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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Mobile-Money service pilot extended to late 2024

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The Government has issued a resolution to extend the pilot use of telecom payment accounts for small-value goods and services until December 31, 2024.

In response, the State Bank of Vietnam has been tasked with collaborating with the Ministry of Information and Communications, the Ministry of Public Security, the Ministry of Justice, and relevant agencies to conduct a review and report on the issuance of legal documents regulating Mobile-Money services by May 2024.



This service enables customers to utilize their telecom accounts for various transactions, including payments for small-value goods and services, money transfers, direct deposits and withdrawals at telecom provider outlets and transaction points across the country—eliminating the need for a bank account, smartphone, or internet connection.

As of early May 2023, the Ministry of Information and Communications reported that the number of clients using Mobile-Money services exceeded 3.9 million, marking a threefold increase from the same period last year.

Notably, over 2.7 million clients in rural, remote, and mountainous areas, constituting 69% of the total, have embraced this service. The nationwide Mobile-Money service points rose to 9,953, reflecting a 12% increase from March, and units accepting payments via Mobile Money reached 15,326, a 0.2% growth. The cumulative number of withdrawals, transfers, and payments through Mobile-Money surpassed 26.1 million, amounting to approximately VND1.683 trillion (US\$70.1 million). VNA

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## Vietnam's IPO market has slowed down in 2023

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In the first ten months of 2023, Vietnam experienced a sluggish IPO market with only three listings, generating approximately \$7 million, primarily due to a stricter approval process and increased net withdrawals from foreign investors influenced by global and local factors affecting market liquidity.



Despite a partial recovery in Vietnam's stock indexes, businesses deferred IPO plans, awaiting more favorable conditions. However, the Southeast Asian IPO market remained robust, with 153 listings, though the amount raised was the lowest in eight years.

Southeast Asian companies, thriving amidst challenges, demonstrated a capacity for cross-border IPOs due to favorable valuations, enhanced liquidity, and investor familiarity. Stock exchanges globally are adapting to attract these businesses, introducing initiatives to enhance their appeal.

A noteworthy trend is the rise of companies listing on the secondary boards of Southeast Asian stock exchanges, seen as a springboard for high-growth small- and medium-sized enterprises (SMEs) toward the Main Board, fostering expansion and fundraising. Looking ahead to 2024, there's an expectation that Southeast Asian companies may choose to list on larger overseas markets, particularly in the U.S., for increased capital and investors, drawn by deeper pools of investment and liquidity. VIR

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## E-COMMERCE

### Vietnam prepares for E-commerce extravaganza in 2023

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The Ministry of Industry and Trade (MoIT) announced during a press conference on November 16 that the highly anticipated 2023 E-commerce Week and Online Friday, Vietnam's premier online shopping events of the year, are set to kick off later this month.

E-commerce Week is scheduled from November 27 to December 3, while the Vietnam Online Shopping



Day - Online Friday is slated to run from midnight on December 1 to noon on December 3. The week-long initiative aims to stimulate domestic consumption by encouraging active participation in e-commerce and digital technology activities. It seeks to boost regional e-commerce development, enhance public awareness of e-commerce, and promote investment, infrastructure development, and technological solutions among Vietnamese enterprises.

Leveraging the advantages of digital technology application and e-commerce, the event focuses on driving sales of Vietnamese products and instilling consumer trust in online transactions. Le Hoang Oanh, the Director of the MoIT's Vietnam E-Commerce and Digital Agency, highlighted the significance of the Vietnam Online Shopping Day - Online Friday as a large-scale program enabling businesses and consumers to showcase their brands and enhance sales efficiency.

Oanh encouraged e-commerce businesses to capitalize on available opportunities by offering attractive promotions and discounts to meet consumer demands. The event will feature a variety of activities, including online and offline seminars on e-commerce and digital technology, along with interactive activities for consumers in the online environment.

To access products and attractive promotions, consumers nationwide can visit the official website [www.OnlineFriday.vn](http://www.OnlineFriday.vn) from midnight on December 1. The event is poised to provide a significant platform for businesses and consumers to engage, promote brands, and enhance the overall online shopping experience. VNA

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## ENERGY

### The Made in Vietnam Energy plan 3.0

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The Made in Vietnam Energy Forum, a key event by the Power and Energy Working Group, recently convened to explore Vietnam's strategies amid the ongoing energy transition.



