



Highlight

The Vietnamese e-commerce market witnessed remarkable growth

VIETNAM BUSINESS REVIEW

What's in it today?

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FINANCE

Vietnam becomes US sixth largest trading partner
Vietnam's GDP may witness a growth of 6.5% in 2024



INVESTMENT

Foreign direct investment inflows and disbursement increased in the first ten months
Japan expressed a keen interest in smart city development



RETAIL

Vietnam a potential investment market for retailers



E-COMMERCE

The Vietnamese e-commerce market witnessed remarkable growth



ENERGY

Vietnam's biggest LNG terminal put into operation
Renewable power projects seek direct customer links



LOGISTICS

Measures sought to optimize Vietnam Cambodia logistic route

FINANCE

Vietnam becomes US sixth largest trading partner

The Vietnamese government said on Tuesday it plans to extend a reduction in value added tax (VAT) until the end of June next year to boost domestic consumption and production as the global economy remains sluggish.



Amid the COVID-19 pandemic and rising trade tensions between the United States and China, Vietnam leapfrogged the Republic of Korea (RoK) to become the United States' sixth largest trading partner by import value in 2022, reported the East Asia Forum newswire.

In a recently published article entitled "Can Vietnam become the next Asian tiger?", the East Asia Forum newswire noted this jump is an important pivot in the Vietnamese economy, as the country's main exports to the US are no longer textiles and garments, but instead high-tech products.

The article outlined that many flagship Apple products will have been assembled in Vietnam by the end of the year. Rather than competing against China's 'world factory' tag, Vietnam has branded itself as an additional manufacturing destination to the northern neighbour within the global supply chain ecosystem.

The country has also provided a much needed 'neutral' environment for foreign fintech firms to de-risk and reroute their exposure from the US–China great power rivalry, including Apple's shift of production away from China and US-based Amkor Technology's investment of US\$1.6 billion investment in a semiconductor factory. Furthermore, Vietnam is also welcoming back Huawei after initially deferring to US efforts to ban the company.

In line with this, it boasts the potential to become the fourth largest exporter of high-tech goods, behind China, Taiwan (China), and Germany.

Though Vietnam currently holds seventh position, its growth has no rival, with high-tech goods as a share of overall Vietnamese exports hitting 42% in 2020, up from 13% in 2010.

The Vietnamese Government's intervention in opening the country up for free trade and foreign direct investment can be seen as overwhelmingly positive and non-threatening to the global trading system as a whole. While the country's high-tech exports are fueling further growth, there is an overreliance on foreign innovation inputs, with about 70% of total Vietnamese export value being driven and captured by foreign companies.

According to the article, there is also a significant bright spot in the form of the current FDI inflows from fintech companies which are giving Vietnam more time to address its dependency on foreign innovation inputs.

The Vietnamese Government could entice Apple to invest in research and development and at the same time deepen its relationships with Vietnamese universities and students, as the tech giant did in China.

Vietnam has uniquely positioned itself to be among the fastest growing economies over the coming decade. This comes off the back of its success in managing COVID-19 as Asia's top performing economy during the pandemic which strengthened the country's status and reputation as a safe and friendly environment for foreign direct investment.

However, the article also pointed out that the country's race to become the next Asian tiger has its challenges, including the question of how to reduce its overreliance on foreign innovation inputs. But it appears that core elements of an innovation ecosystem are taking root as the country establishes itself as a high-tech export power. VOV

[Back to top](#)

Vietnam's GDP may witness a growth of 6.5% in 2024

VinaCapital, an investment management firm, has released a projection indicating that Vietnam's GDP may witness a growth of 6.5% in the coming year, marking an acceleration from the slowdown experienced this year. This forecast, shared by Michael Kokalari, VinaCapital's chief economist, aligns with key insights presented during the company's recent annual investor conference.

Kokalari emphasized the substantial influence of GDP growth on short-term movements in the stock market, as it is closely related to the growth in company earnings.

The expected deceleration of Vietnam's GDP growth from 8% in 2022 to 4.7% in 2023 can be attributed to various factors. Demand for "made-in-Vietnam" products, especially from the U.S., Vietnam's leading foreign market, has significantly decreased, with exports falling by nearly 20% year-over-year during the first nine months of 2023.

Domestic consumption has also experienced a slower growth rate compared to the pre-Covid years, when it saw growth rates of 8-9%.

