIs).

Under this decision, the interest rates of the overnight interbank electronic payment and compensatory lending for capital shortfall in offset payments by the SBV to CIs will be reduced from 6% per annum to 5.5% per annum.

The refinancing interest rate will be lowered from 5.5% per annum to 5% per annum, while the rediscount interest rate remains unchanged at 3.5% per annum.

The second decision, No. 951/QĐ-NHNN, stipulates the maximum interest rates of Vietnamese dong (VND) deposits of organisations and individuals at credit institutions, as stipulated in Circular No. 07/2014/TT-NHNN dated March 17, 2014.

According to the decision, the maximum interest rate of non-term and term deposits of less than one month remains unchanged at 0.5% per annum. The maximum interest rate of deposits with terms from one month to less than six months will be reduced from 5.5% per annum to 5% per annum.

However, the maximum interest rate of VND deposits at the People's Credit Fund and microfinance institutions will be lowered from 6% per annum to 5.5% per annum. The interest rate of deposits with terms of six months or longer will be determined by the CIs based on the market supply and demand for capital.

The central bank's decision to further cut the policy interest rates aims to stimulate economic growth, support liquidity in the interbank market, and provide favourable conditions for borrowing and lending activities within the banking system.

These measures are expected to encourage investment and consumption, contributing to the overall stability and development of the Vietnamese economy.

The SBV reassures the public and the banking sector that it will continue to closely monitor market developments and adopt appropriate monetary policies to maintain macroeconomic stability and ensure the efficient functioning of the financial system. VNA

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E-COMMERCE

Apple launches online store in Vietnam

Apple opened its online store in Vietnam on Wednesday, making life a bit easier for Apple fans in the country to purchase authentic Apple products and receive various services offered by Apple team members.



Customers can discover and shop for the iPhone 14 lineup through the Apple Store online and the Apple Store app.

They can personalize their devices by choosing their preferred case and band combination to create a look that is uniquely their own through the Apple Watch Studio.

Apple also offers configure-to-order options, allowing Mac customers to select and customize the device to their desired specifications.

Besides, engraving available for free only on apple.com/vn will help customers personalize iPad, AirTag, AirPods, and Apple Pencil with a mix of emoji, text, and numbers.

With the support of online experts, customers can now take advantage of Apple's many retail services — including Apple Trade In, safe data transfer, and switching to iOS, making it easy for them to safely and securely migrate their data from an old device.

In the Apple Trade In program, customers in Vietnam can trade in their old device and receive credit toward a new one. If their device is not eligible for a credit, Apple will recycle it for free, diverting electronic waste from landfills and saving precious materials in Apple's quest to take less from the earth.

The Apple Store online offers a range of affordability options, including up to 24 months of financing for iPhone, Mac, iPad, and Apple Watch with MoMo.

Additionally, students can shop for a Mac or iPad with special pricing, and receive discounts on accessories as well as AppleCare+. Tuoi tre online

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ENERGY

Deputy Prime Minister of Vietnam urges acceleration of electricity licensing for finished wind, solar power

Vietnam's Prime Minister approved a long-awaited power plan for this decade that needs \$134.7 billion of funding for new power plants and grids, the government said late on Monday, in a move that may help unlock billions of dollars of foreign investment.



Deputy Prime Minister Tran Hong Ha has requested the Ministry of Industry and Trade to accelerate the process of issuing electricity licenses for wind and solar power projects that have been completed but have not yet been put into operation.

The Government Office recently issued a Notice on Deputy PM Ha's conclusion at a meeting related to the negotiations of electricity price for these projects.

The document stated that in order to achieve the goal of sustainable development, the Government has been implementing necessary solutions for the national energy transition, including policies to encourage investment in renewable energy development.

Many wind and solar power plants, which have been invested and put into operation, have supplemented an important power source to contribute to ensuring national energy security and boosting socio-economic development. However, many others have not been put into use, causing waste of social resources.

Therefore, the Ministry of Industry and Trade was required to issue a specific guidance document on methods of calculating and negotiating electricity prices for wind and solar power in accordance with regulations.

For projects that are not yet eligible for operation and still having problems with legal procedures, the ministry and localities where the transitional power projects are located should urgently guide enterprises to complete the prescribed procedures.

The Ministry of Planning and Investment was urged to issue a document before May 25 guiding the People's Committees of provinces and cities to consider and decide to adjust investment policies for transitional projects with the implementation time of more than 24 months compared to the time limit specified in the first investment policy approval letter in accordance with regulations. VNA

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Electricity prices approved for 15 renewable energy projects

The Ministry of Industry and Trade has approved the provisional electricity prices for 15 wind and solar power plants after its negotiations with the Vietnam Electricity Group (EVN).



