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FINANCE

Vietnam's economy shines amidst global uncertainty

Vietnam's economic resilience shines amidst global uncertainty, according to Vu Hong Thanh, the head of the National Assembly's Economic Committee. He made these remarks during a press conference at the 2023 Vietnam Socio-Economic Forum. Thanh highlighted the country's economic stability in the current year, emphasizing the manageable inflation rate of only 3.1% in the first eight months.



Vietnam maintains control over public, foreign, and government debts, which, coupled with an improved credit rating, positions it as the sole Southeast Asian nation to receive a Moody's rating upgrade last year. Thanh emphasized that Vietnam's economy continues to stand out in the global economic landscape.

Government statistics affirm this sentiment, with second-quarter GDP growth at 4.14%, marking a substantial 3.28 percentage point increase over the first quarter. Furthermore, August witnessed an 18% year-on-year rise in new business establishments, totaling 14,000, while the year-to-date figure stands at 103,700, signifying a 2.3% increase.

Retail sales of goods and services also saw a healthy uptick of 7.6% in August. Although the Ministry of Planning and Investment acknowledges that the economy is in a state of recovery, rapid changes may not become immediately apparent.

Despite these positive indicators, Thanh cautioned against bottlenecks in the economy, such as sluggish investment and trade growth, which require careful attention. Access to credit remains a persistent challenge. Nguyen Duc Hien, deputy head of the NA Economic Committee, stressed that while growth is commendable, focusing on long-term labor productivity is crucial for sustained economic progress.

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Three potential economic growth scenarios for Vietnam in 2024

The Ministry of Planning and Investment has delineated three potential economic growth scenarios for 2024, with the highest GDP growth anticipated at 6.5 percent.



These forecasts are rooted in the government's socio-economic development strategy for the 2021-2025 period, along with efforts to meet the 2023 growth target of 6.5 percent.

Given the challenges faced by the Vietnamese economy between 2021-2023, 2024 is poised to be a pivotal year for Vietnam to achieve the objectives of its five-year plan.

In the first scenario, Vietnam's GDP is predicted to grow by 6 percent. This assumes that global growth will be moderate in 2023, and the resurgence of global trade and investment will continue to face obstacles. While the domestic market and services sector may exhibit robust growth, the import, export, and industrial production sectors may not recover significantly due to their reliance on global market demand.

The second scenario envisions a GDP growth of 6.5 percent, assuming quicker rebounds in both the global and regional economies than predicted by international organizations. This scenario also considers a surge in demand, trade, and investment. Concurrently, the domestic market would likely experience revivals in demand, production, business activities, exports, investment, and FDI influx.

The third scenario projects GDP growth ranging between 6-6.5 percent, reflecting expectations of swift changes in both global and domestic contexts. The Ministry of Planning and Investment favors this third scenario.

While optimism about economic recovery is growing, various organizations and specialists remain cautious about Vietnam's economic prospects. The Asian Development Bank and the World Bank have adjusted their growth forecasts, and experts highlight the importance of addressing internal issues and global trends for Vietnam's economic recovery.

In conclusion, the Vietnamese economy's performance in 2024 will depend on several factors, including global economic conditions and the country's ability to address internal challenges and foster growth drivers like the digital economy, labor productivity, the private sector, institutional improvements, and green economy development. VNS

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E-COMMERCE

Vietnam taps into global markets via Amazon E-commerce

An international workshop focused on enhancing opportunities for Vietnamese exports through cross-border e-commerce collaboration with Amazon was jointly organized by the Ministry of Industry and Trade (MoIT) and the People's Committee of Ho Chi Minh City on September 14.



Part of the Vietnam International Sourcing 2023 event, this workshop provided a platform for e-commerce experts and businesses to exchange insights and experiences. Its aim was to facilitate Vietnamese entrepreneurs and young talents in quickly gaining knowledge and actively participating in presenting and marketing Vietnamese products on global cross-border e-commerce platforms.

Ta Hoang Linh, Director of the European-American Market Department at MoIT, emphasized the growing significance of cross-border e-commerce in the global market. He highlighted Amazon's role as a modern e-commerce model and a global retail leader with extensive experience in connecting producers and consumers worldwide.

Gijae Seong, CEO of Amazon Global Selling Vietnam, acknowledged the pivotal role of exports in Vietnam's economy and the opportunity to boost exports through digitalization and e-commerce in export activities. Amazon Global Selling Vietnam is actively promoting and supporting SMEs in cross-border e-commerce.

Vietnam is becoming a global manufacturing and supply hub, offering internationally standardized products at competitive prices, as recognized by Access Partnership's report estimating that Vietnam's B2C e-commerce retail exports reached \$3.5 billion in 2022.

