



## Highlight

*Reputable organisations optimistic about Vietnam's economic outlook*

# VIETNAM BUSINESS REVIEW

### What's in it today?

Vol 23, Jun 14<sup>th</sup> 2023



#### **FINANCE**

Reputable organisations optimistic about Vietnam's economic outlook

Forum talks building of regulatory sandbox for circular economy development



#### **INVESTMENT**

Positive outlook ahead for EU investment in Vietnamese food processing industry

Binh Duong and Japan cooperate to deploy smart city and industrial park applications



#### **RETAIL**

Vietnamese consumers' overall optimism remained one of the highest among countries globally



#### **E-COMMERCE**

Vietnam's e-commerce exports may hit VND296 trillion by 2027



#### **ENERGY**

Fair energy transition awaits financing

Measures sought to encourage installation of roof-top power system



#### **LOGISTICS**

Digital transformation game-changer in logistics industry

## FINANCE

### sReputable organisations optimistic about Vietnam's economic outlook

Many reputable international organisations have shown their optimism about Vietnamese economic outlook, predicting that the country can complete its GDP growth target of 6.5% this year.



The Organisation for Economic Cooperation and Development (OECD), Standard Chartered Bank and ADB forecast that Vietnam's GDP in 2023 will expand by 6.5%. (Photo: baochinhphu.vn)

The World Bank (WB) has announced its updated forecast of Vietnam's GDP growth of about 6% in 2023, down about 0.3% compared to the prediction that the lender made in January. However, the growth rate is still the

highest in the Southeast Asian region despite the gloomy global economic situation.

The global trade of goods is recording extremely dismal growth in 2023. This situation is likely to affect the performance of some economies having trade as the main growth engine, especially Malaysia and Vietnam, where growth is forecast to be moderate, according to a WB report. In fact, the growth rate of 6.5% for the whole year as set by the Government is considered the most optimistic scenario. Although the country's GDP increased only 3.32% in the first quarter of this year, many reputable organisations in the world still believed that the country can achieve this goal.

The Organisation for Economic Cooperation and Development (OECD), Standard Chartered Bank and ADB forecast that Vietnam's GDP in 2023 will expand by 6.5%.

However, experts held that the Vietnamese economy will face many risks, including those from the slow recovery of major trade partners, high global inflation, the tightening of monetary policies in many countries, disruption of the global supply chain, energy and food security, disasters and climate change.

Meanwhile, a survey announced by McKinsey & Company showed that around 70% of millennials (persons born between 1981 and 1996) are optimistic about the country's economic outlook, the highest level among Asian countries. According to WGSN, a global trend forecasting company, Vietnam will soon become the fastest growing digital economy in Southeast Asia and one of the fastest growing economies in Asia this year.

Alongside, improvements in logistics infrastructure are expected to contribute to boosting Vietnam's e-commerce industry, which is estimated to reach 49 billion USD by 2025. Vietnamese consumers are increasingly confident in domestic brands and products with 76% preferring domestic and "Made in Vietnam" brands to foreign brands, said Helen Sac, WGSN's Consultant Director for Asia Pacific. VNA

[Back to top](#)

## Forum talks building of regulatory sandbox for circular economy development

---

The building of a regulatory sandbox for circular economy development in Vietnam was discussed at a forum held on June 12 by the Central Institute for Economic Management (CIEM) and the Programme for Sustainable Economic Development under the German Agency for International Cooperation (GIZ).



CIEM Director Tran Thi Hong Minh said the Prime Minister's Decision 687/QD-TTg, issued in 2022, approving the plan on circular economy development in Vietnam is one of the country's first important efforts to identify the road map, requirements, and orientations in this regard.

To soon develop a circular economy and benefit from it, it is particularly important to create momentum for businesses and investors to conduct digital transformation and invent circular economy models, especially in such potential sectors as agriculture, industry, energy, and construction material production, she noted.

