



Highlight

Vietnam projected to become 20th largest global economy

VIETNAM BUSINESS REVIEW

What's in it today?

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FINANCE

Central bank demands stronger promotion of cashless payment

Vietnam projected to become 20th largest global economy



INVESTMENT

High-end brands looking to invest in Vietnam
Newly registered foreign direct investment surged nearly 28%



RETAIL

Retail sales of consumer goods, services top 22 billion USD in May



E-COMMERCE

A Transformative Journey of Vietnam's E-commerce Investment



ENERGY

Only 18 renewable power projects granted electricity operation licenses
Vietnam welcomes international renewable energy projects



LOGISTICS

Da Nang aims to become attractive logistics centre by 2030

FINANCE

Central bank demands stronger promotion of cashless payment

The State Bank of Vietnam (SBV) has requested banks, branches of foreign banks, and providers of intermediary payment services to take steps to continue promoting cashless payment and the implementation of the national digital transformation programme.



The move is also set to help with the plan on developing the application of resident data and electronic identification and authentication to serve national digital transformation for the 2022 - 2025 period, with a vision to 2030.

In its Document No 3956/NHNN-TT, the SBV asked banks, foreign banks' branches, and intermediary payment service providers to continue considering and offering preferential programmes and policies on payment and intermediary payment service fees to customers, and exempt account maintenance fees as well as cash withdrawal fees for the customers entitled to the social security policy.

They were told to actively carry out practical activities in response to the Cashless Day 2023 (June 16) and throughout June.

Besides, the SBV recommended banks and branches of foreign banks in Vietnam coordinate with payment acceptance units such as power, water and telecoms service suppliers, e-marketplaces, supermarkets, restaurants, and shopping centres to hold promotion events and advertise their services to encourage cashless payment.

Intermediary payment service providers were also asked to work with banks, foreign banks' branches, and goods and service suppliers to launch preferential policies and appropriate promotions for their users. VOV

[Back to top](#)

Vietnam projected to become 20th largest global economy

Vietnam, a rising economic powerhouse in Southeast Asia, is set to witness remarkable growth over the coming years.

According to the International Monetary Fund (IMF), Vietnam's GDP based on purchasing power parity (PPP) stood in 25th position globally in 2022, ranking just below countries such as Australia, and Poland.

Specifically, Australia's reached approximately \$1.63 trillion, securing 20th position worldwide, while Poland's stood at around \$1.64 trillion, placing it 19th.

The IMF also estimates that by 2023, Vietnam is expected to secure fourth position in Southeast Asia with a forecast GDP PPP of approximately \$1.45 trillion.

Looking further ahead, by 2026, Vietnam is estimated to have surpassed Thailand, propelling it to the second spot in the region with a figure of around \$1.87 trillion.

By 2028, Vietnam's economy is anticipated to have reached approximately \$2.21 trillion, placing it among the top 20 economies globally.

The top 20 economies in 2028, according to the IMF, are predicted to include China, the United States, India, Japan, Germany, Indonesia, Russia, Brazil, France, the United Kingdom, Turkey, Mexico, Italy, South Korea, Saudi Arabia, Canada, Spain, Egypt, Bangladesh, and Vietnam.

This impressive growth trajectory highlights Vietnam's increasing significance on the global stage. As the country continues to implement economic reforms, attract foreign investments, and foster innovation, it is solidifying its position as a rising power in Southeast Asia.

With a favourable business environment and a young, dynamic workforce, the nation is poised to become a major player in both the regional and global economies.

Vietnam's ascent is also reflected in its standing among its regional counterparts. With a strong focus on attracting foreign direct investment and promoting innovation-driven industries, Vietnam offers a promising business environment for those seeking growth and expansion. VIR

[Back to top](#)

E-COMMERCE

A Transformative Journey of Vietnam's E-commerce Investment

E-commerce investment activities in Vietnam can be categorized into three distinct phases. The first phase, spanning from the mid-2000s to 2010, witnessed the emergence of early e-commerce platforms like Vat Gia, En Bac, Cho Dien Tu, and 123mua.vn. During this phase, investment capital in e-commerce was limited, and only a few platforms, such as Vat Gia and Cho Dien Tu, had access to funding.