The forum, marking the halfway point of the five-year term, underscored Vietnam's emergence as a regional and global leader in clean energy commitments. The country's proactive approach includes policies favoring renewable energy sources and advancements in energy technology.

Focusing on sustainable development, Vietnam showcased its commitment to clean energy ahead of COP28 in Dubai. The Made in Vietnam Energy Forum facilitated crucial dialogues between domestic and international private sector stakeholders and the public sector to address significant energy sector challenges. Insights garnered during the event aim to support the government in achieving its net-zero commitments.

The forum also unveiled the Made in Vietnam Energy Plan 3.0 (MVEP 3.0), offering private sector recommendations aligning with Resolution 55 of the Politburo. The report explores strategies to encourage private sector participation in energy development, supporting Vietnam's ongoing energy transition.

Structured into four parts, MVEP 3.0 provides an overview of Vietnam's power sector and its energy transition strategies. It delves into an analysis of successful renewable energy initiatives and addresses challenges. Drawing from global experiences, the report tackles pivotal questions, including legal frameworks, power purchase agreement bankability, defining electricity price pathways, and ensuring energy security.

The report's final section derives implications from discussions, offering considerations for short, medium, and long-term prospects. It emphasizes the need to bolster the private sector's role in the energy landscape by actively engaging in the revision of electricity laws, developing regulatory frameworks for renewable energy, and participating in international partnerships.

MVEP 3.0 serves as a valuable resource to guide Vietnam's energy sector, focusing on the private sector's perspective and advocating for a collaborative approach to achieving the nation's energy transition goals. VIR

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## 24 renewable projects show interest in direct power purchase agreement

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24 renewable energy projects with a combined capacity of 1,773MW have expressed interest in participating in a pilot scheme for a direct power purchase agreement (DPPA) in Vietnam, according to the Ministry of Industry and Trade (MoIT) in a report submitted to Prime Minister Pham Minh Chinh last week.

The Ministry of Industry and Trade (MoIT) noted that of the 106 projects with a capacity of 30MW or more, outlined in the amended Power Development Plan VII, 24 have shown an eagerness to engage in this experimental direct electricity sale framework. An additional 17 projects, total 2,836 MW, are considering their eligibility and capability to secure contracts with large electricity consumers. However, 26 projects have opted out of the DPPA pilot.

On the consumer front, 24 entities, encompassing a combined demand of approximately 1,125MW, have indicated their desire to participate. The MoIT said the legal foundation was set for implementing electricity sales via private transmission lines - thus bypassing the national grid. Detailed guidelines will be provided for this implementation.

In contrast, transactions through the national grid were still "quite complicated," leading the MoIT to suggest further directives from the PM. As such, two options for the DPPA mechanism implementation in Vietnam have been proposed. The first option involves integrating the DPPA mechanism into the Electricity Law, dependent on the timing of its amendment, expected around 2025-2026. The second suggestion is for the government to issue a decree based on Article 70 of the Electricity Law, detailing the execution of the DPPA mechanism.

After thorough consideration, the MoIT has proposed that the PM consider issuing the DPPA mechanism in the form of a government decree. This development comes as the government urges the MoIT to expedite the completion of the DPPA mechanism, which is currently facing delays.

Deputy Prime Minister Tran Hong Ha, in a statement last week, called for the ministry to learn from its experiences and clarify certain contents within its jurisdiction to accelerate procedures for introducing the new mechanism.

Two years ago, the MoIT had sought feedback on a draft DPPA mechanism with an initial trial capacity of 1,000MW. This would enable buyers and sellers to negotiate and agree on purchasing electricity directly from solar and wind power plants through fixed-term contracts at agreed prices.

These transactions would be carried out via the spot electricity market, operating under the regulations of the MoIT's competitive wholesale electricity market. At that time, several major conglomerates, including Samsung, proposed their participation in this pilot.

The DPPA scheme represents a critical element in Vietnam's ongoing transition to sustainable energy sources, fostering corporate investments in renewable energy amid a regulatory landscape that is gradually adapting to the realities of climate change and market dynamics. VIR

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## RETAIL

### Vietnam's retail market growing to \$350 billion by 2025

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Vietnam's retail market is poised for growth with the participation of major global brands at the Vietnam International Sourcing Expo in Ho Chi Minh City, according to the Ministry of Industry and Trade (MoIT).