Tran Viet Hoa, director of the Electricity Regulatory Authority of Vietnam, said that 37 of 85 wind and solar power projects in the transitional period have sent their documents to EVN for pricing talks.

Fifteen wind and solar power plants with a total capacity of 1,200 MW had their provisional electricity prices approved by the Ministry of Industry and Trade.

Among them, there are three solar power plants, seven onshore wind power plants, and five offshore wind power plants.

In addition, six other power plants have reached an agreement on temporary pricing and are expected to submit the necessary documents to the Ministry of Industry and Trade this week.

The Ministry of Industry and Trade requested EVN and investors to urgently complete pricing talks, sign contracts, and complete legal procedures to integrate these plants into the national grid.

A power project is eligible for operation when it is licensed by the authorities, according to EVN. However, only 16 of 85 transitional renewable energy projects have been allowed by the Ministry of Industry and Trade to be put into operation.

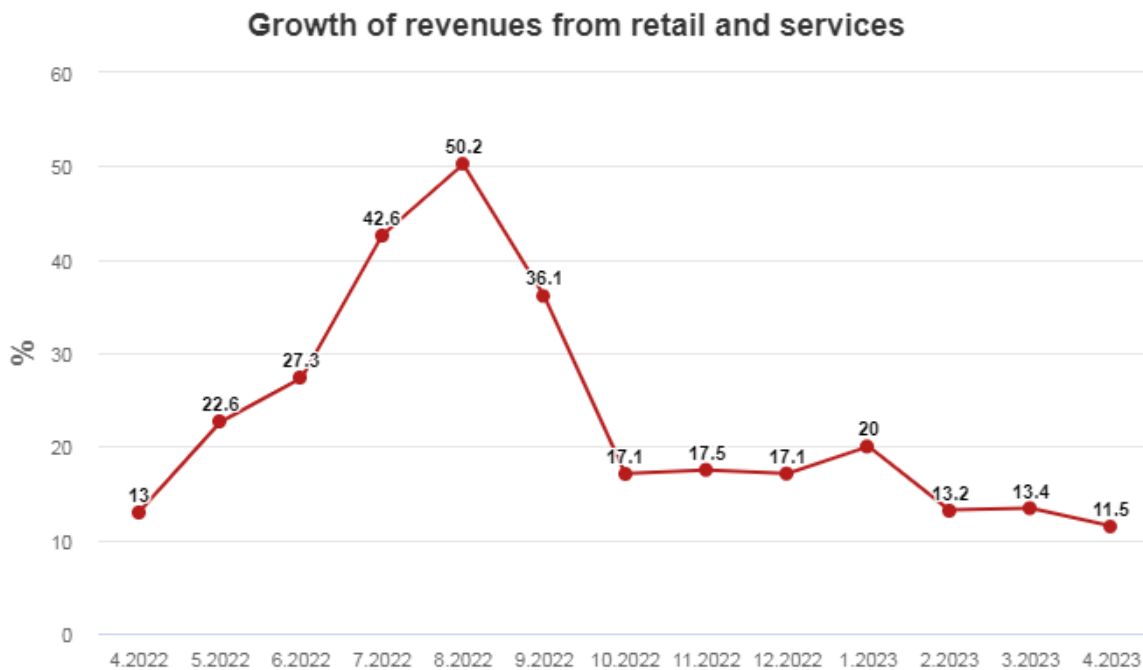
Prime Minister Pham Minh Chinh urged EVN to complete pricing talks with the investors of wind and solar power projects as soon as possible on May 17 to help ensure electricity supply for businesses and households during the dry season. Saigontimes

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RETAIL

Vietnam's revenues from retail and services posted a double-digit growth

Vietnam's revenues from retail and services posted a double-digit growth in April, a rare improvement amid many economic challenges that have plague the country since the beginning of the year. "After sluggish GDP performance in the first quarter, Vietnam is still not out of the woods yet. In particular, we have not seen the light at the end of the tunnel on the trade front," HSBC analysts said in a recent report.



Minister of Planning and Investment Nguyen Chi Dung said that the economy faces a number of challenges, including high inflation and tightened monetary policy globally.

But although exports dropped 11.2% and imports fell 13% year-on-year last month, revenue from retail and services grew 11.5%, implying a rise in domestic consumption, data from the ministry showed.