The second phase, from 2011 to 2017, saw significant growth in Vietnam's e-commerce industry with the entry of numerous domestic and foreign players. The group-buying and multi-industry e-commerce models attracted substantial investment capital. Notable deals during this period included Nhomma, which secured \$60 million in funding from IDG Ventures Vietnam, Rebate Networks, and Ru-net Global. However, many group-buying models

struggled to sustain their growth and experienced recessions after a few years. Tiki and Sendo emerged as prominent domestic e-commerce companies, attracting large rounds of capital due to their promising growth potential.

The third phase, starting around 2018, witnessed continuous growth in the e-commerce industry due to the introduction of new business models, particularly in segments such as business-to-business (B2B) distribution, e-commerce enabler tools, and social commerce. Notable investment deals during this phase include Telio (\$49 million), Kiotviet (\$51 million), and companies in emerging social commerce like Ecomobi, Mio, and Selly.

The legal framework for e-commerce in Vietnam is evolving favorably to support industry development. As new business models continue to emerge, the regulatory framework should be regularly updated to encourage the participation of small new businesses. In multi-industry e-commerce platforms, foreign-invested enterprises, such as Shopee, Tiktok Shop, and Lazada, dominate the market due to their significant economic potential and investment. However, domestic businesses have a near-absolute advantage in new e-commerce models like e-commerce enabler tools, social commerce, and B2B distribution, thanks to the entrepreneurial acumen of the young generation.

Joining the World Trade Organization and signing free trade deals have facilitated smoother trade for Vietnamese businesses, enabling them to source imported goods more efficiently and explore export opportunities. Cross-border e-commerce is a relatively new concept in Vietnam but has gained traction in recent years with the entry of platforms like Alibaba, Amazon Global, Shopify, and Shopbase. This presents a high-potential market for Vietnamese e-commerce businesses to expand their operations by leveraging cross-border trade deals.

Vietnam's e-commerce market is experiencing double-digit growth and is expected to reach a market size of \$49 billion by 2025, according to conservative estimates, and up to \$57 billion according to a more optimistic forecast by Google. Investment in e-commerce consistently accounts for over 30% of total investment capital in Vietnam's technology sector, and this trend is projected to continue in the coming years. With new investment capital, Vietnamese companies can develop innovative business models, and there is an expectation that more successful Vietnamese enterprises will penetrate the Southeast Asian market in the future.VIR

[Back to top](#)

ENERGY

Only 18 renewable power projects granted electricity operation licenses

The Ministry of Industry and Trade (MoIT), on May 26, reported that out of the 85 renewable energy projects (including wind and solar power), only 18 projects have been granted electricity operation licenses.

According to the Electricity Regulatory Authority under the MoIT, as of May 23, only 18 out of 85 transitional renewable energy power plants have been issued electricity operation licenses. Additionally, 12 transitional projects have submitted negotiation price documents but have not yet submitted licensing papers, including 11 wind power projects and one solar power project.

As of May 26, 52 out of 85 transitional solar and wind power plants, with a combined capacity of 3,155MW, have submitted documents to EVN. Among them, 42 renewable power plants, totaling 2,258.9MW, are currently in the process of negotiating electricity prices with EVN. Additionally, 36 plants, with a total capacity of 2,063.7MW, have proposed a temporary electricity price equivalent to 50 percent of the tariff as a foundation for mobilization. There are still 33 power plants, with a total capacity of 1,581MW, that have not yet submitted negotiation documents, accounting for approximately 33 percent of the total.

Due to violations of regulations concerning planning, land, and construction investment, many investors have neither been able to fulfill the necessary legal procedures nor enter into price negotiations with EVN. Despite being requested to supplement their documents since the end of March 2023, some investors have been unable to do so even after two months.

However, during the project implementation process, investors must adhere to all legal regulations regarding land, construction, electricity, planning, environment, fire prevention, and firefighting. According to the Electricity Law, electricity projects are required to obtain electricity operation licenses before commencing operations. Vietnamnet

[Back to top](#)

Vietnam welcomes international renewable energy projects

Deputy Prime Minister Tran Hong Ha welcomed Dutch firms and partners to join in the pilot scheme for rooftop solar installation in Vietnam during a reception in Hanoi on May 31 for Dutch Ambassador to Vietnam Kees van Baar.