However, there have been some positive signs. Foreign tourist arrivals in 2023 have reached nearly 70% of pre-Covid levels, providing essential support for Vietnam's GDP expansion. Kokalari's optimism for 2024 revolves around the expected revival of the manufacturing sector.

The slowdown in 2023 is primarily attributed to excess inventory among U.S. retailers in 2022, as they were anticipating a post-Covid consumer shopping boom. Instead, a shift in consumer behavior towards services like travel and dining out has negatively impacted Vietnam's exports and manufacturing output.

The elevation of relations between the U.S. and Vietnam to a comprehensive strategic partnership is expected to significantly boost U.S. investments in Vietnam. Saigon times

[Back to top](#)

E-COMMERCE

The Vietnamese e-commerce market witnessed remarkable growth

Shopee Korea, one of Southeast Asia's largest e-commerce platforms, has highlighted the rapid growth of the Vietnamese market. In a recent mega sale event, 9/9 Super Shopping Day, Vietnam ranked first in the number of orders and second in sales among the markets where Shopee operates.



The Vietnamese e-commerce market witnessed remarkable growth, reaching a value of \$16.4 billion USD last year, representing a threefold increase over the past five years. Vietnam has been recognized as one of the world's top five countries for e-commerce growth by eMarketer, a US research firm.

Statistics from the White Book on Vietnamese E-Business 2022 revealed that nearly 75% of local Internet users now prefer shopping online for a wide range of products. The average annual spending per person has seen double-digit growth compared to the previous year, indicating a rising purchasing power.

Korean beauty products have been particularly popular on Shopee Vietnam, followed by items related to K-pop and food. Shopee Korea predicts that the demand for Korean products in Vietnam will continue to increase.

Kwon Yoon-ah, the Branch Office Manager of Shopee Korea, described the Vietnamese market as a "blue ocean," suggesting that it holds significant growth potential in the future. VNA

[Back to top](#)

ENERGY

Vietnam's biggest LNG terminal put into operation

Vietnam's largest and most advanced liquefied natural gas (LNG) terminal, the Thi Vai LNG terminal with a capacity of 1 million tonnes, officially began operations in the southern province of Ba Ria - Vung Tau.



The project was developed by the Petrovietnam Gas Joint Stock Corporation (PV GAS) in partnership with Samsung C&T Corporation and the Petrovietnam Technical Services Corporation (PTSC).

The Thi Vai LNG terminal features a terminal capable of accommodating vessels with a deadweight tonnage of up to 100,000, a storage tank with a capacity of 180,000 cubic meters, a gas pipeline, and an operating complex. In its initial phase, the terminal can store 1 million tonnes of LNG per year, with plans to increase this capacity to 3 million tonnes in the second phase. The facility can liquefy LNG at a rate of 171 tonnes per hour.

LNG from this terminal will be distributed to customers through pipelines or by tankers/satellite warehouses. Deputy Prime Minister Tran Luu Quang, speaking at the inauguration ceremony, highlighted Vietnam's efforts in developing modern and efficient energy infrastructure. Natural gas and gas products are considered clean, safe, efficient, and convenient energy sources, aligning with the nation's energy policy. The Thi Vai LNG terminal plays a crucial role in fulfilling the government's vision for national energy development and transition. PV GAS aims to contribute significantly to local budget revenue, job creation, and economic restructuring. The terminal supports the government's commitment to achieving net-zero emissions by 2050.

The project's second phase, aimed at increasing storage capacity to 3 million tonnes, is set to proceed soon. PV GAS is also progressing with the construction of the Son My LNG import terminal in the south-central province of Binh Thuan, with a designed capacity of 3.6 million tonnes in the first phase and 10 million tonnes in the second phase.

PV GAS is expanding its LNG infrastructure and transportation system to serve satellite gas-fired thermal power centers in various regions of Vietnam, ensuring adequate LNG supply for power generation. VNA

[Back to top](#)

Renewable power projects seek direct customer links

Twenty-four Solar and wind power plants with a combined capacity of 1,773 megawatts are seeking permits to sell directly to businesses without going through the national grid.

Another 17 with a capacity of 2,836 megawatts are also considering applying for such direct power purchase agreements, while 26 other projects have no interest in such mechanisms, according to a recent survey of the Ministry of Industry and Trade.