Nguyen Anh Duong, head of the CIEM division for general studies, said a circular economy will provide an impetus for innovation and labour productivity improvement, which will help achieve economic prosperity, environmental sustainability, and social equality.

However, Vietnam is encountering considerable challenges, including natural resource depletion, environmental pollution, and climate change, which are becoming more complex amid the growing population, fast urbanisation and industrialisation, and slow transition.

Facing those challenges, the country needs to have a more serious view of sustainable development requirements, enhance its economy's independence and self-reliance, and promote the resilience of supply chains. In particular, developing circular economy models is one of the important solutions and directions that many countries are adopting, Duong went on.

Minh said to give "vitality" to the policies on circular economy development, the traditional approach is necessary but insufficient, adding it is necessary to gain more momentum green recovery fostering efforts.

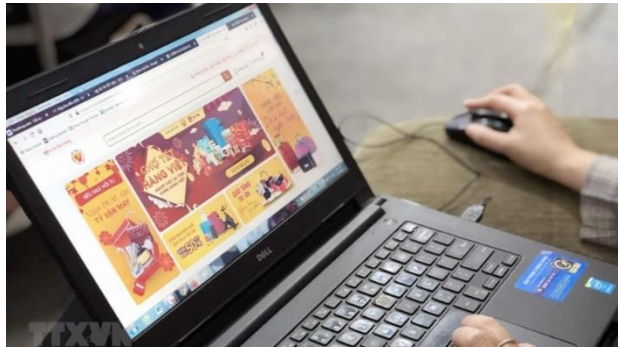
An important task in this regard is to build a decree on a regulatory sandbox for circular economy development. This decree is being drafted by the Ministry of Planning and Investment and will be submitted to the Government in the second quarter of 2023. The early formation of a solid legal basis for circular economy development will also help implement relevant international cooperation commitments, she added. With the facts pointed out and suggestions raised at the seminar, CIEM hoped to propose an effective regulatory sandbox and help complete the draft decree in the time ahead. VNA

[Back to top](#)

## E-COMMERCE

### Vietnam's e-commerce exports may hit VND296 trillion by 2027

The rapid growth of global e-commerce presents a valuable opportunity for Vietnam to tap into foreign markets, with the nation's e-commerce exports projected to reach VND296.3 trillion by 2027.



Research conducted by Access Partnership highlights that micro, small, and medium enterprises (MSMEs) in Vietnam are well-positioned to benefit significantly from the expansion of the e-commerce sector.

Currently, Vietnam's business-to-consumer (B2C) e-commerce exports are valued at VND80.7 trillion. However, if MSMEs actively utilize e-commerce for exporting their products and services, this figure could surge to VND296.3 trillion by 2027. Moreover, MSMEs have the potential to increase their revenue proportion from 24% in 2022 to an impressive 67% in 2027.

A survey of 300 Vietnamese MSMEs revealed that 86% of them consider e-commerce essential for their export business. MSMEs appreciate the vast global reach and scale offered by international e-commerce platforms, which enables them to access a large customer base across different countries.

Despite the reopening of brick-and-mortar stores following the easing of Covid-19 restrictions, MSMEs still view online shopping as a significant opportunity for their exports. With no barriers hindering the use of e-commerce for exports, 95% of the respondents anticipate at least 10% annual growth in B2C e-commerce exports over the next five years.

Southeast Asia and China are expected to remain the primary export destinations for most Vietnamese MSMEs in the future. However, MSMEs are increasingly prioritizing shipments to Japan, the U.S., and Europe over the next five years.

A survey of e-commerce consumers in key Western countries indicates that Vietnam's MSMEs are well-equipped to meet the growing demand for goods via e-commerce, with both the frequency of purchases and average spending increasing since 2020.

Nevertheless, MSMEs face challenges such as high customs duties and cross-border logistics costs. To fully leverage the benefits of e-commerce, Vietnamese MSMEs require greater regulatory support and financial assistance.

Access Partnership suggests implementing measures such as establishing cross-border e-commerce trade zones and providing financial grants for exports and e-commerce. These initiatives can assist MSMEs in their efforts to globalize.