Total supply of goods at Ho Chi Minh City's wholesale market in the five-day national holiday earlier this month rose 5.7% year-on-year, and consumption at supermarkets and malls surged, according to the city's Department of Industry and Trade.

Tourism also showed signs of recovery. Vietnam welcomed around 984,000 international tourists last month, taking the year-to-date figure up 62% from the same period in 2019.

Changes in visa policy are set to pump the figures even further. At the National Assembly session to begin on Monday, the government seeks to increase the e-visa duration from one to three months.

The new government proposal also includes extending the duration of stays for tourists from countries enjoying 15-day visa exemptions to 45 days.

Cloudy outlook

But the scale of the recovery in retail and service remains a question without an answer, as statistics reveal both positive and negative trends that make outlook prediction difficult.

Payment platform Payoo data shows that supermarkets and convenience stores recorded a revenue decline of 5-10% in the first quarter compared to the previous period.

Revenue at malls also dropped 10%, while sales of electronic devices plunged 30-50% in the same period, it added.

Purchase of big-ticket items, however, seemed to be rising. Used car trading platform Cho Tot Xe saw the number of inquiries rising 11% year-on-year and the number of listings rose 7% in the first four months.

Demand for used cars surged 26% year-on-year during the five-day holiday, which shows a positive signal amid a challenging economy, said the platform in a report.

Payoo also found that fine-dining restaurants that use its platform saw the average value of each order rising 7% year-on-year in the first quarter.

"Rich people are willing to pay, and this helps stir up market development," a company spokesperson said. If the National Assembly approves a 2% reduction in VAT for the last six months of this year, retail and service sales will likely recover even stronger, said Pham Thi Thanh Xuan, a lecturer with the University of Economics and Law at Vietnam National University HCMC.

The 2% discount will have a direct impact on people's income, especially amid high inflation, she added. But another factor that plays a major role in consumption recovery is credit growth, which was only 2% as of mid-April, half of the same figure year-on-year.

HSBC added, "While we will likely see weak growth in the first half, we expect the services sector to receive a punchier boost and the trade tide to turn in the second half, lifting whole-year growth to 5.2% in 2023." Vnexpress

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LOGISTICS

Smart logistics key for competitiveness improvement

To meet the demands of domestic trading and import-export activities, the logistics sector is working towards professional and competitive services meeting international standards, in which smart logistics development is considered the key solution.



According to Director of the Import-Export Department under the Ministry of Industry and Trade Phan Van Chinh, local logistics firms have been increasingly aware of the need to speed up digital transformation and apply technology into their business operations, aiming to cut cost and increase competitiveness.

Supply chain director at Nestle Vietnam Nguyen Tran Hoang Yen said that digitalisation has helped the firm better connect with the global market and optimise goods transport and distribution activities in the domestic market.

Nestle has launched its Cargoo app to connect manufacturers, importers and shipping lines, enabling them to follow the transportation process of each order and track the goods information, book ships and manage all related documents, she said.

Meanwhile, Marketing Director of the Saigon Newport Corporation Truong Tan Loc said that the firm has launched a system of e-port and e-warehouse, while applying artificial intelligence (AI) in customer services, thus improving its service quality.

However, as 90% of the logistic firms are small- and medium-sized enterprises, the application of smart logistics has remained limited.

Pointing to major barriers hindering smart logistics development in Vietnam, Vice Chairman of the Vietnam Logistics Business Association Le Quang Trung mentioned limitations in mindset and confusions

in selecting suitable technologies as well as a shortage in financial and human resources and a lack of harmonious policies for digital transformation.

Experts held that strengthening the application of IT and modernising management and operation methods as well as using logistics optimising platforms are among the effective measures to reduce logistics cost and improve service quality.

Loc said that domestic logistics firms should work closely together to enhance the competitiveness of Vietnam's logistics sector by building a shared database on Vietnam seaport system with connections with other ports in the region and the world.

At the same time, the State and localities should further simplify administrative procedures, while building a joint database and processing administrative procedures online, he said, stressing the need for updating the legal system to encourage businesses to develop new services and technologies.

Director of Northern Operations Division at Lazada Vietnam Nguyen Trieu Quang said that logistics businesses should standardise their processes and build a sustainable ecosystem to grasp opportunities from the booming e-commerce, while improving the delivery experience from every touchpoint.

