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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Vietnam's quarter 3 GDP growth surpasses expectations at 5.33%

Vietnam's GDP growth in the third quarter, between June and September, reached 5.33%, surpassing the 4.05% expansion in the second quarter but still falling short of the annual growth target for the year.



According to Nguyen Thi Huong, the head of the General Statistics Office (GSO), the GDP for the first nine months of 2023 is estimated to have increased by 4.24% compared to the previous year. This growth, while an improvement, is notably higher than the 2.19% and 1.57% recorded during the same period in 2020 and 2021, respectively.

The services sector played a pivotal role in driving growth, expanding by 6.2% year-on-year and contributing 68.57% to the nation's economic growth. The agro-forestry-fishery sector grew by 3.34%, contributing 9.16% to overall growth, while the industry and construction sector expanded by 2.41%, making up 22.27% of the nation's economic growth.

Regarding inflation, the Consumer Price Index (CPI) increased by 2.89% in the third quarter compared to the same period last year. Over the first nine months of the year, the CPI edged up by 3.16% year-on-year, with core inflation rising by 4.49%.

In terms of foreign direct investment (FDI), Vietnam attracted nearly \$20.21 billion as of September 20, marking a 7.7% increase compared to the previous year. In trade, the country's exports for the nine-month period reached approximately \$259.67 billion, representing an 8.2% decrease year-on-year, while imports amounted to \$237.99 billion, down 13.8%. Consequently, Vietnam achieved a trade surplus of \$21.68 billion. The Saigontimes

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## ESG adoption is a turning point in Vietnam's financial sector

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Vietnam's ambitious target to achieve net-zero emissions by 2050 comes with a hefty price tag of \$368 billion, and financial institutions are key players in mobilizing this capital.



Both domestic and foreign financial organizations are increasingly adopting environmental, social, and governance (ESG) standards for their investments, channeling funds into sustainable ventures, and forming partnerships to drive sustainable development in the country.

In a groundbreaking move, three major corporations - Standard Chartered Bank Vietnam, Prudential Vietnam, and Home Credit Vietnam - have joined hands to work towards a sustainable future. These three entities, representing the banking, insurance, and consumer finance sectors, participated in the "U.K.-Vietnam: Building for the Future" festival, celebrating 50 years of diplomatic ties between Vietnam and the U.K.

This collaboration reflects the deep connections and contributions between the two nations, with the festival offering a platform to explore these relationships and showcase academic programs. Moreover, the two countries have been collaborating on climate change responses, sustainable development initiatives, and renewable energy projects.

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## E-COMMERCE

### Changing dynamics in Vietnam's E-commerce industry

The first half of 2023 witnessed significant developments in Vietnam's e-commerce landscape. Shopee continued to lead the market, selling 667 million products and earning 59 trillion VND.



However, Tiktok Shop emerged as a strong contender, securing the second position. Tiktok Shop's impressive growth can be attributed to its large user base from the TikTok social network, active Key Opinion Leaders (KOLs) and Key Opinion Consumers (KOCs), favorable seller policies, and high conversion rates, especially in product categories like snacks and drinks.

The beauty category maintained its dominance in terms of revenue, with a total of 16.5 billion VND across all e-commerce platforms. It also leads in monetization on the three largest platforms in Vietnam: Shopee, Tiktok Shop, and Lazada. The beauty industry's success can be attributed to products with high repurchase rates, frequent promotions compared to offline stores, and a predominantly female customer base.

In contrast, the Home and Lifestyle category excelled in the number of products sold, delivering 149 million products and contributing to a total revenue of 10.8 billion VND, marking a 49% increase from the previous year.

Hanoi and Ho Chi Minh City claimed the highest market share for sales by warehouse location, with 2% and 52%, respectively. This data can help sellers optimize warehouse locations and shipping costs.

Shop, while still popular, faced competition from Shopmall, which experienced rapid growth, increasing by 55% compared to the same period in 2022. Current Shop category sellers should closely monitor market trends and consider transitioning to Shopmall if it aligns with their business goals. Metric forecasts that Shopmall will become a significant trend on e-commerce platforms.

Despite revenue and product sales growth, the number of shops with sales in the second quarter of 2023 decreased by 18% compared to the same period the previous year. This indicates intense competition in the e-commerce market across all categories.

To navigate these challenges, e-commerce sellers should engage in continuous market research, identify niche products, understand competitors, and actively connect with potential customers. These strategies will be crucial for success in the ever-evolving e-commerce landscape. Committee of Ho Chi Minh City on September 14. Metric

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## ENERGY

### Vietnamese manufacturers seek protection against Chinese wind tower imports

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Vietnam's Ministry of Industry has initiated an inquiry into potential anti-dumping duties on wind towers originating from China, following a grievance lodged by domestic manufacturers, according to the government's announcement on Saturday.

Local producers have alleged that the influx of Chinese-made towers has caused "significant damage" to their industry, although specific details were not provided in the statement.