During a conference on international e-commerce held on June 7, the Department of E-Commerce and Digital Economy at the Ministry of Industry and Trade announced that it is implementing various measures to boost digital transformation. These measures include finalizing policies on online exports, addressing barriers faced by exporters, and launching educational programs to facilitate globalization.

Last year, about 1,300 businesses accessed these programs, with Amazon Global Selling, the department, and localities organizing nine training courses related to business and export on e-commerce platforms.

According to Amazon Global Selling Vietnam, Vietnamese firms sold 10 million products through the online retailer Amazon in 2022, marking an 80% year-on-year increase. The Saigontimes

[Back to top](#)

## ENERGY

### Fair energy transition awaits financing

---

With public financing insufficient, Vietnam requires more affordable capital than commercial loans for a fair energy transition.



At the G7 Summit held in Hiroshima last month, Vietnamese Prime Minister Pham Minh Chinh reaffirmed his commitment to achieving net-zero carbon emissions by 2050, despite Vietnam's status as a developing nation.

The PM proposed that G7 nations continue to assist Vietnam in carrying out the Just Energy Transition Partnership in a practical and efficient manner. The country is already committed to receiving \$15.5

billion in support over the next two to three years.

Much of the conversation centred on the financial requirements for a fair energy transition in Vietnam. Estimated costs vary based on the underlying assumptions used in the calculation. However, according to conservative estimates published by the World Bank last summer, Vietnam will need to invest an additional 6.8 per cent of its GDP, or \$368 billion, between now and 2040 to achieve net-zero emissions while sustaining high economic growth.

Former deputy director of the Banking Strategy Institute Pham Xuan Hoe has stated that "green finance" may be on the horizon.

In 2018, the State Bank of Vietnam unveiled the Green Banking Project and set an objective that by 2025, the ratio of green credit to total outstanding loans will increase progressively, and 60 per cent of banks are expected to reach and employ loans for green credit projects.

"Profitability and predictability are crucial financial factors. Without these two elements, financial resources for renewable energy initiatives may be constrained," Hoe said. He cited obstacles to green finance, such as inadequate capital, suboptimal interest rates, and long maturities.

"There are at present no preferential policies for green enterprises and no green public expenditures, and the policy that promotes green finance lacks liquidity, interest rates, taxes, and fees," Hoe added.

Reducing reliance on fossil fuels will impact all economic sectors, including electricity generation, agriculture, construction, and transportation. According to Ngo Thi To Nhien, executive director of the Vietnam Initiative for Energy Transition, the route map for the advancement of renewable energy must be transparent to maintain a mature market.

"Vietnam lacks a long-term national energy transition strategy that includes technology localisation, growth of human resources, a digitising policy to reduce source development expenses, and a transparent, one-stop approval procedure for renewable energy initiatives," Nhien said.

Policies on financing mechanisms for renewable energy have gaps, which has prevented the development of this energy source.

"Numerous meetings have been conducted on the transitional renewable electricity price; however, the tendering mechanism has not yet been developed, whereas the policy of renewable energy development necessitates an accessible and ongoing road map," Nhien added.

The magnitude of the obstacles Vietnam faces on its path to a just energy transition, according to policy analysts, should not be underestimated.

Vietnam's financial system has grown increasingly sophisticated and varied, but its capacity to provide long-term financing has been hampered by the absence of a deep and liquid secondary market.

Governance, corporate disclosure, and accountability are key obstacles to the development of dynamic secondary markets, as evidenced by recent events in the bond market.

Nguyen Thi Hoang Yen, deputy director of the Department of Science, Education, Natural Resources and Environment of the Ministry of Planning and Investment, said that Vietnam appears on the list of priority for energy cooperation, but the number of countries offering to Vietnam will only be an insignificant component of the path to economic expansion and an energy transition.