Vice Director of the Import-Export Department under the Ministry of Industry and Trade Tran Thanh Hai underlined the need for coordination and strong linkage among not only logistics firms but also all relevant agencies in order to successfully promote the application of digital technology.VNA

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North-South express railway project could include freight transport function

The State Appraisal Council has proposed that the Ministry of Transport add a new option to use the high-speed railway to carry both passengers and cargo, instead of just passengers as planned.

Following the State Appraisal Council's request, the railway project's management board, consultant and relevant units were asked to supplement the second scenario for the expressway railway construction to have a basis for comparing the two options.

The main supplemented contents include adding the function of freight transport, building a new railway on the North-South axis using a double track with a width of 1,435 mm, and upgrading and electrifying the express railway to make it in line with Vietnam's commitments made at COP26 for passengers and freight transport.

The railway route in the second scenario is the same as previously agreed with localities. With some localities requesting adjustments, the Railway Project Management Board, the consultant, will work with the localities to reach an agreement on the route and cargo stations for the new scenario.

According to its previous report on the pre-feasibility study, the North-South express railway would be used to carry passengers at an operating speed of 320 kph. The project, which needs around US\$58.71 billion in investment, will have 80% of its capital funded by the State budget and the remainder being sourced from the private sector. The project is expected to be completed by 2045.

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INVESTMENT

Vietnam and Japan foster cooperation in aerospace supporting industry

A conference was held on May 16 at the Kobe Chamber of Commerce and Industry (KCCI) headquarters in Japan to seek measures to promote Vietnam - Japan cooperation in manufacturing components and products of the aerospace industry.

Addressing the event, Chairman of the Hanoi Supporting Industry Association (HANSIBA) Nguyen Hoang highlighted advantages of the two countries in economic cooperation, including the Vietnam - Japan extensive strategic partnership, Vietnam's strong workforce and various bilateral and multilateral economic agreements, and Japan's rich experience in the aerospace industry.



He said that the conference was part of activities to specify Vietnam's industrialisation programme within the Vietnam-Japan cooperation framework, especially in supporting industries and high-technology, aiming to connect businesses in the supporting industry of Hanoi and Vietnam and their partners in Kobe and Japan in these fields.

Jon Liljia, Boeing's Supply Chain Business Development Manager, expressed his hope to directly work with Vietnamese manufacturers.

Meanwhile, Ishida Takayuki, a representative from Onaga Japan Company, underlined the potential of Vietnam's aviation component market amid rising travelling demands both inside the country and in the region.

Onaga Chairman Onaga Masaru affirmed that the company will continue to work closely with Vietnamese businesses in the supporting industry to manufacture high-technology components such as aircraft spare parts.

In order to remove obstacles facing Japanese investors, members of the HANSIBA has formed a supporting unit. The unit is tasked to coordinate with Japanese firms in processing administrative procedures such as requesting for investment, construction and import licences, and supporting them in recruiting and human resources training following Japanese standards.

Hoang held that the Vietnamese supporting industry community has recorded positive development with the manufacturing of products joining the production chains in Japan and the world, along with aerospace components, renewable energy products and smart products serving the marine economy.
VNA

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Vietnam shows significant improvement in business environment

Vietnam jumped 12 places in the Economist Intelligence Unit (EIU)'s latest business environment rankings which measure the attractiveness of doing business in 82 economies with 91 crucial indicators.

The report highlights that Vietnam, along with Thailand and India, is considered the Asian country that has made the most progress in terms of business environment development.



Thailand leaped 10 places and India six. Meanwhile, Singapore topped the rankings.

In the first four months of this year, FDI channeled into Vietnam neared USD8.9 billion, with new capital surging after a slight decrease in the first three months.

According to the Ministry of Planning and Investment's Foreign Investment Agency (FIA), there were 750 new projects granted with investment licenses worth over \$4.1 billion, up 65.2% and 11.1% annually, respectively.

A total of 386 projects had their capital added for a total of \$1.66 billion, a 19.5% increase in quantity and reduction of 68.6% in value against the same period last year. The growth, despite the associated decrease, reflected investors' confidence in Vietnam's business climate and decisions to expand their existing projects.

Also in the four months, foreign investors did 1,044 transactions of capital contribution and share purchases, with their contributed capital exceeding \$3.1 billion, up 70.4% year-on-year. They invested in 18 economic sectors, mostly in processing and manufacturing with over USD5.1 billion or 57.8% of their total investment.

The number of countries and territories investing in Vietnam in the period amounted to 77. Singapore took the lead by pouring close to \$2.2 billion into the market, followed by Japan with nearly \$2 billion and China with \$752 million. Vnexpress

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