Deputy PM Ha said Vietnam and the Netherlands are strategic partners in climate change adaptation, water management, sustainable agriculture and food security.

With the support of Dutch partners, he said the Vietnamese Government has issued a decision on the Master Plan for the Mekong Delta region for the 2021-2030 period, with a vision to 2050. It has adopted advanced approaches to addressing climate change, managing water resources sustainably, and forming mechanisms for regional coordination and development.

He informed the diplomat that the National Power Development Plan VIII (PDP VIII) incorporates several new mechanisms, such as self-generation and self-consumption; immediate conversion of fossil fuel-based power to wind and solar power, or the use of green fuels such as green hydro and green ammonia; and the export of renewable energy. The key considerations include the capacity of businesses, the feasibility of technologies, and economic efficiency.

With experience in offshore wind power development, he hoped that Dutch enterprises would help the Vietnamese Government complete criteria for selecting investors, transferring research and technology, evaluating economic efficiency, and ensuring national security and safety.

The host suggested that Dutch partners could explore investment options in renewable energy projects that are synchronous with the establishment of major industrial zones in the Mekong Delta. This would also enhance the role of the State in directing, supporting, and accompanying businesses in specific projects to achieve the set objectives.

Kees van Baar, for his part, said Vietnam and the Netherlands hold great potential in new areas such as renewable energy and carbon market development.

Dutch firms are very interested in orientations for renewable energy development outlined in PDP VIII and wish for support to embark on pilot projects on rooftop solar and offshore wind power, he said, adding that the Netherlands is willing to provide support and technical consultancy in policy building, management, technology transfer, and green financial resources for Vietnam's just energy transition process.

Receiving US Ambassador to Vietnam Marc E. Knapper the same day, Deputy PM Ha said Vietnam – US ties are growing stronger, particularly in climate change response, dealing with dioxin contamination, the Just Energy Transition Partnership (JETP), and net-zero gas emissions.

He said the issuance of PDP VIII, which allocates a significant space for renewable energy, reflects Vietnam's commitment to taking collective actions in line with the JETP and net-zero goals. Vietnam has confidence in the support and commitment of JETP partners in terms of technology, management, and financial resources for renewable energy and the establishment of carbon markets.

Global issues lay a crucial foundation for cooperation between Vietnam and the US, fostering substantive and profound relations that bring value to the people of both countries while contributing to addressing global challenges, he said.

Knapper, for his part, said the US will continue assisting Vietnam in carrying out the JETP and achieving net-zero goals through sharing and transfer of technology, financial resources, management, and technical expertise for renewable energy projects involving the participation of US businesses.

The US partner organisations will continue stepping up projects addressing the consequences of dioxin contamination, mine clearance, and support for people with disabilities.

Host and guest agreed on measures to utilise Vietnam's skilled workforce with the support of the US-funded infrastructure and equipment, thus pushing forward sci-tech research involving new materials, vaccines, and core technologies while harnessing the advantages of digital transformation, education and training, innovation, health care. vns

[Back to top](#)

RETAIL

Retail sales of consumer goods, services top 22 billion USD in May

Total revenue from retail sales of consumer goods and services in May was estimated at 519 trillion VND (22.09 billion USD), an increase of 1.5 per cent over the previous month and 11.5 per cent year on year thanks to the long holidays in the beginning of the month, according to the General Statistics Office (GSO).



The results pushed the total retail sales of consumer goods and services in the first five months of this year to 2.52 quadrillion VND (107.2 billion USD), a year-on-year rise of 12.6 per cent, excluding the 8.3 per cent rise in price, the GSO reported.

It underlined that the result in the first five months of this year was the highest recorded in the same period since 2015, representing a surge of 28.3 per cent over the same time in 2019 before the COVID-19 pandemic broke out.

Specifically, in the January-May period, revenue from retail sales of goods was estimated at 1.99 trillion VND, up 10.7 per cent year on year. Upturn was seen in sales of food and foodstuff (14.6 per cent), garment and textile (11.1 per cent), home appliances (4.8 per cent), transport vehicle excluding automobiles (4.2 per cent), and educational and cultural products (1.9 per cent).

