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FINANCE

Vietnam's digital economy to reach US\$ 45 billion by 2025

Vietnam's digital financial services sector is experiencing substantial growth, fueled by the increasing popularity of digital payments.



The country's digital economy is projected to reach \$30 billion in 2023, marking a 19% increase from the previous year's \$20 billion, and it is expected to further expand to approximately \$45 billion by 2025. This remarkable growth in the digital economy is primarily driven by the rapid adoption of digital financial services among consumers, demonstrating a shift from offline to online behavior.

One of the most notable trends in Vietnam is the significant rise in digital payments. Gross transaction value (GTV) for digital payments is estimated to reach \$126 billion in 2023, up 19% from the previous year's \$105 billion. The forecast suggests that by 2030, digital payments in Vietnam could surge to \$190 billion in GTV. This trend is driven by strong government support, investments from commercial banks, and the widespread use of QR codes. The state bank's promotion of cashless payment services in rural and remote areas is expected to further accelerate this shift.

Digital lending is another key driver of the digital economy's growth, supported by high lending rates and consumer demand. Underbanked individuals and small businesses are increasingly participating in the digital economy, and the Vietnamese government is promoting digital innovation in the lending sector through initiatives like fintech sandboxes. The report reveals a substantial 31% increase in digital lending, growing from \$3 billion in 2022 to \$4 billion in 2023, with expectations of doubling to \$10 billion by 2025. Additionally, the digital wealth market is forecasted to grow from \$100 million in 2023 to approximately \$300 million in 2025.

The Southeast Asian region's digital economy is also experiencing remarkable growth, with projections of reaching \$100 billion in revenue. Digital payments are replacing cash as the dominant mode of transaction, constituting over half of the region's financial transactions. Notably, digital lending plays a crucial role in the \$30 billion digital financial service revenue in Southeast Asia, demonstrating the region's rapid embrace of digital financial services. VIR

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Vietnam's remarkable economic transformation

An article by Asia Times highlights Vietnam's exceptional positioning as one of the fastest-growing economies in the coming decade, exemplifying its remarkable economic transformation.

In the piece titled "A Tiger Economy Starts to Roar in Vietnam," the publication underscores that amidst the challenges posed by the COVID-19 pandemic and escalating trade tensions between the United States and China, Vietnam has made a significant leap. In 2022, Vietnam surpassed the Republic of Korea to become the sixth-largest import partner by value for the United States.

What makes this development particularly noteworthy is the shift in Vietnam's economic strategy. No longer reliant on textiles and garments as its primary exports to the U.S., Vietnam is now excelling in the production of high-tech products. The article also points out that a considerable portion of Apple's flagship products will be assembled in Vietnam by year-end, marking the country's role as an additional manufacturing destination within the global supply chain ecosystem, rather than a competitor to China's manufacturing dominance.

Vietnam is creating an attractive and "neutral" environment for foreign fintech companies to mitigate risks and reposition their exposure amidst the U.S.-China geopolitical rivalry. Notable examples include Apple's relocation of production from China and a substantial \$1.6 billion investment by U.S.-based Amkor Technology in a semiconductor factory in Vietnam.

Moreover, the article notes that Vietnam is now welcoming Huawei, a significant player in the tech industry, after initially complying with U.S. efforts to ban the company. This strategic shift underscores Vietnam's growing importance in the technology sector.

The Asia Times suggests that Vietnam has the potential to become the fourth-largest exporter of high-tech goods globally, trailing only China, Taiwan (China), and Germany. Although it currently holds the seventh position, the rapid growth of high-tech goods as a percentage of Vietnamese exports is truly unparalleled. In 2020, this share surged to 42%, a remarkable increase from 13% in 2010.

Vietnam's economic evolution, shifting focus to high-tech exports and becoming a critical player in the global supply chain, positions it as one of the most promising economies in the coming years. VOV

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E-COMMERCE

Measures needed to remove barriers in trans-border e-commerce

Cross-border e-commerce has played a pivotal role in bolstering Vietnam's export revenue, contributing to a total value exceeding 80 trillion VND (approximately \$3.28 billion USD) in 2022. Amazon reported that Vietnamese businesses achieved remarkable results within 12 months ending on August 31, with 17 million product units sold to customers worldwide via their platform. Impressively, the number of Vietnamese partners on Amazon increased by 40%, accompanied by a 50% surge in export value.



