



## Highlight

*Vietnam and the US strengthen ties in technology and semiconductors*

# VIETNAM BUSINESS REVIEW

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## FINANCE

### Domestic demand to be the main driver of growth in 2023

The Vietnam Economic Outlook H2 2023 conference in Hanoi highlighted Vietnam's resilient outlook despite global challenges. Domestic demand is expected to be the main driver of growth in 2023. Vietnam's stability and openness continue to attract foreign investors.



While the global economy faces headwinds, Vietnam has achieved a 3.72% growth rate, a testament to its stability and strong support from various stakeholders. The country's macro-economy remains secure, with controlled inflation.

However, the global economic slowdown is impacting Vietnam's major trading partners, affecting external demand. Export-related activities have declined, posing risks to the economy. The World Bank projects Vietnam's growth at 4.7% in 2023, with a gradual recovery to 6% by 2025.

Effective policy action is needed to address these challenges. Leveraging fiscal policy to boost domestic demand is crucial. The State Bank of Vietnam's interest rate cuts and government measures have already started to stimulate domestic economic activity.

Mizuho Bank pointed out the signs of recovery in Vietnam's domestic economy, including rising imports, increased tourist arrivals, and industrial production growth. However, uncertainties remain, particularly in the export sector.

Regarding the stock market, the VN-Index is expected to reach around 1,300-1,350 points by the end of 2023, driven by lower interest rates and renewed investor interest.

M&A activity has been notable, with manufacturing, banking, finance, and real estate sectors at the forefront. Credit growth, a crucial driver of the economy, is expected to recover in the second half of 2023, supported by monetary policy, rate cuts, property market measures, and government spending.

In summary, Vietnam's stability and efforts to stimulate domestic demand position it well to navigate global challenges and maintain solid economic growth in the coming years. Vneconomy

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## F88 secures \$50 million credit facility to boost financial services in Vietnam

Vietnamese financial services provider F88 has successfully secured a new credit facility worth \$50 million from Lending Ark Asia Secured Private Debt Funds (Lending Ark Asia). This marks the second collaboration between F88 and Lending Ark Asia, bringing their total lending partnership to \$100 million.

According to Mr. Phung Anh Tuan, Chairman and CEO of F88, this additional funding will be instrumental



in advancing F88's growth strategy. The company's mission is to provide standardized, user-friendly, and transparent financial services to underserved and unbanked individuals in the Vietnamese market. F88 aims to enhance the financial capabilities of its customers, contributing positively to Vietnam's economic development.

Lending Ark Asia is a private credit fund known for its thorough credit underwriting process, assessing factors such as market potential, business strategy, risk management, regulatory compliance, service quality, and social impact. The approval of the additional \$50 million loan reflects Lending Ark Asia's confidence in F88's business prospects and the untapped lending potential within Vietnam's underbanked market.

F88 reported a 52% year-on-year increase in revenue for the first half of the year, with a 30% growth in the total number of customers compared to 2022. Customer satisfaction stood at 89%, and the Cost-to-Income Ratio (CIR) experienced a 16% reduction in the first half of 2023 compared to the same period in 2022. F88 also maintained trust with bondholders by paying interest and principal on bonds punctually, reflecting its strong financial standing.

Despite challenges and a conservative provisioning policy for bad debts affecting profitability in the first half of 2023, F88 anticipates steady growth in the second half of the year based on positive economic forecasts. The company aims to expand its customer base and capitalize on growth opportunities.

Lending Ark Asia specializes in investments in the personal lending sector across Asia, Australia, and New Zealand, with a total investment value exceeding \$1.1 billion, establishing itself as a reliable international partner in the financial industry.

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## E-COMMERCE

### Cashless payments in e-commerce to reach 50% by 2025

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The Ministry of Industry and Trade (MoIT) has established an ambitious goal of increasing the share of cashless payments in e-commerce, particularly payments made through payment intermediaries or applications, to reach 50% by 2025. This initiative is part of the broader national plan to advance e-commerce.



Another key objective is to elevate the proportion of payments conducted via payment intermediary service providers to 80% of non-cash payments in e-commerce by 2025.

To achieve these targets, the Centre for Information and Digital Technology (CID) within the MoIT's E-commerce and Digital Economy Agency (iDEA) will continue to implement various strategies. This includes the development of infrastructure, such as the National E-commerce Payment System (Keypay).

Additionally, the CID will focus on creating a secure payment system for e-commerce using the commercial arbitration (ESCROW) method, aiming to safeguard the interests of both consumers and sellers in non-cash payment transactions.

To enhance security in online payment transactions, the CID plans to introduce a system that ensures transaction security in e-commerce activities, with a goal to protect consumers' rights and interests in digital environments.

Efforts will also be directed towards reducing the reliance on cash-on-delivery (COD) payments and increasing the use of ESCROW payments. This shift aims to mitigate risks for consumers during transactions, enhance transaction reliability, and provide a clear legal framework for dispute resolution while safeguarding the interests of buyers and sellers.

