



## Highlight

*Foreign investments surge in Vietnam's robust manufacturing sector*

# VIETNAM BUSINESS REVIEW

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## What's in it today?



### FINANCE

The thriving wave of real estate M&A in Vietnam  
Sustainable finance policies unveiled at Vietnam finance forum



### INVESTMENT

Foreign investments surge in Vietnam's robust manufacturing sector  
Vietnam to incentivize strategic investors and multinational corporations



### RETAIL

Vietnam's retail sector thrives as foreign and local giants compete for market dominance



### E-COMMERCE

E-commerce thriving in Vietnam with projected US\$ 20.5 billion market size



### ENERGY

Strategies for rooftop solar growth in Vietnam  
French energy giants pledge ongoing collaboration with Vietnam



### LOGISTICS

Vietnam's logistics costs exceed global averages despite industry growth

## FINANCE

### The thriving wave of real estate M&A in Vietnam

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The real estate market in Vietnam is experiencing a resurgence in mergers and acquisitions (M&A), marked by significant deals and record-high average transaction values.



The property industry is witnessing notable transactions, with conglomerate TTC Group focusing on M&A, particularly in its subsidiary, TTC Hospitality, which has acquired numerous hotels across Vietnam, including the recent addition of the Imperial Hotel in Hue.

Malaysian property developer Gamuda Land has also been actively engaged in M&A, completing several deals, including acquiring local developer Tam Luc for \$316 million and taking over a large project in Ho Chi Minh City. The M&A trend is reflected in KPMG's report, ranking real estate as the second-highest contributor to Vietnam's year-to-date M&A transaction value.

The industrial real estate sector is a key driver of Vietnam's real estate M&A, fueled by the global shift in manufacturing to the country. Additionally, record-low bank deposit rates are prompting investors to explore alternatives like real estate. Warehouse rents have increased, and experts anticipate continued growth in the real estate M&A market, with predictions of increased activity in 2024.

However, challenges persist, including time-consuming legal processes, pricing concerns, and weaknesses in the sell-side's accounting system. Despite these issues, experts foresee potential growth in M&A across all real estate sectors, including industrial, housing, and office spaces. To sustain the quality of projects post-transaction, collaboration between buy-side and sell-side entities is emphasized.

In summary, Vietnam's real estate M&A market is flourishing due to factors like industrial expansion, low bank deposit rates, and a favorable legal framework, with expectations of continued growth in the coming years. Vnexpress

[Back to top](#)

## Sustainable finance policies unveiled at Vietnam finance forum

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The Vietnam Finance Forum 2023, centered around "Financial Policies for Sustainable Development Amid Challenges," convened in Quy Nhon city, Binh Dinh province, on November 30. Co-hosted by the Vietnamese Ministry of Finance (MoF), the German Agency for International Cooperation (GIZ), the European Union, and the German Ministry for Economic Cooperation and Development, the forum explored and suggested initiatives to implement key directions in finance and budgeting in line with the Finance Strategy by 2030.

MoF Deputy Minister Cao Anh Tuan highlighted the recent contributions of financial and budgetary policies to stabilizing the macro-economy, controlling inflation, and maintaining major balances. With a 5.33% GDP growth in Q3 2023 and 4.24% in the first nine months, coupled with a 3.2% increase in the 10-month average consumer price index, there has been notable progress in restoring and developing production and business activities.

Tuan emphasized the prioritization of budget spending for green growth, noting the clarity of state budget allocations for environmental protection and the integration of public investment for green growth into investment priorities. Arne Främik, GIZ representative, applauded the Vietnamese Government's commitment to green growth solutions and economic growth while responsibly managing environmental impacts.

Highlighting the need for substantial financial resources for sustainable green growth, Främik recommended a fair transition solution involving budget, public debt, and tax management as foundations for broader reforms and private sector investment stimulation. Ngo Thi Kim Thu, the European Union Delegation to Vietnam representative, mentioned ongoing EU programs and policies supporting Vietnam's energy transition, with commitments from international partners exceeding \$15 billion to aid Vietnam in achieving its net emissions target by 2050. VOV

[Back to top](#)

## E-COMMERCE

### E-commerce thriving in Vietnam with projected US\$ 20.5 billion market size

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Vietnam's e-commerce sector is experiencing substantial growth, with annual increases ranging from 16% to 30% in recent years, and the market is anticipated to reach \$20.5 billion this year, as reported by the Ministry of Industry and Trade (MoIT).

Deputy Minister Do Thang Hai highlighted the sector's significant contribution to the digital economy during the Vietnam E-commerce Development Conference on December 1. While acknowledging its rapid and sustainable development, Hai also noted challenges such as ensuring product origin, safeguarding personal information, and instilling consumer confidence.



The logistics infrastructure is struggling to keep up with the sector's rapid expansion, according to the Deputy Minister. Le Hoang Oanh, Director of the Department of E-Commerce and Digital Economy, emphasized the importance of sustained growth aligned with green trends, environmental protection, and consumer rights.

The Ministry of Industry and Trade introduced a digital ecosystem model for sustainable e-commerce development, focusing on digital transformation, infrastructure development, and measures to protect consumer and stakeholder rights. The event also featured the signing of a cooperation agreement among management agencies, e-commerce platforms, payment intermediaries, and banks, aiming to safeguard the interests of participants in the digital ecosystem and consumers. VOV

[Back to top](#)

## ENERGY

### Strategies for rooftop solar growth in Vietnam

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The Vietnamese government is urged to implement a decree promoting rooftop solar energy, considering advances in storage technology and investment initiatives.