2023.

Furthermore, Alibaba.com disclosed that Vietnamese small and medium-sized enterprises (SMEs) significantly expanded their trans-border e-commerce trade, witnessing a remarkable 47% year-on-year increase in trade value in the first nine months of

Hoang Thi Thanh Tam, the Director of Indochina Creative Investment and Development JSC, which has been utilizing Alibaba.com for product sales since September 2015, emphasized the swift global reach that e-commerce offers to businesses.

Despite these successes, challenges persist in the Vietnamese e-commerce landscape. Many Vietnamese enterprises have yet to fully leverage this effective export channel, largely due to language barriers, limited marketing skills, and a lack of familiarity with marketing tools on e-commerce platforms, as well as limited understanding of digital trade regulations. Logistics-related obstacles also pose challenges for Vietnamese exporters.

Issues pertaining to payment methods, information security, and compliance with green, sustainable, and low-carbon production regulations further complicate matters. Vietnam's e-commerce market has consistently ranked among the top three in the Southeast Asian region, and online export revenue is projected to approach nearly 300 trillion VND by 2027. Experts believe that addressing existing barriers and capitalizing on the nation's e-commerce strengths is imperative.

The Ministry of Industry and Trade (MoIT) has initiated various activities to assist domestic firms, particularly small and medium-sized enterprises, in connecting with prominent e-commerce platforms, including Alibaba.com, TikTok, Amazon.com, Lazada, Tiki, Foodmap, Postmart, Voso, Shopee, and Sendo. An upcoming milestone is the launch of the Vietnam Pavilion on Alibaba.com, scheduled for December, featuring participation from over 100 businesses.

Alibaba.com and Amazon Global Selling Vietnam have pledged to enhance connectivity between sellers and manufacturers across various sectors, broaden the portfolio of Vietnamese products, and provide increased training and support to Vietnamese sellers for the development of global brand recognition.

Moving forward, the MoIT and e-commerce platforms will collaborate to enhance the digital trade promotion ecosystem, expand partnerships with domestic and international e-commerce platforms, and continue to offer training and capacity building for local businesses to strengthen online export capabilities. Trade experts recommend that businesses actively embrace digital technologies, strengthen their export capabilities and cross-border selling skills, develop their products, and establish their brand identities to gain customer trust and foster sustainable cross-border e-commerce activities. VNA

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ENERGY

British renewable energy companies explore partnerships in Vietnam

A delegation of 14 British companies specializing in renewable energy technologies and services recently arrived in Vietnam to explore potential collaboration opportunities, particularly in the development of offshore wind power projects.

Vietnam's strategic geographical location and attractive incentive policies make it a promising



destination for offshore wind power market development. The British firms are keen on engaging in renewable energy investments, with a particular focus on offshore wind power, power transmission, and energy storage.

Denzel Eades, representing the British Business Group in Vietnam, emphasized the significant potential for offshore wind power

growth in Vietnam due to its favorable geographic position and government incentives. British companies, equipped with substantial expertise, are enthusiastic about contributing to this burgeoning market.

During their visit, the British companies participated in the Green Economy Forum 2023 organized by the European Chamber of Commerce in Vietnam (EuroCham) and the ASEAN Wind Energy Conference and Exhibition 2023.

The United Kingdom stands as the world's second-largest offshore wind market, with a commitment to achieve offshore wind capacity of up to 50 gigawatts by 2030, as outlined in the British Energy Security Strategy (BESS) revealed in April 2022.

Vietnam boasts a lengthy coastline stretching over 3,400 kilometers, and the World Bank estimates its wind power capacity potential to be approximately 475 gigawatts. This makes the country a compelling choice for the British businesses looking to expand their operations in the Asia-Pacific region, especially within the budding renewable energy sector. VOV

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EU allocates US\$23.6 million to boost clean energy in Vietnam

The European Union (EU) has disbursed \$23.6 million as budget support to the Vietnamese government under the EU-Viet Nam Sustainable Energy Transition Programme (SETP). This contribution raises the EU's total disbursement under the program to \$51.5 million. The EU's actions align with its Global Gateway Strategy and European Green Deal agenda, aimed at combatting climate change and achieving net-zero emissions.



efforts.