The prevalence of transactions conducted outside of intermediary payment service providers, such as bank transfers and cash deposits, currently poses potential risks to consumers, as returns and dispute resolution mechanisms may not be readily available. This challenge arises from consumer payment preferences, limited trust in e-payment infrastructure supporting e-commerce, and the absence of consistent measures to protect participants in non-cash payment transactions.

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## ENERGY

### Erex eyes biomass power plant development in Ha Tinh

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Erex, a Japanese renewable energy company, is exploring the potential development of a 50MW biomass power plant in Vietnam's Ha Tinh province.

Erex Chairman Honna Hitoshi highlighted the plant's role in reducing CO2 emissions, ensuring energy stability, and generating local employment opportunities during a meeting with local authorities. Ha Tinh is seen as a promising location for this project, and Exer hopes for favorable conditions to conduct research and execute necessary investment procedures.



This initiative is part of Exer's broader expansion strategy in Vietnam, where the company aims to establish 14 biomass power plants with a combined capacity of 1,060MW across 12 provinces. Exer's move into biomass aligns with Vietnam's National Power Development Plan 8 (PDP8), which encourages converting power plants operating for 20 or more years to biomass or ammonia if economically advantageous. The PDP8 also suggests shutting down power plants operating for 40 or more years, provided there are no cost-effective fuel conversion options.

Erex recognizes Vietnam's abundant bio-resources and the importance of promoting their utilization to meet PDP8 objectives. VIR

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## Sumitomo corporation and PV gas explore LNG collaboration in Vietnam

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Sumitomo Corporation is poised to collaborate with PV Gas in the development of liquefied natural gas (LNG) projects within the Van Phong Economic Zone in Khanh Hoa province, located along the central coastal region of Vietnam. The two entities intend to establish a cooperation framework for a forthcoming LNG-to-power project chain, with a primary focus on determining how they can leverage their respective capabilities to meet the needs of all stakeholders involved.

Fujioka Hiroyuki, the General Manager of Power Infrastructure Business Department No.3 at Sumitomo Corporation in Japan, provided an overview of their energy-related initiatives, particularly in the LNG sector. He expressed confidence in Sumitomo's desire to invest in and develop an LNG-to-power project chain in the Van Phong area of Khanh Hoa in partnership with PV GAS. Additionally, Sumitomo aims to promote the LNG business in Vietnam.

Sumitomo Corporation, a Fortune Global 500 company founded in 1919, has maintained its place in the ranking for 28 consecutive years. With a valuation of \$26.6 billion, the group manages an extensive portfolio of 883 subsidiaries and affiliate companies, employing over 75,000 individuals worldwide. Sumitomo Corporation has been operating in Vietnam since 1997, with notable investments in various industrial parks across the country. Additionally, Sumitomo is the investor behind the 1.32GW Van Phong 1 coal-fired power plant, which commenced commercial operations in mid-June. The project, valued at \$2.58 billion, operates on a build-operate-transfer (BOT) basis and supplies electricity to Vietnam Electricity via the national grid. VIR

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## RETAIL

### Hanoi's promotion month promises big discounts

"Hanoi Promotion Month 2023," the capital city's largest annual shopping event, is set to kick off on October 27 and will run until the end of November. Organized by the Hanoi Centre for Investment, Trade, and Tourism Promotion (HPA) under the guidance of the Hanoi People's Committee, this event offers substantial discounts, some as high as 100%, providing an excellent opportunity for local businesses to boost sales and actively participate in the city's consumer ecosystem.



Participating businesses include a wide range of sectors, such as trade centers, supermarkets, electronics retailers, manufacturers, restaurants, tourism establishments, hotels, IT companies, and online shopping platforms. During the promotional month, these businesses will offer discounts on at least 20% of their products, meeting the growing consumer demand.

The event will feature several exciting activities to enhance the shopping experience. The "Hanoi Shopping Festival" will take place from October 27 to 29 along the Le Thai To Street pedestrian walkway in Hoan Kiem district. The "Hanoi Mega Sale" will include 60 to 70 booths showcasing a variety of Vietnamese products, from fashion and beauty items to everyday goods, food, beverages, and regional delicacies.

Additionally, the "1,000 Promotion Points - Busy Offers" event will span 1,000 sales registration and promotion points from October 27 to November 30. Shoppers can also look forward to the "Golden Price Shock" event from November 11 to 12, featuring exclusive promotions and discounts at 50 key shopping destinations in Hanoi, with some offering 100% discounts.

To accommodate digital shoppers, the "Hanoi Online Festival 2023" will be hosted on the portal [thangkhuynhmaihanoi.vn](http://thangkhuynhmaihanoi.vn) and various corporate e-commerce websites from November 24 to 30. The organizers will integrate registered businesses' websites into the portal, encouraging consumers to explore online shopping opportunities.

In summary, "Hanoi Promotion Month 2023" promises a month of substantial discounts and engaging activities across various sectors, contributing to the vibrant shopping scene in the city and providing a boost to local businesses. [vietnamplus](http://vietnamplus)

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## LOGISTICS

### Ho Chi Minh City to build Can Gio international transshipment port

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HCMC officials have revealed plans to clear a 90-hectare coastal mangrove forest area to make way for the Can Gio International Transshipment Port project.



