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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Finance ministry's drive to accelerate state-owned enterprises privatization

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The Ministry of Finance is currently reassessing and revising legal frameworks to accelerate the sluggish pace of privatizing state-owned enterprises (SOEs).



By October, authorities had approved business restructuring plans for 49 SOEs, covering six centrally-run and 43 provincially-governed entities, in accordance with Government Decision 360. The remaining SOEs are in the process of formulating their restructuring plans for submission to authorities for approval.

During the January-October period, no SOEs completed the privatization process, contributing to a slow pace of divestment, as reported by the ministry.

In this timeframe, the government earned VND19 billion from divesting state stakes in four businesses. Concurrently, state-owned corporations, holding companies, and businesses divested their stakes in seven other enterprises, generating total proceeds of VND206.3 billion.

Recognizing the challenges, the ministry is actively reviewing and revising mechanisms and policies related to privatization and divestment. The aim is to simplify the processes and address impediments, ultimately facilitating the privatization of SOEs.

In response to the identified delays and regulatory violations related to SOE privatization and divestment, the ministry has proposed stringent sanctions to deter such actions. The Saigon times

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## Vietnam's GDP growth amidst challenges and projections

Vietnam's economic expansion is anticipated to gain momentum, with a projected growth rate of 6.3% in 2024, escalating further to 7.0% in 2025, as indicated by the most recent forecast from Fitch Ratings, a prominent global credit ratings agency.



Fitch Ratings maintains a positive outlook on Vietnam's economic growth trajectory, emphasizing that domestic fiscal and monetary policies have shifted to actively bolster the national economy. Experts highlight that the medium-term fundamentals of the Vietnamese economy remain favorable, sustaining a period of growth and presenting promising business prospects for the banking sector.

While statistics from the rating agency reveal a deceleration in the country's GDP growth to 4.3% over the past nine months, attributed to weak external demand and persistent challenges in the domestic property sector, experts at a recent conference organized by The Asset and Fitch Ratings in Hanoi remain optimistic. They acknowledge the array of challenges faced by the nation, stemming from both internal and external factors, including the global economic slowdown, the prolonged impact of the COVID-19 pandemic, and the ongoing conflict between Russia and Ukraine.

Despite these challenges and the pressure of elevated inflation on national development, leading to central banks tightening monetary policies and raising rates, experts foresee a recovery in the Vietnamese economy in the near future.

Fitch Ratings, in its affirmation of Vietnam's Long-Term Foreign-Currency Issuer Default Rating at 'BB' with a positive outlook in May, underscores the nation's robust medium-term growth prospects, driven by foreign direct investment (FDI) inflows, favorable demographics, and strong external liquidity. Additionally, Standard Chartered Bank maintains a robust GDP growth forecast of 6.7% for Vietnam in 2024, further supporting the positive economic outlook.

Meanwhile, the National Assembly (NA) adopted a resolution on November 9, outlining the socio-economic development plan for 2024, with a targeted GDP growth range of 6.0% to 6.5% for the year.

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## E-COMMERCE

### Online Friday 2023 to feature 500 brands, 3,000 businesses

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"The Vietnam Online Shopping Day - Online Friday 2023, scheduled for early December, will witness the participation of up to 500 brands, 3,000 businesses, e-marketplaces, and sale support platforms. This marks the 10th edition of the event, running from midnight on Friday, December 1, to noon on Sunday, December 3.



Prominent e-marketplaces and sale support platforms, including TikTokShop, Shopee, Lazada, Tiki, VNPAY, ZaloPay, Viettel Post, VnPost, and AccessTrade, are set to roll out substantial promotions aimed at fostering consumer trust in online shopping.

Online Friday 2023 is an integral part of the National E-Commerce Week, spanning from November 27 to December 3. Throughout this week, businesses and consumers can engage in a conference on e-commerce development in Vietnam and partake in an e-commerce and musical festival in the pedestrian zone around Hoan Kiem Lake in Hanoi.

Positioned as the year's premier online shopping program, the initiative seeks to invigorate domestic consumption by encouraging individuals to explore e-commerce and digital technology. This, in turn, contributes to the advancement of e-commerce and encourages businesses to invest in technological infrastructure and solutions.