A direct power purchase agreement allows power plants to connect directly with a customer, which is usually a business with large power demand. This is a new mechanism

and the government has tasked the ministry with working out a legal framework for.

But Deputy Prime Minister Tran Hong Ha criticized the ministry last week for its delayed implementation of the task, and he urged it to speed up the work. In its latest update to the government, the ministry reported that a government decree is needed to legalize direct power purchase agreements.

In recent years, major companies such as Samsung from South Korea have expressed interest in direct power purchase agreements as Vietnam's national grid shows signs of overload. In Vietnam, state-owned firm Vietnam Electricity has a monopoly on electricity transmission, but experts have been petitioning for private firms to invest in transmission amid rising power demand. Vnexpress

[Back to top](#)

RETAIL

Vietnam a potential investment market for retailers

Vietnam, with a population of nearly 100 million people, is considered a potential investment market for famous retailers around the world; therefore, many foreign retailers have enhanced their investments.

According to the Ministry of Industry and Trade, Vietnam's retail market has a scale of more than US\$142 billion, 16% of which comes from e-commerce. This scale is forecast to increase to US\$350 billion, or nearly 2.5 times higher, by 2025.



The retail based on e-commerce platforms is also growing at an exponential rate. E-commerce businesses in Vietnam gained a revenue of US\$14 billion by 2022, and the

revenue is expected to reach US\$32 billion by 2025. These figures show the huge potential of Vietnam's retail market for enterprises at home and abroad.

A supermarket is still considered an attractive retail option in Vietnam, with diverse products, a seamless customer experience, and guaranteed product quality. Data from Euromonitor shows that supermarket revenue in 2023 is estimated to reach about VND110 trillion (US\$4.5 billion), an increase of 8.8% over the previous year.

The Ministry of Industry and Trade also said that from now until the end of the year, the ministry will direct the people's committees of cities and the departments of industry and trade to promote the consumption stimulus programme associated with stabilising the market of goods for the Lunar New Year in 2024, and organising the cultural and tourism events to both attract tourism and increase purchasing power.

Businesses also said that many policies of the Government, such as reducing value-added tax and increasing the base salary from July 1, are expected to increase consumers' purchasing power, contributing to the recovery of GDP in 2023.

The experts also believe that the State's efforts to promote consumption and the businesses' diverse business strategies are helping the business of the retail industry be better in the last months of the year. VNS

[Back to top](#)

LOGISTICS

Measures sought to optimize Vietnam Cambodia logistic route

The Ho Chi Minh City-based Saigon Newport Corporation held a workshop to seek measures to strengthen connectivity and develop Vietnam – Cambodia logistic service route on October 28 in Phnom Penh, Cambodia.



The event, held within the framework of the Vietnam-Cambodia Defence Economic Production Exhibition 2023 (VIDEX 2023) in Phnom Penh from October 25-29, brought together over 150 representatives from agencies, associations, and businesses from Vietnam, Cambodia, Myanmar, and Thailand plus over 400 businesses participating online.

Speaking at the event, Vietnamese Ambassador to Cambodia Nguyen Huy Tang affirmed it is a valuable opportunity for delegates and businesses of Vietnam and Cambodia to discuss, and share experience, as well as propose solutions to develop logistics activities between the two countries, contributing to boost their economic cooperation in the coming time.

Bui Van Quy, Deputy General Director of the Sai Gon Newport Corporation and President of the ASEAN Ports Association, highlighted that Cambodia, with the "golden" position in the Mekong River sub-region and a convergence point on the East-West economic corridor, boasts many opportunities to become a regional logistics hub.

With the advantage of waterway connection through the Mekong River system, and road routes and bordergates connecting Vietnam and Thailand, Cambodia has much potential to develop logistics services in the region, thus contributing to socio-economic development of Cambodia in particular and the Mekong sub-region in general.

In 2022, the output of goods transported by the waterway, which is considered a "green transport solution" connecting Vietnam and Cambodia via the Mekong River, reached more than 394,000 TEU, Quy said, highlighting logistics activities on the Vietnam - Cambodia route in his company's strategy to expand and develop in Cambodia as well as other regional countries.

At the workshop, participants were informed about the current situation, potential, advantages, and logistics connectivity and development solutions between Vietnam and Cambodia.