The first half of 2023 saw a robust retail performance, with sales reaching VND3,016 trillion (\$127.4 billion), marking an 11% year-on-year increase. Anticipated recovery in domestic demand, driven by factors such as reduced value-added tax (VAT) and increased base salaries, is expected to directly impact retail businesses positively.

Foreign retailers, including Central Retail Corp and Aeon Group, are making significant investments in Vietnam. Central Retail plans to invest an additional VND20 trillion (\$845.1 million) over the next five years, expanding its sales network. Aeon Group from Japan aims to increase its mall network to 25 by 2025, earmarking around \$1 billion for expansion.

Global giants like Walmart express interest in cooperation opportunities with Vietnamese partners across various sectors. Despite this positive outlook, challenges such as low global demand, skill shortages, and potential supply chain disruptions persist for German companies in Vietnam.

The MoIT envisions Vietnam's retail market growing to \$350 billion by 2025, contributing 59% to GDP. The e-commerce sector plays a pivotal role in this trajectory, recording a 46% year-on-year revenue increase to VND92.75 trillion (\$3.92 billion) in the first half of 2023. The industry's future is shaped by investments in technology, with e-commerce channels witnessing significant growth in 2021-2022. The projected operation of four commercial center projects signals a bright future for the Vietnamese retail market, particularly in catering to the needs of the new generation of consumers in Vietnam. The investor

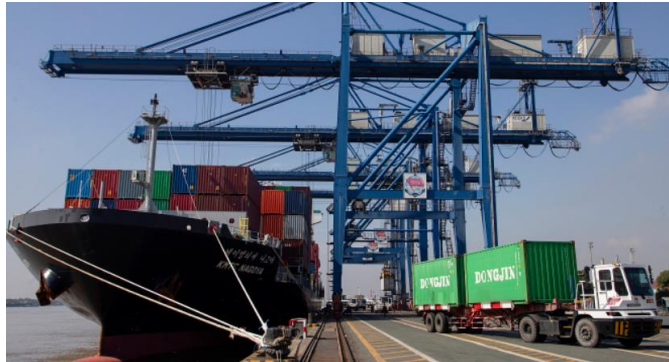
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# LOGISTICS

## Ho Chi Minh city dominates Vietnam's logistics scene

Ho Chi Minh City, Vietnam's economic hub, leads the nation with the most advanced technology platform, infrastructure, and favorable policies for logistics services, according to the inaugural Vietnam Provincial Logistics Competitiveness Index (LCI).

Developed by the Vietnam Logistics Business Association (VLA), the Vietnam Logistics Research and Development Institute, and business consultant Dream Incubator, the index ranks cities and provinces based on key factors: local economy, logistics services, policies and regulatory framework, and logistics infrastructure and workforce.



Released in HCMC, the index places Hai Phong City, Binh Duong, Ba Ria – Vung Tau provinces, and Hanoi in the following positions. Initiated in 2022, the survey by the VLA, conducted since November, involved major logistics companies across 26 cities and provinces, evaluating their freight volume and the number of logistics businesses.

The LCI serves to provide an overview of the logistics industry in each region, highlighting their strengths and areas for improvement. Tran Thanh Hai, Deputy Director General of the Agency of Foreign Trade, emphasized that enhancing overall logistics competitiveness aligns with global trends of shifting supply chains away from China. This strategic move aims to position Vietnam as a pivotal global logistics hub, attracting foreign investments.

Hai stated, "The Ministry [of Industry and Trade] is building a strategy to develop Vietnam's logistics industry so that by 2035 or 2045 we could become a key logistics hub for the region and the entire world."

Currently, Vietnam boasts approximately 4,000 logistics businesses, with 70% concentrated in HCMC and nearby provinces. The majority (90%) are small companies with a capital of less than VND10 billion (US\$398,100), followed by 9% of mid-sized enterprises with a capital of VND20-100 billion, and only 1% classified as large, holding more than VND100 billion. Vnexpress

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## INVESTMENT

### German companies recognize Vietnam as a promising investment destination

German companies are increasingly recognizing Vietnam as a promising investment destination, with the results of the AHK World Business Outlook Fall 2023 survey unveiling insights into their perspectives.