The Vietnam E-commerce and Digital Economy Agency (iDEA), under the Ministry of Industry and Trade (MoIT), will collaborate with e-marketplaces to implement various measures for promoting e-commerce and safeguarding consumers' interests in the digital realm. The series of events is anticipated to serve as a thriving "common playground" for both buyers and sellers in the digital environment, fostering the growth of e-commerce and the digital economy in the country. VNS

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## ENERGY

### Vietnam aims to elevate the proportion of renewable energy from 2023 to 2050

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From 2023 to 2050, Vietnam aims to elevate the proportion of renewable energy in its energy mix from 26% to an ambitious 62%. This commitment was emphasized by Tran Hong Thai, Deputy Minister of the Ministry of Science and Technology, during the 1st Asia Meeting on Environment and Electrical Engineering. The country is actively implementing renewable energy initiatives, including the "Researching and Developing Energy Technologies Programme," designed to encourage investments in green energy and smart grids.



The Vietnamese Ministry of Science and Technology has submitted a legal draft to the Prime Minister, proposing the decommissioning of low-efficiency equipment, including gas- and coal-powered generators with low efficiency. Guido Hildner, the German Ambassador to Vietnam, announced Germany's support of over 1 billion euros for projects in Vietnam, primarily focusing on the green energy transition. He highlighted Germany's assistance in developing green skills by adapting job profiles, benefiting around 35,000 trainees annually.

Dang Bang Viet, Deputy Director of Science, Technology & Energy Department at Vietnam Electricity, outlined the National Power Development Plan VIII (PDP VIII), projecting a significant shift in Vietnam's energy landscape. Under this plan, renewable energy's share is anticipated to surge from 26% to 62%, while hydropower and coal-derived power will decrease. Gas-derived power is expected to rise initially, reaching 25% by 2030, and then gradually decline to 8% by 2050.

Khanh Duc Hoang from the Institute of Energy noted the complete phase-out of coal-derived power by 2050. Gas-derived power is projected to be a vital component until 2030, after which hydrogen is expected to supersede it by 2050. PDP VIII envisions 189 GW of solar power and 30 GW of wind power by 2030, rising to 170 GW in 2050. Nguyen Quang Minh, Director of the Power Market Development Research and Training Center, acknowledged that although renewable energy will become mainstream in the long term, traditional energy sources, such as coal, still dominate the short- and medium-term energy landscape in Vietnam. In 2022, coal contributed to 38% of electricity generation, followed by hydropower at 30%, and other sources such as gas, solar, and wind contributing to the rest. VNS

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## Marubeni Corporation to invest billions of U.S. dollars in energy and infrastructure

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Marubeni Corporation, a Japanese conglomerate, has unveiled plans to invest billions of U.S. dollars in Vietnam, with a primary focus on energy and infrastructure.

During a meeting with Prime Minister Pham Minh Chinh in Hanoi on November 13, Kakinoki Masumi, President and CEO of Marubeni Corporation mentioned his company's investment expansion plan in Vietnam in the future. The corporation will explore business opportunities in sectors such as energy, processing, export, and infrastructure development, the representative said.

The Vietnamese Government's leader committed to further improving the investment environment, creating the most favorable conditions for foreign investors, and protecting their legitimate rights. PM Chinh also pledged to facilitate foreign investment by addressing infrastructure and energy requirements and being open to removing obstacles for businesses.

Given Vietnam's emphasis on innovation, digital transformation, green transition, renewable energy development, and e-commerce growth, the PM requested that the corporation support Vietnam in manpower training, technology transfer, and management experiences in these sectors.

Japan is currently Vietnam's largest official development assistance (ODA) donor and one of the major foreign investors in the country.

Marubeni Corporation has invested around 90 billion yen in various projects in Vietnam, specializing in import-export, thermal power plant construction, industrial factories, food processing, and garment and textile factories. The corporation has provided employment for 7,500 individuals thus far. The saigontimes

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## RETAIL

### 76% of Vietnamese consumers optimistic about their finances for next year

A recent report from United Overseas Bank (UOB Vietnam) reveals that a substantial 76% of Vietnamese individuals express optimism about enhancing their personal finances by the middle of the upcoming year, surpassing the optimism levels of Indonesians (74%) and Thais (68%).