The MoIT reported that Vietnam's retail e-commerce market is projected to reach \$16.4 billion, accounting for 7.5% of the country's total consumer goods and services revenue, with a 20% annual growth rate. This growth has positioned Vietnam among the top five countries with the world's highest e-commerce growth, according to eMarketer. VNA

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ENERGY

ADB invests \$13.8 million in Vietnam's rooftop solar expansion

The Asian Development Bank (ADB) has entered into a \$13.8 million agreement with GreenYellow Smart Solutions Vietnam Company (GreenYellow) to support rooftop photovoltaic (PV) solar systems in Vietnam. This initiative represents ADB's first investment in Vietnam's commercial rooftop solar segment.



The financing package includes a \$3 million ADB ordinary capital resources loan and \$10.8 million in parallel loans from FMO, a climate fund managed by ResponsAbility Investments AG, and Societe Generale, with ADB serving as the mandated lead arranger. Additionally, a \$3 million grant from the Climate Innovation and Development Fund (CIDF) will be

provided under ADB's administration to address challenges in financing solar assets in Vietnam, such as the absence of long-term dong funding at a fixed interest rate and potential fluctuations in the dong-dollar exchange rate.

The project aims to develop and operate solar PV systems on the rooftops of commercial and industrial establishments across Vietnam, with a planned peak installed capacity of up to 32.3 megawatts. It is expected to increase clean energy supply by a minimum of 31.5 gigawatt-hours annually and reduce carbon dioxide emissions by 15,530 tons by 2025.

Sebastien Prioux, GreenYellow Vietnam's Chief Executive Officer, emphasized the company's commitment to development impact and its mission to drive energy transition through innovative power distribution.

In summary, ADB is partnering with GreenYellow to boost Vietnam's rooftop solar sector, addressing challenges in financing and contributing to the country's renewable energy goals. The Saigon times

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Vietnam continues to expand its renewable energy portfolio

The Ministry of Industry and Trade has granted provisional electricity tariffs for 60 wind and solar power plants in the transitional phase, collectively exceeding 3,331MW in capacity as of September 16.



Among a total of 85 wind and solar power projects, 80, with a combined capacity of over 4,497 MW, have submitted the required documents for pricing negotiations with Vietnam Electricity Group (EVN).

EVN successfully concluded pricing negotiations and finalized power purchase agreements with 62 investors. Additionally, as of the end of August this year, 20 solar and wind power projects in the transitional phase, boasting a combined capacity of 1,170 MW, have received approval for commercial operation.

Among these 23 projects, some underwent full or partial review and gained acceptance from relevant authorities. In terms of other necessary legal procedures, 29 projects have been granted operating permits, which apply to either the entire facility or specific portions of it. This signifies progress in transitioning Vietnam towards a more sustainable and diversified energy landscape. The Saigontimes

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RETAIL

Key trends shaping Vietnam's retail market's future

Vietnam's retail sector is experiencing rapid growth, projected to achieve a Compound Annual Growth Rate (CAGR) of 12.05% between 2023 and 2028. This expansion is attributed to several factors, including a youthful and expanding population, rising incomes, and heightened urbanization.

The retail landscape in Vietnam is diverse, encompassing a blend of traditional and contemporary formats. Traditional retail, such as wet markets and small neighborhood stores, still holds a significant market share. However, modern retail, represented by supermarkets, convenience stores, and shopping malls, is experiencing substantial growth.



Prominent players in the Vietnamese retail arena include Saigon Co.op, Central Group, AEON, and Lotte. These companies are heavily investing in expanding their retail networks and introducing innovative formats.

The surge of e-commerce is a transformative force in the Vietnamese retail sector. E-commerce sales in Vietnam are growing at an impressive CAGR of 30% and are projected to reach USD 49 billion by 2025. This trend is propelled by increased internet penetration and the burgeoning demand for convenience.

Key trends in the Vietnamese retail market include the rapid growth of modern retail formats, driven by rising affluence and consumer demand for convenience and variety. Additionally, e-commerce expansion, bolstered by growing internet access and convenience-seeking consumers, is reshaping the market. Omnichannel retailing strategies are also gaining prominence, integrating online and offline channels to offer wider outreach and seamless shopping experiences. Finally, a heightened focus on enhancing customer experiences, including diverse product offerings and personalized shopping, is a prevalent trend among retailers.

The Vietnamese retail market, although presenting challenges, holds promise for retailers. It is characterized by rapid growth, a burgeoning middle class with increased purchasing power, and adaptability to market trends. Retailers that navigate these challenges and align with these trends stand to thrive in this dynamic market. Rubik top

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LOGISTICS

SSA Marine and Gemadept Join forces to transform Vietnam's port infrastructure

US-based SSA Marine and Vietnam's Gemadept are joining forces to develop Vietnam's Cai Mep Ha Logistics Centre, with an estimated worth of \$6.7 billion. This collaboration aims to transform southern Vietnam's port infrastructure, particularly through the advancement of the Cai Mep Ha logistics centre.