Over the past 10 months, Germany has solidified its presence in Vietnam through 26 foreign-led projects, amounting to an investment of nearly \$221.5 million. This influx reflects the confidence of German companies in the Vietnamese market, positioning it as an attractive option for diversifying interests in Asia.

The survey reveals a positive trajectory from German businesses implementing the China+1 strategy, particularly focusing on new green investments in Vietnam. The country is seen as a platform for growth, diversification, and sustainable business practices. Among German companies in Vietnam, 42% prioritize diversifying production and manufacturing, while sales and marketing (41%), services (35%), and logistics (31%) follow closely, emphasizing a comprehensive approach to business development.

Key considerations for investments include recognizing the growth potential of the Vietnamese market (50%), customer proximity and localization (43%), and the availability of skilled labor (37%). Despite these opportunities, German companies in Vietnam face challenges, with 49% citing low global demand as a primary hurdle, followed by skill shortages (41%) and potential disruptions in the supply chain (37%).

The survey highlights that German companies are divided in their choices for international locations, considering factors such as high inflation rates, energy prices, and geopolitical risks. In Autumn 2023, German companies were less optimistic about the economic development of their international locations compared to the Spring, reflecting the global economic slowdown and high-interest rates. Despite this, they remain more expansionary at international locations than in Germany, as indicated by a comparison between the AHK World Business Outlook and the DIHK economic survey figures. Overall, the survey showcases the evolving landscape of German investments in Vietnam amid opportunities and challenges. VIR

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## Strategic investment pipeline needed for sustainable economic development

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A strategic and well-prepared investment pipeline with a focus on green, resilient and regional infrastructure will help bolster Vietnam's sustainable economic development, according to the October edition of the World Bank's monthly Vietnam Macro Monitoring. The reports reveals that the industrial production index grew by 2.89 % on-month in October, due to the continued recovery of manufacturing exports.

However, prospects remain fragile as Vietnam's PMI remained in contractionary territory in October (49.6), as it was in September (49.7). The monthly growth of retail sales remained flat of -0.01 % in October, compared with 0.55 % growth in September.

Exports and imports of goods continued to recover, increasing by 1.6 % and 1.05 % respectively, as demand from trade partners continued to gradually recover. However, both exports and imports of the first 10 months remained in contractionary territory, decreasing by 6.9 % (on-year) and 12.4 % (on-year) respectively. The Consumer Price Index (CPI) inflation registered 3.6 % on-year in October, driven by transport costs, while core inflation fell from 3.8 % on-year in September to 3.4 % on-year in October, below the 2023 policy rate of 4.5 % set by the authorities.

Credit growth remained sluggish, registering -0.1 % (m/m) and 9.3 % (on-year) in October 2023, well below the pre-COVID period and reflecting persistent weak private investment. The economic slowdown continued to weigh on the government budget. Despite a surge in revenue collection in October, revenue collection during the first 10 months of 2023 was 4.5 % lower than the same period of the last year.

At the same time, public expenditure accelerated by 11.4 % during the same period (on-year) reflecting the government's effort to support the slowing economy. Public investment disbursement increased by 35 % (on-year) for the 10-month period, helping the government achieve 55 % of the annual planned budget (compared with 46.5 % during the same period of 2022).

This execution rate, however, is still low given that there are only two remaining months for disbursing 2023 budget. According to WB experts, while a gradual recovery of exports is ongoing, domestic consumption remains subdued and slow credit growth continues to reflect weak private domestic investment and investor confidence.

Think tanks point out that the authorities continue providing support to the economy through a 35 % (on-year) increase in public investment during the first 10 months. However, implementation challenges continue to affect the roll out of the investment budget. They assess that given the slow pace of economic recovery, the authorities may wish to consider extending the economic support program to 2024 to allow investment projects to be fully implemented. Preparing higher quality projects – including through better feasibility studies and the reform of public investment procedures would help to speed up implementation, they noted. A strategic and well-prepared investment pipeline with a focus on green, resilient and regional infrastructure will help bolster sustainable economic development. VOV

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