The EU's commitment to Vietnam includes assisting in achieving a 'just energy transition' and fulfilling national and international climate goals through the Just Energy Transition Partnership (JETP). The EU's Global Gateway initiative encompasses green, circular economy and sustainability initiatives, as well as educational and skills development

The EU-funded SETP budget support initiative involves a total of \$142.5 million in grants and contributes to the JETP's objectives, accelerating Vietnam's transition to sustainable energy. This reflects the EU's strong cooperation and long-term dedication to aiding Vietnam's transition to clean energy and its overarching goal of achieving net-zero emissions by 2050.

In addition to this support, the European Investment Bank and Vietnam signed a Memorandum of Understanding (MoU) in late October, establishing a collaborative effort to facilitate Vietnam's energy transition. This MoU involves the creation of a multi-project credit facility worth €500 million, which is set to be finalized soon. Once operational, this facility will provide financing for projects focused on decarbonization and energy transition under a framework loan.

The EU's actions underscore its commitment to supporting Vietnam's clean energy journey and overall sustainability, as well as fostering the transition to a low-carbon and environmentally friendly future. The EU's financial and collaborative efforts will play a crucial role in advancing Vietnam's sustainable energy goals and contributing to global climate action. VIR

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RETAIL

The retail sector to recover as the domestic economy improves

Retail sales in Vietnam have shown strong growth, with a 9.4% year-on-year increase in the first ten months of the year, according to the General Statistics Office (GSO). October alone witnessed an estimated VND536.3 trillion in sales revenue, marking a 1.5% rise compared to the previous month and a 7% increase over the same period last year.



This growth is attributed to increased demand for cultural and educational items, household goods, and a sustained positive trend in accommodation, food, catering, and tourism services. Notably, the tourism sector saw a remarkable 47.6% year-on-year increase in revenue, reaching VND30.2 trillion. This growth was stimulated by proactive efforts by localities to boost tourism demand.

Several regions in Vietnam experienced substantial revenue spikes during the first ten months, with Danang leading at 143.8%, followed by Khanh Hoa Province (137.9%), Quang Ninh Province (94.9%), HCMC (68%), Hanoi City (59.5%), Haiphong City (47.3%), and Can Tho City (32.4%).

Economists predict that the retail sector will continue to recover as the domestic economy improves and public investment remains robust. However, they emphasize the importance of attracting international tourists and promoting domestic tourism to further strengthen domestic consumer demand.

To stimulate consumer demand, the government has implemented measures such as direct support for consumers, increased promotions and discounts, lower interest rates, reduced personal income tax, and expanded consumer loans. These measures also include debt payment extensions and enhanced social welfare support to boost consumer spending.

The Ministry of Industry and Trade is collaborating with various government departments and localities to ensure a sufficient supply of essential goods, especially during festive seasons and the upcoming Lunar New Year holiday in 2024. Additionally, efforts to coordinate supply and demand between major cities and regions across the country are expected to support businesses in expanding distribution channels and introducing regional specialties to meet consumer needs. The Saigontimes

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LOGISTICS

Japan's strong commitment to Vietnam's high-speed rail project

Japan has reaffirmed its commitment to supporting Vietnam in the research and investment of a multi-billion-dollar high-speed North-South railway project. This commitment was underscored during a meeting between Vietnam's Minister of Transport, Nguyen Van Thang, and the Japanese Ambassador to Vietnam, Yamada Takio, on October 30.



Minister Thang expressed his gratitude for Japan's support in facilitating a study visit to Japan, aimed at gaining insights into high-speed railway development. He emphasized the significance of this project and its substantial total investment, underlining the hope for continued Japanese support in researching and implementing it.

Japan has been a global leader in high-speed train technology, and its readiness to assist Vietnam in its goal to become a developed, high-income country by 2045, with a strong focus on infrastructure development, was emphasized by Ambassador Takio.

The high-speed North-South railway project has been a key topic in discussions between Vietnamese leaders and Japanese officials. Vietnamese Prime Minister Pham Minh Chinh met Japan's Foreign Minister Kamikawa Yoko on October 10, seeking Japan's ongoing provision of new-generation official development assistance (ODA) for significant infrastructure projects, including the high-speed railway.

PM Chinh also highlighted the project during a meeting with Japanese Prime Minister Kishida Fumio on September 6, and in an earlier meeting with Japan's Finance Minister Suzuki Shunichi. This demonstrates the deepening collaboration between the two nations in this regard.