Strong rise was seen in revenue from retail sales of goods in many localities, led by Bac Ninh with 19.6 per cent, Binh Dinh 14.8 per cent, Binh Duong 13.8 per cent, Thanh Hoa 12.1 per cent, and Hai Phong 10.6 per cent. Meanwhile, revenue from accommodation and food services in the first five months was estimated at 268.3 trillion VND, up 22.1 per cent over the same period last year, and that from other services reached about 253.6 trillion VND.

Vice Director of Department of Planning and Finance under the Ministry of Industry and Trade Nguyen Thuy Hien held that despite the increase, the consuming power of the 100-million-strong market has yet to be fully exploited.

This is one of the reasons why the ministry proposed a reduction of value added tax on a number of goods groups to catalyse consumption, she said, expressing her hope that the cut will help promote goods production, job generation and State budget increase, thus contributing to completing the socio-economic development targets for this year. Alongside, the ministry will also focus on implementing programmes to promote domestic trade, especially through digital platform and e-commerce, and support local firms to build trademarks, she said. VNA

[Back to top](#)

LOGISTICS

Da Nang aims to become attractive logistics centre by 2030

The central city of Da Nang targets to become an attractive logistics centre of the central key economic region by 2030, and the key gateway of the East-West Economic Corridor and an important link of the Asia-Pacific transport corridor by 2050.



The target is set in a project on developing logistics services in the city in association with the central key economic region and the East-West Economic Corridor for the 2021-2030 period, with a vision to 2050, which has just been approved by the municipal People's Committee.

Under the plan, the logistics service industry is expected to contribute 11-12 per cent of the city's gross regional domestic product by 2030 and up to 15.5 per cent by 2050.

Regarding the potential of logistics development in Da Nang, Duong Tien Lam, head of the representative office of the Vietnam Logistics Business Association (VLA) in Da Nang, said that the central city has opportunities to attract cargo through this economic corridor as it boasts an international container port and international airport and a location at the beginning of the East-West Economic Corridor.

However, to unlock its potential, it is necessary for Da Nang to devise specific policies to increase the volume of goods in circulation including incentives for investment in for-export production and logistics facilities.

Director of the municipal Department of Industry and Trade Le Thi Kim Phuong said that from now until 2030, the city has put forth solutions to research and issue new mechanisms and policies to facilitate container transportation activities via Da Nang seaport.

It will also provide support relating to land rent for logistics centre investment projects to encourage enterprises to invest in infrastructure construction, she noted.

To attract investment in the field of logistics, Da Nang city will study the formation of a Free Trade Zone (FTZ) with Lien Chieu Seaport, Da Nang International Airport and Hi-tech Park being its centre. The FTZ will offer incentives for investors such as exemption/reduction of taxes and fees; simplify the procedures for issuing and extending work visas and work permits.

Da Nang will boost trade and investment promotion in the south-central provinces of Laos; strengthen linkages with logistics associations and enterprises in the Association of Southeast Asian Nations (ASEAN) countries and around the world.

There are 1,056 enterprises operating in the field of logistics in Da Nang, including 681 engaging in providing road freight transport services; 16 offering services related to sea transport and 30 enterprises providing agency, forwarding and shipping services. VNA

[Back to top](#)

INVESTMENT

High-end brands looking to invest in Vietnam

Revenue in the luxury goods market in Vietnam will amount to 957.2 million USD in 2023, and grow annually by 3.23 per cent in the 2023-2028 period, according to Statista, a statistics portal for market data.



Increasing consumer demand is said to be a motivation for many brands to pour their investment in Vietnam. Luxury brands like Dior, Louis Vuitton, Tiffany & Co., and Berluti have opened shops in Hanoi - where the number of brands is not big but the demand is increasing, Statista reported.

Hoang Dieu Trang, Senior Leasing Manager for Savills Vietnam in Hanoi, said the capital is about to welcome luxury hotels such as Four Seasons, Fairmont, Waldorf Astoria or Ritz Carton, which are expected to create a new luxury shopping complex in the city, thus attracting many high-end brands to join the potential market.

According to Nick Bradstreet, Head of Asia Pacific Retail at Savills, Vietnam is seen as one of the prominent markets for luxury brands along with Singapore and Thailand.

Vietnam's economy is forecast to grow by 6.3 per cent in 2023 despite the global difficult situation, according to a report by the World Bank.