The survey indicates a notable inclination among Vietnamese consumers towards mobile banking applications and digital payment methods. Despite facing concerns about escalating inflation, Vietnamese consumers exhibit greater optimism compared to counterparts in Singapore, Malaysia, Thailand, and Indonesia.



Rising inflation emerges as the predominant worry in the ASEAN region, with 62% of respondents acknowledging it as their top concern. In Vietnam, 80% of consumers express worries about their finances, with key concerns revolving around the ability to save money (32%), maintain their current lifestyle (32%), and meet the financial and healthcare needs of parents (30%).

In response to these concerns, Vietnamese consumers are adopting a more cautious approach to their finances and investments. The survey highlights that 65% of respondents are closely monitoring their spending through online banking platforms, and 60% are proactively learning more about financial products offering incentives, reward points, or savings.

Financial preferences are also evolving, with consumers allocating more funds to low-risk financial instruments such as bank fixed deposits (32%) and insurance plans (28%). Notably, 25% of Vietnamese respondents are allocating more money to insurance products compared to the previous year, surpassing the regional average, particularly among affluent consumers (36%).

The survey underscores a growing interest in sustainable investment among Vietnamese consumers, with 40% already including sustainable investments in their portfolios. Additionally, 58% express a willingness to consider sustainable investments, aligning with their risk appetite, emphasizing the dual benefits of financial returns and positive environmental impact.

The trend towards digital banking and payment channels remains robust, with consumers favoring mobile banking apps and emerging digital payment methods such as e-wallets, QR code-based payments, and mobile wallet debit or credit cards.

As digital proficiency among Vietnamese consumers rises, there is a substantial increase in the use of mobile banking applications, with 54% reporting increased usage over the year. Despite the preference for online channels for routine transactions, in-person channels or a combination of online and in-person options are still favored for more complex or high-value transactions.

In the realm of payments, Vietnamese consumers exhibit awareness and utilization of the latest technologies, with e-wallets, card payments on mobile wallet apps, and e-commerce payment platforms being the most popular methods.

Paul Kim, Head of Personal Financial Service at UOB Vietnam, comments on the findings, noting that despite concerns about inflation, the strong economic growth in Vietnam has instilled optimism among consumers. He emphasizes the importance of understanding consumer priorities, savings habits, financial behaviors, and digital preferences to tailor services effectively in the evolving landscape of financial services. VOV

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## LOGISTICS

### SLP expands logistics footprint with Bac Ninh development

SEA Logistics Vietnam, part of GLP's operational platform in Southeast Asia, is advancing its network development and expanding its presence in Vietnam with the construction of SLP Bac Ninh Logistic.



Positioned in Thuan Thanh II Industrial Park, Bac Ninh province, this marks SLP's third project in the region, following the completion of SLP Park Yen Phong and SLP Park Nam Son Hap Linh in 2023. SLP aims to bolster its scale and network in Vietnam to support growing customer demands, leveraging opportunities presented by the country's robust manufacturing and domestic

consumption growth.

Strategically located within a 30-km radius of Hanoi, SLP Bac Ninh Logistic provides convenient access to key transportation routes, including Hanoi-Lang Son highway, National Road 18, and Hanoi-Haiphong highway. The project is expected to be completed by Q4 2024, offering 93,000 sq.m of modern logistics facilities tailored to meet market and customer-specific requirements.

The strategic location positions SLP Bac Ninh Logistic as an ideal choice for logistics and city distribution customers, as well as manufacturers. SLP has demonstrated success in this region, as seen in the full occupancy of SLP Park Yen Phong, where it welcomed new tenants, including Jusda and four other enterprises.