The project, which requires a total of 571 hectares of land and 481 hectares of water surface, is strategically located on Thanh An Island, Can Gio District, and designed to accommodate super large container vessels, including those with a capacity of 250,000 tons. The estimated cost of the project is US\$5.45 billion, with a phased completion date set for the end of 2045.

Environmental concerns have arisen due to the project's location within the buffer zone of the Can Gio Mangrove Biosphere Reserve. To address these concerns, the project team will conduct a thorough examination of the forested area to be converted for port construction and ensure that over 10% of the land area is designated for greenery, supporting mangrove forest preservation.

Despite environmental concerns, city officials anticipate significant investment and job creation from the Can Gio International Transshipment Port, with thousands of direct and indirect jobs expected in areas such as logistics and customs duties. The project is also expected to contribute substantially to the state budget through various revenue streams, including water surface leasing and import-export duties, potentially totaling VND34-40 trillion annually. The Saigontimes

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## INVESTMENT

### Vietnam and the US strengthen ties in technology and semiconductors

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High-level meetings between the United States and Vietnam have paved the way for a strategic partnership with a strong focus on the technology sector, with semiconductors and innovation taking center stage.



On September 11, Prime Minister Pham Minh Chinh and US President Joe Biden participated in the high-profile Vietnam-US Investment and Innovation conference. This event marked a crucial moment during President Biden's state visit to Vietnam. Prime Minister Chinh emphasized, "President Biden's visit aims to promote Vietnam's economic growth, particularly in technology and innovation." He highlighted that these areas, along with investments, will become the

new cornerstones of the Vietnam-US Comprehensive Strategic Partnership. PM Chinh expressed the hope that businesses from both nations would prioritize investments in science and technology, especially in digital transformation, semiconductor industries, green growth, renewable energy, climate change mitigation, and the circular economy.

Underlining the significance of this collaboration, President Biden stated, "This is a pivotal moment for both countries to enhance their relations across all sectors and achieve mutual prosperity." He went on to announce that the United States would support Vietnam in semiconductor technology, the transition to green technologies, and human resource development, enabling Vietnam to integrate further into both regional and global value chains.

To leverage the opportunities for cooperation between US and Vietnamese companies, Vietnam's Minister of Planning and Investment, Nguyen Chi Dung, identified key sectors such as electronics, semiconductors, financial centers, innovative reforms, renewable energy, and emerging energy sources like hydrogen. He emphasized that these are areas where Vietnamese businesses can deepen their integration into global value chains, and US companies, with their notable strengths, can make investments in Vietnam. Minister Dung also encouraged greater investment from prominent US semiconductor corporations like Intel, Amkor, Marvell, and Global Foundries, among others. He envisioned these corporations establishing research and development centers in Vietnam, contributing to the development of new semiconductor products. Additionally, he urged Vietnamese enterprises to increase their investments in the United States while enhancing their capacities and capital to become integral parts of global supply chains. Minister Dung emphasized the Ministry of Planning and Investment's commitment to facilitating successful investments by both US and Vietnamese businesses.

Trade between the two nations reached nearly \$124 billion last year, representing a remarkable 275-fold increase over 27 years. The United States remains Vietnam's most significant export market and its second-largest trading partner, while Vietnam ranks as the United States' seventh-largest global trading partner and the most prominent within the ASEAN region. VIR

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## Vietnam – Japan collaboration towards green growth

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The Japan International Cooperation Agency (JICA) has announced its partnership with Vietnam's Ministry of Natural Resources and Environment to enhance the country's capacity for reducing carbon emissions. This collaboration aims to bolster resource management, elevate living conditions through cooperation with agricultural firms, and introduce modern technology to mitigate the impacts of climate change and natural disasters.

This commitment was made during a seminar titled "Vietnam – Japan Collaboration towards Green Growth," held in Hanoi to commemorate the 50th anniversary of diplomatic relations between the two nations. The event convened leaders from various Vietnamese ministries and agencies, along with representatives from JICA, the Japan External Trade Organization (JETRO), provincial leaders, experts, and businesses.

JETRO underscored the importance of green development in addressing crucial issues in Vietnam, including water quality, air pollution, waste management, recycling, energy efficiency, and carbon emissions. Recommendations included tightening environmental regulations, expanding manufacturers' environmental responsibilities, and accelerating the transition to renewable energy.

Over the past five decades, Vietnam and Japan have strengthened their cooperative ties, especially in foreign affairs, the economy, and trade. Japan has consistently been Vietnam's top investor and ODA provider, with two-way trade reaching nearly US\$50 billion in 2022.

This partnership aligns with Vietnam's international commitments under the United Nations Framework Convention on Climate Change (COP26). Vietnamese Ambassador to Japan Pham Quang Hieu expressed optimism about the current state of bilateral relations, emphasizing the potential for further cooperation in green technology, energy transition, and the application of Japanese technology compatible with Vietnam's development goals for 2030-2050.

As of August 2023, Japanese companies had invested in 5,168 projects in Vietnam, with a total registered capital of US\$71 billion, ranking third among 143 countries and territories investing in the country. The Saigontimes

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