"We must bolster domestic financial institutions to guarantee financing for businesses and to invest in projects to support energy transformation over the medium and long term," said Yen. VIR

[Back to top](#)

## Measures sought to encourage installation of roof-top power system

---

Deputy Prime Minister Tran Hong Ha recently held a working session with representatives from the Ministry of Industry and Trade (MoIT), the Vietnam Electricity (EVN) and a number of relevant ministries and agencies on policies to increase the installation of roof-top solar power systems in the community.



Under the National Power Development Plan for the 2021-2030 period, with a vision to 2050 (PDP VIII), in 2030, 50% of office buildings and 50% of residential houses use solar power for their self-consumption.

At the working session, participants pointed out a number of difficulties hindering the installation of roof-top solar power system and reasons behind the situation, as well as measures to promote the installation of the system in houses and buildings, especially in areas with high risk of power shortage like the northern and central regions.

Concluding the session, Deputy PM Ha said that as matters related to solar and renewable energy have yet to be included in legal documents, it is necessary to design flexible policies in piloting the scheme.

He asked the MoIT to promptly propose to the Government and the PM mechanisms and policies to encourage investment in the field and promote the use of electricity generated from roof-top power systems in daily activities as well as offices and businesses' operations.

Management agencies should provide optimal conditions and give technical guidance as well as incentives to solar power equipment manufacturers and importers, while supporting households in purchasing the equipment, and building a suitable price framework for roof-top electricity transmitted to the power grid.

Earlier, PM Pham Minh Chinh and Deputy PM Tran Hong Ha had many meetings with relevant ministries and agencies to seek measures to ensure power supply in the dry season of 2023 and following years, especially in the north.

On June 6, PM Chinh sent a dispatch to ministries, sectors and localities on urgent solutions to ensure supply of power in the dry season of 2023 and following years as well as to effectively implement power saving measures.

On June 8, Deputy PM Ha also issued a directive on the strengthening of power saving in the 2023-2035 period and following years, which included the promotion of roof-top power system installation. VOV

[Back to top](#)



## RETAIL

### Vietnamese consumers' overall optimism remained one of the highest among countries globally

Vietnam remains an attractive market for retailers as Vietnamese consumers remain optimistic about the economic challenges and are driving premium purchases.



Vietnamese consumers' overall optimism remained one of the highest among countries globally, according to global management consulting firm McKinsey.

McKinsey wrote in a recent article on its website that Vietnamese consumers were optimistic that the country's economy would rebound within two to three months and grow just as or even more strongly than before the COVID-19 pandemic.

There was also a clear intent by consumers to "splurge" and treat themselves, with more than 70 per cent of respondents saying they intend to increase spending on categories of products or services they spent less on over the past year and a half.

It was estimated that more than half of the Vietnamese population would enter the global middle class by 2035, creating more disposable income and fuelling consumption.

However, Vietnamese consumers were also becoming more discerning and value-conscious.

McKinsey analysis showed that Vietnam's prospects remained strong for the upcoming decade since GDP growth was on the rise again – with year-on-year growth of 2 to 7 per cent expected between 2023 and 2030.

However, the country was facing headwinds at the start of 2023 which were likely to impact the ability of its population to spend.

"More Vietnamese consumers anticipate a reduction in income and savings than consumers in other Asia - Pacific countries, with more than 90 per cent noting price increases, fears of inflation, gas shortages coupled with higher fuel prices, and rising interest rates. These mounting financial pressures and uncertainties are accelerating consumers' shift to more discerning shopping choices."

McKinsey said that Vietnamese consumers were becoming more sophisticated and seemed to be evolving in four ways: they were more value-conscious, preferred omnichannel platforms, had less brand and store loyalty, and looked for purpose in what they bought.

A report by global trend forecasting organisation WGSN also said that Vietnam was a key growth market in the Asia – Pacific for brands and retailers this year.