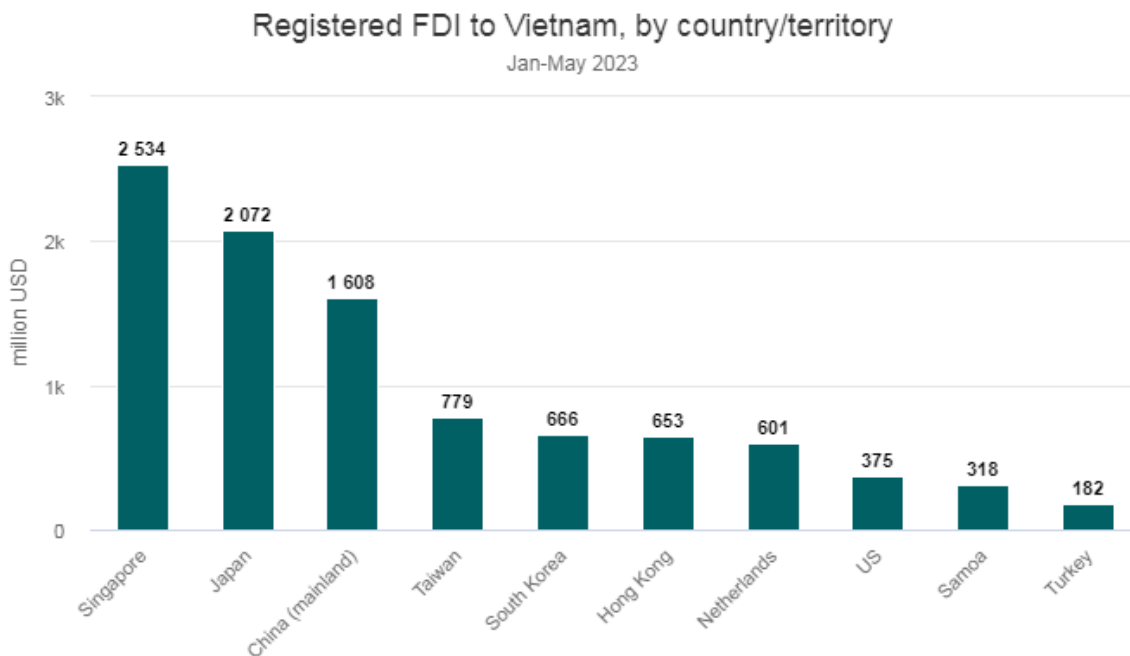
Under the national master plan for 2021 – 2030, Vietnam is targeting an annual average GDP growth of 7 per cent during the period. By 2050, GDP per capita at current prices will reach about 27,000 –32,000 USD.

Data from the General Statistics Office show that domestic consumption has gradually rebounded with the nation's total revenue from retail sales of goods and services in the last four months, increasing by 26.7 per cent compared to the same period of 2019 - the time before the outbreak of COVID-19. VNA

[Back to top](#)

Newly registered foreign direct investment surged nearly 28%

Newly registered foreign direct investment (FDI) surged nearly 28% year-on-year to \$5.3 billion in the first five months. Share acquisitions among FDI projects rose 67% to \$3.3 billion, according to the Ministry of Planning and Investment.



But modified capital, which happens when an investor changes their investment from the original plan, dropped 59% to \$2.3 billion.

Together the three components made up the total FDI capital of \$11 billion, down 7% year-on-year. Small projects, valued at under \$1 million, accounted for nearly 70% of new projects, which shows an increased interest of small investors in Vietnam while big investors seemed to be reluctant amid concerns of a global minimum tax.

Manufacturing accounted for 61% of newly registered capital at \$6.6 billion, the highest in all sectors. It was followed by finance and banking at \$1.5 billion, mostly thanks to the giant acquisition of VPBank shares by Japan's Sumitomo Mitsui Financial Group.

Investment in property dropped 61% year-on-year to \$1.2 billion. Hanoi led all localities in attracting FDI at nearly \$1.9 billion, up 2.7 times year-on-year. Singapore was the biggest investor at \$2.5 billion, followed by Japan on \$2.1 billion, and China \$1.6 billion. vnexpress

[Back to top](#)

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