Within the framework of the event, a cooperation document was signed between the Sai Gon Newport Corporation and Phnom Penh Autonomous Port (PPAP), along with many others reached between Vietnamese and Cambodian businesses. VNA

[Back to top](#)

INVESTMENT

Foreign direct investment inflows and disbursement increased in the first ten months

Over the first ten months, total foreign direct investment (FDI) inflows and disbursement reported an increase of 14.7 per cent and 2.4 per cent, respectively.



According to the Ministry of Planning and Investment's Foreign Investment Agency, during the period, the total registered FDI inflows stood at almost \$25.7 billion, up 14.7 per cent on-year, while \$18 billion was disbursed, a rise of 2.4 per cent.

There were 2,608 newly registered projects with a combined capital of \$15.29 billion, up 66.1 per cent in the number of projects and 54 per cent in capital compared to the same period last year. The value of capital contribution and share purchase deals rose by 35.4 per cent to \$5.13 billion.

In contrast with the growth, \$5.33 billion (down 39 per cent on-year) was added to 1,051 existing projects (the number of projects receiving additions was up 19.4 per cent). The manufacturing and processing sector led in terms of FDI attraction with \$18.84 billion, capturing 72.1 per cent of the total registered FDI inflows and raising by almost 46 per cent on-year. It was followed by real estate with \$2.14 billion, finance and banking with \$1.54 billion, and wholesale and retail with \$907 million.

From January to September, there were 108 countries and territories pouring capital into Vietnam, of which Singapore topped the list with \$4.65 billion, providing 18 per cent of the total. It was followed by South Korea with \$3.93 billion and Hong Kong with \$3.54 billion.

Those investors transferred capital into 55 provinces and cities over the period. Quang Ninh led with \$3.09 billion, making up 12 per cent of the total and up 41.3 per cent on-year. Haiphong came second with over \$2.8 billion, 2.14-fold higher than the same period last year. They were followed by Hanoi, Ho Chi Minh City, and Bac Giang. The export value of foreign-invested enterprises (FIEs) (including crude oil) was estimated at nearly \$214 billion, down 8.2 per cent on-year, or \$212.5 billion (excluding crude oil), capturing 73 per cent of the total but down more than 8 per cent on-year. The import value of FIEs was nearly \$172.34 billion, down almost 13 per cent on-year and accounting for 64.4 per cent of the total. The trade surplus of FIEs in the first ten months stood at \$41.6 billion (including crude oil) or \$40.17 billion (excluding crude oil), while local businesses reported a trade deficit of \$18.46 billion.

Accumulated to October 20, there were 38,622 valid projects with a total registered investment of \$460 billion and the disbursed capital reached \$292 billion. VIR

[Back to top](#)

Japan expressed a keen interest in smart city development

At a meeting between city leaders and the Japanese Ambassador to Vietnam on October 25, Ambassador Yamada Takio expressed a keen interest in accelerating major projects in Hanoi, particularly the Smart City initiative in the city's northern area.



Nguyen Thi Tuyen, permanent Deputy Secretary of Hanoi Party Committee, assured the ambassador, "Hanoi has been actively directing relevant departments to expedite procedures for the development of the project."

A notable element of the Smart City project is the upcoming commencement of construction for the Financial Centre Tower on November 10. Touted as a highlight of the North Hanoi Smart City, the tower is

poised to be Vietnam's tallest building at 108 stories, towering over the communes of Hai Boi, Vinh Ngoc, and Kim No in Dong Anh district.

The Smart City project, sprawling over 272 hectares with a total investment of \$4.2 billion, is a collaborative venture between Vietnam's BRG Group, led by chairwoman Nguyen Thi Nga, and Japan's Sumitomo Corporation, a prominent conglomerate.

The joint venture received its investment certificate at an investment conference in Hanoi in 2018, and groundbreaking occurred in 2019. By July 2023, Hanoi People's Committee had approved adjustments to the detailed 1/500 scale zoning plans on either side of the Nhat Tan - Noi Bai route, covering both the first and second phases of the smart city project in Dong Anh district.

The progress and future of this ambitious project not only reflect the deepening economic ties between Vietnam and Japan but also underscore Hanoi's commitment to cutting-edge urban development and sustainability.

The Smart City initiative is expected to dramatically reshape the northern landscape of Vietnam's capital, bolstering its position as a modern, dynamic metropolis in Southeast Asia. VIR

[Back to top](#)

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