Spanning more than 2,200 hectares, this ambitious project will emerge as Vietnam's premier logistics hub, situated in Phuoc Hoa ward, Phu My town. It includes both a cutting-edge logistics center and the strategically positioned Cai Mep Ha downstream port.

SSA Marine, the world's largest US-owned container terminal operator and cargo handling company, handles around 35 million container TEUs annually at its marine and rail terminals, with operations worldwide.

The project's history dates back to 2020 when local authorities gave their approval, with updates as recent as April 2022. Initially proposed in October 2022, Portcoast suggested two investment avenues: an auction involving single or multiple investors or staggered port investment strategies. The latter involves a two-phase approach, with the first phase until 2030 focused on developing 891 hectares of Cai Mep Ha. The second phase, post-2025, envisions the development of the Cai Mep Ha downstream port across 594 hectares.

A revised construction plan in June 2023 expanded the total area to nearly 2,204 hectares, including the logistics center and downstream port. This adjustment aims to accommodate the world's largest ships, weighing up to 250,000 tonnes.

Although Gemadept and SSA Marine lead the project, seven other investors have expressed interest. This logistics center aims to optimize transportation costs for imports and exports via various modes, becoming a vital hub for surrounding industrial zones and the broader southeast coastal port region. VIR

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INVESTMENT

US investment in Vietnam grows as supply chains shift

The General Department of Customs (GDC) has released data indicating that Vietnam's exports to the US reached \$53.09 billion in the first seven months of 2023, marking the highest export value to any single market during this period.



The US has consistently been Vietnam's top export market for the past two decades, with bilateral trade reaching \$123.9 billion in 2022, a notable 11% increase compared to the previous year. Vietnam's exports to the US alone amounted to \$109.4 billion, accounting for approximately 29.5% of the country's total export turnover.

This robust export performance to the US is largely attributed to the Vietnam-US Bilateral Trade Agreement (BTA). The BTA facilitated the export of various Vietnamese products, particularly garments, footwear, wooden furniture, seafood, and agricultural produce to the US market. Additionally, Vietnam has increased its imports from the US, including machinery for production and agricultural products.

In 2022, Vietnam imported significant quantities of soybeans, wheat, and animal feed from the US. The US also became one of the major suppliers of vegetables, fruits, computers, electronic components, machinery, and equipment to Vietnam.

Despite this flourishing trade relationship, it's noteworthy that the US has initiated several trade remedy cases against Vietnamese imports, accounting for 23% of overseas investigations against Vietnamese products by December 2022.

Vietnam is actively seeking to attract more investment from American corporations, aiming to capitalize on the shifting global supply chains. Major US companies such as Apple, Intel, Boeing, Google, and Walmart have either relocated manufacturing facilities or expanded their presence in Vietnam, demonstrating the country's appeal to American investors. Vietnamnet

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Germany finds opportunities and growth in Vietnam

German news outlet NTV has published an article emphasizing Vietnam's appeal to German enterprises. Notably, Vietnamese markets exhibit a strong affinity for "Made in Germany" products, including machinery, automobiles, and chemical goods. Currently, Germany hosts around 350 companies operating in Vietnam.

In terms of trade, bilateral turnover reached EUR18 billion (approximately US\$19.2 billion) last year, with Vietnam contributing 14.7 billion euros. Germany holds a pivotal position in Vietnam's trade relations within the European Union (EU), while Vietnam ranks as Germany's largest partner in the Association of Southeast Asian Nations (ASEAN).



Ludwig Graf Westarp, the representative of the German Association for Small- and Medium-sized Businesses (BVMW) in Vietnam, underlines Vietnam's potential as a dynamic market with substantial development prospects. In recent years, Vietnam has invested significantly in critical infrastructure, such as roads, ports, and airports. Moreover, it's expanding its renewable energy sector, which demands German expertise and technology.

The article also notes Vietnam's remarkable economic growth, with the per capita Gross Domestic Product (GDP) doubling over the past decade. The country boasts a young, adaptable population and a stable political landscape. Despite the challenges posed by the COVID-19 pandemic, experts remain optimistic about Vietnam's economic trajectory.

Furthermore, Vietnam's geopolitical significance enhances its allure for Germany. Notably, numerous countries, including South Korea and Japan, have established production facilities in Vietnam to capitalize on economic advantages. These factors collectively underscore Vietnam's potential as a favorable destination for German enterprises, especially in a world marked by increasing geopolitical volatility. VNA

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