The company emphasizes its commitment to environmental, social, and governance considerations, aligning with global sustainability strategies. SLP is dedicated to improving efficiency through data and technology integration, reducing consumption, managing assets effectively, and investing capital efficiently. SLP is also focused on making sustainability a core aspect of its business activities and aims to achieve LEED certification for SLP Bac Ninh Logistic, emphasizing its commitment to environmentally conscious practices.

Bac Ninh, known for its high-tech and semiconductor manufacturing, is a significant industrial hub, attracting major companies. SLP's growth in this region aligns with Bac Ninh's status as a bright spot in terms of investment attraction and industrial development. Since its establishment in Vietnam in 2020, SLP has become a major player in modern logistics infrastructure, supporting the expansion of global customers in Southeast Asia. SLP is a member of GLP Capital Partners, contributing to the overall growth of the construction, industrial, and logistics giant GLP. VIR

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## INVESTMENT

### Vietnam emerges as prime destination for European and American investors

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Several investors from Europe, Japan, the U.K., and the U.S. are poised to enter Vietnam, as stated by M&A experts at a recent conference on investment strategies for the country. While Vietnam has attracted significant investments from Asian nations, including Japan, Korea, Singapore, Thailand, and China, European and American investors have shown increasing interest.



Ivan Alver, co-founder of Global M&A Partners (GMAP) and partner & president of Norwegian firm Saga Corporate Finance, highlighted Vietnam's appeal for its political stability, growing consumer spending, and competitive wages. Alver noted that investors are shifting focus to Asian countries, including Vietnam. The Ministry of Planning and Investment reported a 14.7% year-on-year increase in foreign direct investment (FDI) to \$25.7 billion in the first 10 months of 2023.

Some notable M&A transactions this year involve Japanese and U.S. investors, such as Sumitomo Mitsui Banking Corporation acquiring 15% of VPBank for \$1.5 billion and KKR Global Impact investing \$120 million in EQuest.

Frederic De Boer, co-president of GMAP and partner at Swiss M&A firm Zetra AG, mentioned that two infrastructure construction clients operating in China are looking to invest in Vietnam, particularly in the manufacturing industry. Sam Yoshida, global head of M&A consulting company RECOF, highlighted the interest of international investors in sectors like food, consumer goods manufacturing, retail, education, non-bank financial technology, and logistics. Japanese investors, in particular, are keen on logistics, especially cold chain logistics.

To attract more FDI, especially through M&A, experts suggest regulatory amendments to facilitate subsequent divestments. Alver emphasized the need for an improved and simplified divestment process to make Vietnam more attractive to investors. M&A transactions typically take nine months to complete, prompting Alver to recommend that companies considering selling engage a consultant at least a year ahead to find and compare buyers and negotiate prices. vnexpress

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## Denmark focuses on green investment and renewable energy

The Green Strategic Partnership (GSP) between Denmark and Vietnam aims to deepen their decades-long cooperation, with a focus on green investment and renewable energy.

This partnership reflects a shift from a donor-recipient relationship to an equal-footed collaboration, spanning various sectors like green growth, energy, agriculture, food, healthcare, and culture. Denmark sees this as a new chapter in their 50-year relationship, aligning with Vietnam's ambitions for a green transition.



Vietnam's commitments to net-zero by 2050 and active engagement in the Just Energy Transition Partnership (JETP) align with Denmark's commitment to assist in these endeavors. The GSP provides a comprehensive framework for Denmark to support Vietnam in developing a climate-resilient, low-carbon economy and fostering sustainable practices. Energy is a significant area of collaboration, with Denmark sharing its extensive experience in offshore wind power development. The partnership operates at both political and economic levels, involving dialogues on green growth and climate change, along with economic cooperation within the JETP.

Denmark's keen interest in Vietnam is evident through investments by 135 Danish companies and 155 ventures. Lego's \$1 billion project in Binh Duong province exemplifies a commitment to carbon neutrality. Danish businesses are increasingly investing in Vietnam's wind power sector, creating opportunities for local suppliers and manufacturers. The GSP is anticipated to attract more Danish companies to Vietnam, consolidating their commitment to green investment and sustainability. The partnership positions Vietnam as a key collaborator in Denmark's efforts to share expertise in renewable energy and support Vietnam's green transition. VIR

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