To advance the high-speed railway project, a steering committee was established in early October. PM Chinh expressed the government's intention to complete the project proposal by 2024 and seek approval in 2025. The government also encouraged local funding participation and requested the National Assembly to prioritize investment resources for the project.

The Ministry of Transport is actively working on the project proposal, considering two investment options: a dual passenger and freight line and a passenger-only line, with estimated costs of \$64.9 billion and \$58.71 billion, respectively. The ministry is studying established rail networks in Europe, China, and Japan to refine the project's pre-feasibility report, highlighting Vietnam's proactive approach to this ambitious and strategic initiative. VIR

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INVESTMENT

Japan proposes strategic partnership with Vietnam in High-Tech sectors

Japan's Minister of Economy, Trade, and Industry, Nishimura Yasutoshi, has proposed collaboration with Vietnam in semiconductor manufacturing, artificial intelligence research, and rare earth mining.



During a meeting with the Prime Minister in Hanoi, Yasutoshi expressed Japan's intent to establish task forces, facilitating cooperation between government bodies from both nations to enhance partnerships, technology transfer, and human resources training.

The Prime Minister welcomed the idea of forming task forces to expedite collaboration on specific projects and pledged to create a conducive environment for Japanese companies seeking to invest in Vietnam. Furthermore, he suggested that Japan involve Vietnamese companies more deeply in the supply chain.

As Vietnam aspires to achieve developed country status with a high per capita income by 2045, Prime Minister Chinh requested Japan's assistance in refining the country's institutions. He also sought Japan's support in the form of Official Development Assistance loans for significant infrastructure projects, including high-speed railways.

Additionally, Prime Minister Chinh urged Japan to simplify the visa application process for Vietnamese citizens and eventually grant visa exemptions to encourage more Vietnamese nationals to live, study, and work in Japan.

In May, Vietnam and Japan inked agreements on three Official Development Assistance projects with a combined value of JPY 61 billion (US\$500 million). Japan holds the distinction of being the largest provider of Official Development Assistance to Vietnam, having extended approximately \$21.6 billion in Official Development Assistance loans, non-refundable aid, and technical assistance to the country since 1992. Vnexpress

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U.S. enterprises are considering significant investments and expansions in Vietnam

Numerous U.S. enterprises are considering significant investments and expansions in Vietnam, indicating their intentions to establish the country as a pivotal hub for their operations. During recent meetings with Prime Minister Pham Minh Chinh, key players like Microsoft, Gates Foundation, SpaceX, Coca-Cola, and Pacifico Energy disclosed their investment and business strategies for Vietnam.

Coca-Cola, which has invested over \$1 billion in the country over nearly three decades, is further expanding its production facilities, with the construction of a new plant in Long An province. The company aims to innovate its technology for sustainability and relocate factories from residential areas.

SpaceX, a major player in spacecraft, satellite launch, and satellite communications, plans to invest around \$500 million in Vietnam. It seeks licensing for Starlink satellite internet services in the country.

Pacifico Energy, a leading U.S. renewable energy investor, is exploring offshore wind power development in Vietnam, building on its previous investments in solar and wind power projects.

The Semiconductor Industry Association of the U.S. is sending representatives to Vietnam to assess the investment climate for chip manufacturing. Notably, Amkor Technology has committed \$1.6 billion to expand its semiconductor factory in Bac Ninh province, while Marvell and Synopsis plan to establish semiconductor incubation and design centers in Ho Chi Minh City.

Intel's largest factory is situated in Vietnam and has undergone continuous expansion since its initial investment in 2006. Vietnam is gaining recognition as a chip manufacturing hub for U.S. companies, with several firms contributing to workforce training and technology transfer to strengthen the country's position in the global semiconductor supply chain.

At the 2023 investors' conference organized by VinaCapital, foreign investors expressed their keen interest in various industries in Vietnam, particularly clean and renewable energy, sustainable production, and semiconductor manufacturing. The comprehensive strategic partnership between Vietnam and the U.S. has further bolstered investment prospects.

Bain Capital, a U.S. private investment firm, recently invested over \$200 million in Masan Group through share purchases, with plans for more negotiations and investments. This strategic investment is driven by Vietnam's status as one of Southeast Asia's fastest-growing consumer markets, with an anticipated annual growth rate of 7.7% from 2022 to 2040.

These developments indicate growing confidence among U.S. enterprises in Vietnam's economic potential and its role in their global strategies, positioning the country as a key investment destination in various sectors. VNA

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