The government stated that if deemed necessary, temporary anti-dumping measures may be imposed by the trade ministry based on preliminary findings to counteract dumping practices that harm domestic production. However, no timeline for completing the investigation was specified.

Vietnamese customs and the statistics office do not currently provide data on wind tower imports. As per the trade ministry, local manufacturers are proposing an anti-dumping tax rate of 97%, while wind towers imported into Vietnam are currently subject to a most-favored nation (MFN) tariff of 3%.

Vietnam is actively expanding its wind energy capacity as part of its strategy to achieve carbon neutrality by mid-century. The nation aims for wind power, primarily onshore, to constitute 18.5% of its total energy mix by 2030.

The Chinese embassy in Hanoi has not yet responded to requests for comment outside of regular business hours. Vnexpress

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## Malaysia's Solarvest powers up Vietnam's rooftops with solar installations

Malaysia's Solarvest Holdings Berhad has successfully secured 11 rooftop solar installation projects in Vietnam, boasting a combined capacity of 12.8 megawatts peak (MWp). The investments were made through its subsidiary, Solarvest (Vietnam) Co., Ltd, in response to the growing demand for sustainable energy solutions in Vietnam.



Solarvest is actively expanding its presence in Vietnam's clean energy market, with a project tender book of 100MWp, underlining its commitment to renewable energy development in the region.

Davis Chong Chun Shiong, Executive Director and Group CEO of Solarvest, emphasized the strategic importance of their overseas expansion efforts. He highlighted that their project tenders abroad now total 620MWp, providing a robust job pipeline. This expansion aligns Solarvest to explore new avenues of overseas income.

Shiong also discussed their comprehensive clean energy development strategy in Vietnam. With a focus on solar and wind energy, aligned with Vietnam's Power Development Plan VIII (PDP8), they are actively exploring wind energy projects and innovative sustainable solutions like battery energy storage systems. These efforts aim to enhance energy supply reliability and efficiency, strengthening Solarvest's presence in both domestic and international clean energy markets.

Another Malaysian company, Tenaga Nasional Bhd (TNB), is also increasing its energy access through strategic partnerships with key players in Vietnam's energy sector. TNB has signed MoUs with prominent energy firms in Vietnam, capitalizing on the promising prospects in Vietnam's clean energy market as the country transitions away from coal. The government's plan, outlined in PDP8, sets ambitious targets, aiming to reach 150GW of renewable energy capacity by 2030 and 500GW by 2050. To incentivize rooftop solar power systems, Vietnam's Ministry of Industry and Trade has introduced mechanisms, with the goal of outfitting half of the nation's office and residential buildings with rooftop solar panels by 2030. VIR

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## RETAIL

### Vietnam's retail market buzzes as GIC eyes Bach Hoa Xanh

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Singapore's GIC, along with other investors, is in competition to acquire a 20 percent stake in Bach Hoa Xanh, Mobile World's grocery store chain.

This move could potentially boost the grocery chain's valuation to between \$1.5 billion and \$1.7 billion.



The deal is anticipated to be finalized in the first quarter of 2024 if negotiations are successful.

Mobile World has decided to proceed with the planned sale after delaying it earlier this year due to unfavorable market conditions. Bach Hoa Xanh, established in 2015 and backed by Vietnam's retail giant Mobile World Investment, operates over 1,700 stores in southern and

south-central provinces of Vietnam.

This potential deal is expected to further intensify mergers and acquisitions (M&A) in Vietnam's retail market in 2024. The retail sector has become a hotbed for M&A activity in the nation, with many deals valued at billions of dollars. To tap into the market of 100 million people, domestic and foreign retailers are actively engaging in dealmaking activities.

This robust M&A activity is driven by the favorable outlook of Vietnam's retail market, which is currently valued at \$142 billion and is projected to surge to \$350 billion in the near future. Foreign retailers are particularly keen on expanding their presence in Vietnam, which is expected to lead to more dynamic retail M&A deals in the country. VIR

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## LOGISTICS

### Long An province in Mekong Delta sets sights on 10 logistics hubs by 2030

The province of Long An in the Mekong Delta has set forth an ambitious plan to create 10 logistics centers by 2030, aiming to stimulate economic growth in the southeastern and Mekong Delta regions. To achieve this objective, Long An is concentrating on developing its logistics infrastructure, particularly focusing on roads, warehouses, and advanced logistics solutions.



These strategic logistics centers will be strategically located in several districts, including Can Giuoc, Ben Luc, Chau Thanh, Can Duoc, Duc Hue, Tan Tru, and Kien Tuong.

Long An International Port, which spans 147 hectares in Can Giuoc, is envisioned as a comprehensive sea port service complex. It will include top-notch warehouses to support

trade activities, both inbound and outbound.

Moreover, the province is keen on improving its transportation network by creating intersections that connect national and provincial-level traffic infrastructure. Additionally, plans are in place to add more entry and exit points along the Eastern North-South Expressway in Ben Luc and Thu Thua districts to enhance inter-regional traffic connectivity and drive socio-economic development.