WGSN also said that Vietnamese consumers were increasingly having trust in domestic brands and products with 76 per cent said preferring goods of domestic brands to foreign brands, urging brands and businesses to seamlessly blend in-person and online channels by investing in online presence, service discovery 'click and collect' (order online and pick up in store), pay in-store for online orders, and multi-service upgrades

As Vietnamese consumers were embracing the convenience and ease of digital payments, brands needed to start integrating digital payments and diverse payment methods across channels to reduce problems and increase conversion rates, as the trend of using cash will decrease in the coming years, WGSN said. VNS

[Back to top](#)

## LOGISTICS

### Digital transformation game-changer in logistics industry

Digital transformation has become a crucial aspect for logistics firms to stay ahead of the curve amid the fast-paced business world.



Phan Văn Chinh, Director-General of the Agency for Foreign Trade, Ministry of Industry and Trade, viewed digital transformation as a game-changer for logistics firms in this time of rapid change.

He said logistics was picked as one of the eight priority industries in the National Digital Transformation Programme for 2025. The follow-up Decision No.221 laid down a course of action to improve its competitive advantages, which involves

'research and technology transfers to accelerate digital transformation'.

According to Vietnam Logistics Business Association (VLBA), Vietnam's logistics industry grew by around 14 to 16 per cent annually in recent years. It is comprised of about 3,000 domestic firms and 30 transnational heavyweights, including DHL, FedEx, and APL Logistics.

The industry has always been at a cost disadvantages compared with those in China, Thailand, and Japan, because of inefficient port-related facilities. Firms in the industry are being left with no choice but to rely on digitalisation to narrow the cost gap.

VLBA Chairman Lê Quang Trung said 40 per cent of the firms had incorporated digital services into their daily operation, some of which involves transportation and warehouse management.

Trương Tấn Lộc, Marketing Manager of Saigon Newport Corporation, said the corporation had embarked on digital transformation by introducing ePort, a digital service that reduces the waiting time for vehicles by half and cut customs clearance by 2 minutes per container.

The corporation had also phased in AI-powered customer service bots to ensure a convenient and effortless experience for its clients.

Vietnam Post Corporation followed suit with the roll-out of Vmap, a real-time locating system used to automatically identify and track the location of clients, significantly improving delivery efficiency.

Phạm Anh Tuấn, Business Manager of U&I Logistics Corporation, said his corporation had integrated digital factors into various aspects of its operation, from human resources to customer service.

The digital transformation had enabled the firm to optimise its freight shipping transit time, reduce upkeep costs, and cut down on administrative expenses and billing errors.

Manager Lộc said digital transformation is not a one-man job that every firm can pull off on its own, but requires close cooperation to make way for transregional digitalised logistics systems.

He also underlined the importance of a shared digital database for all ports in Vietnam, which could be connected to those of other ports in the world to improve their operational efficiency and competitive advantages.

Đặng Thị Bích Loan, Director of Mekong Logistics CO LTD, said customs authorities must lead the way in digital transformation, thus kick-starting the adoption of digital technologies among logistics firms.

Other experts said the integration of digital technologies into logistics would require extensive research and province-specific implementation that take time to produce their desired effect. VNS

[Back to top](#)

## INVESTMENT

### Positive outlook ahead for EU investment in Vietnamese food processing industry

EU firms hold an especially advantageous position in terms of gaining access to the Vietnamese food processing market thanks to the close trading ties that exist between the nation and the bloc, as well as a favourable image of European products among Vietnamese consumers, according to details given by Vietnam Briefing news site.



Many European businesses are satisfied with Vietnam's FDI attraction policy (Image source: baocongthuong.vn)

In a recent article the news site highlighted the growth prospects ahead for the nation's food processing sectors and discussed how EU companies can capitalise on the current opportunities that are in the market.

Vietnam Briefing outlined that food processing represents one of the country's most important industries, benefitting from its fertile and favourable climate, whilst also having historically been a net exporter of food. Indeed, last year saw the agricultural sector earn a record export value of US\$53.22 billion, including a trade surplus of US\$8.5 billion.

However, growing domestic demand is now contributing to the country's own food manufacturing and processing industry. Amid income levels nationwide rising, so too has domestic consumption, a factor reflecting the growing demand for food services and high-quality agricultural products.

The country's growing middle class, which is set to account for around 40% of the population by 2030, is rapidly becoming a major driver of the food industry's growth.

The article cited Statista's figures which indicate that in 2021, the food and beverage (F&B) manufacturing industry contributed US\$17 billion to the country's GDP and created jobs for three million people. Meanwhile, the food service industry is anticipated to record a compound annual growth rate (CAGR) of 8.5% between 2022 and 2027, with a growing trend towards dining out.

It outlined there are advantages for EU firms investing in the Vietnamese food processing industry, one of which is the EU-Vietnam free trade agreement (EVFTA), which will over the course of the next decade see the elimination of almost all import duties between the nation and the bloc.

The EVFTA will significantly improve the prospects for bilateral agri-food trade, which would ultimately see an increase in the availability of both specialty Vietnamese products in the EU and European products in the nation.

A notable aspect of the EVFTA is the inclusion of geographical indication (GI) for certain food products. The terms of the deal automatically recognise the GI of 39 Vietnamese food products and 169 European products.

This therefore helps consumers in both markets recognise the authenticity of the products and provides a leg-up for companies when it comes to marketing their products in the respective markets.

Secondly, there is an increasing demand for high-quality food products, with EU investors seeking to capitalise on the growing taste for high-end, high-quality, and organic products in the nation. In the food service industry, consumers are keen to explore new cuisines and ingredients, while niche high-end segments present opportunities for the introduction of specialty products, such as European wines, cheeses, and processed meats.

Thirdly, the country has shown a robust food processing infrastructure. In addition, the relatively low labour cost in the nation makes it a competitive option for the location or relocation of manufacturing and processing facilities.

The Vietnamese food processing industry is therefore increasingly becoming a magnet for foreign investment, noting that the fast pace of development and strong growth prospects have already pulled in many foreign companies and fostered the growth of a range of domestic producers.

Vietnamese-foreign joint ventures, as well as mergers and acquisitions (M&As), have also increased in number over recent years, the article added. VOV

[Back to top](#)

## Binh Duong and Japan cooperate to deploy smart city and industrial park applications

---

Strategic cooperation agreement on deploying smart city application solutions and Binh Duong smart industrial park was signed in Binh Dương, on June 9.

The agreement was signed by VNTT Company, a member of Becamex IDC Corporation and NTT Data, a member of NTT Japan Group.

The signing aims to help Binh Duong businesses master technology and smart city solutions, create opportunities for businesses and investors to upgrade the infrastructure of urban areas, industrial parks, factories become smart and modern; and contribute to the development of Binh Duong Province.

According to the signed content, VNTT Company and NTT Data cooperate to develop and expand the market, smart production; cooperate to serve the needs of industrial park investors; technology transfer training cooperation; promote many fields of cooperation for mutual benefit.

The two sides also cooperate to develop and expand markets in fields, products, or services where the parties have advantages such as smart manufacturing, smart cities, telecommunications infrastructure, network infrastructure, and other areas.

At the ceremony, Becamex IDC Corporation and its member unit VNTT Company announced the solution for smart city and smart industrial park application.

General Director of Becamex IDC Corporation Pham Ngoc Thuan said that the signing of a strategic cooperation agreement between VNTT Company and NTT Data aims to connect to jointly develop the market and deploy the solutions of the two sides to the domestic and international markets, and open new orientations and doors for common development.

On the occasion, VNTT Company and Becamex IDC Corporation signed a memorandum of understanding on transforming Becamex IDC's industrial park operation into a smart industrial park and a green and sustainable industrial ecosystem. NDO

[Back to top](#)

For more information, please contact us:

## **SEIKO IDEAS**

### *Research & Consulting Division*

<b>Our services</b>	Marketing Research Business Matching Investment Consulting Translation - Interpretation Training (Language & Soft skills)
<b>Our clients</b>	Think tanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media
<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>

*\*You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via name card.*

---