Simultaneously, Long An aims to modernize 53 existing provincial roads, build 29 new provincial roads, and upgrade five waterway transport routes. The province also intends to construct and upgrade 18 cargo ports capable of handling both general and bulk cargo vessels, ranging from 1,000 to 2,000 tons. Moreover, it will establish 17 specialized ports, including petroleum terminals and ports serving factories and industrial parks, accommodating ships from 200 to 5,000 tons.

Long An's ambitious plan also encompasses the development of 14 passenger ports aligned with passenger transportation routes in line with the province's urban planning initiatives. Additionally, the province intends to establish two dry ports, Ben Luc and Tan Lap, in Ben Luc and Thu Thua districts, each covering an area of 10 to 15 hectares with a capacity of 150,000 TEUs. The Saigontimes

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## INVESTMENT

### FDI in Vietnam surges by 7.7% in the first nine months of 2023

In the first nine months of this year, foreign investment disbursement reached \$15.9 billion, marking the highest figure recorded between 2018 and 2023, as reported by the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment.



Vietnam managed to attract approximately \$20.21 billion in foreign direct investment (FDI) from the beginning of the year until September 20, representing a 7.7 percent increase compared to the same period last year. During this timeframe, there were 2,254 newly-registered projects with a total capital of \$10.23 billion, indicating a 66.3 percent rise in the number of projects and a 43.6 percent increase in capital compared to the previous year. The value of capital contributions and share purchase transactions surged by 47 percent to reach \$4.82 billion.

In contrast, \$5.15 billion, down 37.3 percent year-on-year, was added to almost 934 existing projects, representing a 21.5 percent increase. This declining trend has been showing improvement compared to previous months, with declines of 39.7 percent in the first eight months, 42.5 percent in the first seven months, 57.1 percent in the first half, 59.4 percent in the first five months, and 68.6 percent in the first four months.

The manufacturing and processing sector led in attracting FDI among the 18 sectors appealing to foreign-invested enterprises (FIEs), with a total of \$10.93 billion. It was followed by the real estate sector with \$1.61 billion, finance and banking with \$1.54 billion, and wholesale and retail with \$734 million. From January to September, investors from 102 countries and territories invested in Vietnam. Singapore was at the top of the list with \$3.98 billion, accounting for 19.7 percent of the total. It was followed by China with \$2.92 billion and Japan with \$2.9 billion. These investments were distributed across 54 provinces and cities during this period, with Hanoi receiving the most significant share at \$2.53 billion, representing a 2.46 times increase year-on-year. Haiphong came second with over \$2.21 billion, up 82.4 percent, followed by Ho Chi Minh City, Bac Giang, and Binh Duong.

As of September 20, FDI disbursement was estimated at \$15.9 billion, marking a 2.2 percent increase compared to the previous year. FIEs' export value, including crude oil, was estimated at \$191.3 billion, down 8.9 percent year-on-year, contributing to 73.5 percent of the total export turnover, or \$189.9 billion (excluding crude oil), accounting for 72.9 percent of the total.

FIEs' import value reached nearly \$154.12 billion, down 14.2 percent year-on-year, making up 64.4 percent of the total import values. The trade surplus for FIEs in the first nine months amounted to \$37.2 billion, including crude oil, or \$35.8 billion, excluding crude oil, while local businesses reported a trade deficit of \$16.1 billion. VIR

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## Hung Yen province attracts US\$732 million in Japanese investments

Fourteen Japanese companies have committed to investing \$732 million in the industrial parks of northern Hung Yen Province, receiving official investment certificates during a recent conference.



The projects include a \$132 million LCD polarising film plant, a \$45 million factory for electronic components, a \$50 million automotive parts manufacturing plant, a \$31 million factory for mechanical and engineering equipment, and the construction of ready-built factories for rent valued at over \$29.6 million.

Tran Quoc Van, Deputy Secretary of the provincial Party Committee and chairman of the provincial People's Committee, lauded the enduring relationship between Vietnam and Japan, highlighting the cooperation agreements signed with Kanagawa Prefecture and Nikaho City of Japan since 2015. He also emphasized Hung Yen's strategic location, which plays a crucial role in the province's socio-economic development, particularly in the industrial sector.

Hung Yen Province currently boasts seven operational industrial parks, with plans to increase this number to 17 by 2024, 21 by 2030, and 33 by 2050. In 2022, the province generated VND 51.4 trillion (\$2.2 billion) in state budget revenue, with a GRDP growth of approximately 12.8% for the year. Japanese investments have significantly contributed to this success, with 173 valid projects totaling over \$4 billion, constituting 61% of the province's total foreign investment.

Nguyen Huu Nghia, Secretary of the provincial Party Committee, pledged ongoing support to businesses in Hung Yen, promising favorable conditions, active assistance, and a commitment to facilitating investment and business activities. The province will also focus on infrastructure development, human resource training, urban and tourism sector growth, and efficient administrative procedures, with a particular emphasis on assisting Japanese enterprises. VNS

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