Challenges arising from policy restrictions affecting businesses' energy autonomy strategies have led to this call, holding the potential to alleviate power outages in the summer of 2024. Minister of Industry and Trade Nguyen Hong Dien revealed this during a National Assembly (NA) Q&A session, highlighting the need for a direct electricity trading mechanism, contingent upon

storage technology evolution.

Vietnam prioritizes power source development, with renewable energy constituting 28.5% of the overall installed capacity. National Assembly Deputy Le Tat Hieu emphasized the Power Development Plan VIII's goal of achieving 2,600MW of rooftop solar capacity by 2030, focusing on existing infrastructure and cost-effectiveness.

Financial challenges hinder renewable energy adoption, according to Vu Duc Giang, President of the Vietnam Textile and Apparel Association. Despite the short return period for rooftop solar investments, capital recovery remains challenging. Utilizing renewable energy enhances global competitiveness and reduces production costs.

Hoang Quang Phong, Vice President of the Vietnam Chamber of Commerce and Industry, emphasized the need for a comprehensive solution package, promoting self-consumed, off-grid solar power investments. This includes diverse electricity storage equipment development, smart power grid research, and the establishment of a direct electricity trading mechanism to enhance the competitiveness of products and decrease expenses for businesses. VIR

[Back to top](#)

## French energy giants pledge ongoing collaboration with Vietnam

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Representatives from French energy corporations have affirmed their commitment to maintaining and expanding investments in the Vietnamese market, particularly in emerging sectors such as renewable energy, green hydrogen, and biomass.



This commitment was emphasized during discussions with Minister of Industry and Trade Nguyen Hong Dien at the Southeast Asia Forum in Paris on December 4.

French CEOs expressed a strong interest in the Vietnamese market and commended Vietnam's dedication to energy transition and a more sustainable economic transformation. Minister Dien reiterated Vietnam's commitment to achieving net-zero emissions by 2050 and emphasized the nation's inevitable shift from fossil fuels to

clean and green energy in the coming decades.

Anticipating significant advantages for French energy corporations, Minister Dien highlighted key areas such as oil and gas, electricity, atomic energy, and the development of renewable and green energy. Vietnam is prepared to create optimal conditions for French firms to participate in these sectors, fostering collaboration based on mutual benefits and risk-sharing.

Minister Dien expressed the hope that French businesses would assist Vietnam in shaping policies, regulations, and standards for emerging energy industries like green hydrogen. Additionally, he sought support in training human resources in these fields.

In a separate session with leaders of Carrefour, France's second-largest distribution system, Minister Dien praised the retail group's efforts in hosting trade promotional events showcasing Vietnamese goods. He highlighted Carrefour's role as an effective channel for introducing Vietnamese products directly to French consumers. Inviting Carrefour to the Vietnam International Sourcing event scheduled for June 6 to June 8, 2024, in Ho Chi Minh City, Minister Dien assured the ministry's readiness to support Carrefour in any future business endeavors in Vietnam. VOV

[Back to top](#)

## RETAIL

### Vietnam's retail sector thrives as foreign and local giants compete for market dominance

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In 2023, Vietnam's retail market is experiencing remarkable growth, with the total revenue of supermarkets expected to reach VND110 trillion (US\$4.5 billion), reflecting an 8.8% increase from the previous year.



The Ministry of Industry and Trade predicts that Vietnam's retail market, currently valued at over US\$142 billion, is set to surge to US\$350 billion by 2025, driven by the rapid expansion of e-commerce, which is estimated to reach US\$32 billion by 2025.

The robust market has attracted significant investments from international retail giants, with Japanese brands MUJI and Uniqlo expanding their presence. Central Retail Group from Thailand has announced a historic investment of US\$1.45 billion in Vietnam, aiming to double the number of stores and supermarkets to 600 in 57 provinces and cities by 2027.

Despite the dominance of local retailers like VinCommerce and Vingroup's Vincom Retail, foreign competitors are putting pressure on the domestic market, prompting Vietnamese businesses to enhance their competitive edge through mergers and acquisitions (M&A). While domestic retailers have engaged in M&A activities with foreign brands, they are advised to improve across various aspects, including human resources, infrastructure, and digital transformation.

Industry experts predict a slight recovery in the retail sector in the second half of 2023, with more substantial improvement expected in 2024. Market leaders are set to consolidate their presence in the South before expanding into untapped Northern regions. The Ministry of Industry and Trade is actively promoting consumption stimulus programs to boost purchasing power and support the recovery of GDP in 2023.

With an increasing number of trade promotion programs and policy initiatives, Vietnam's retail industry remains dynamic, showcasing resilience in the face of economic challenges. Vietnamplus

[Back to top](#)

## LOGISTICS

### Vietnam's logistics costs exceed global averages despite industry growth

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The Vietnam Logistics Business Association recently highlighted a significant concern at the Vietnam Logistics Forum 2023, themed 'Logistics and Digital Transformation in the Mekong Delta.'



Despite the robust growth of Vietnam's logistics sector, as emphasized by Head of the Central Economic Commission Tran Tuan Anh, the associated costs are a cause for apprehension.

While the industry has seen remarkable progress, with a surge in the number of businesses and increased foreign direct investment (FDI), logistics costs in Vietnam remain disproportionately high. According to the Vietnam Logistics Business Association, these costs account for an average of 16.8% to 17% of the country's GDP—significantly surpassing the global average of 10.6%.

Key challenges identified include limited and unsynchronized logistics infrastructure, insufficient seaport planning, and the absence of major ports and international logistics centers. To address these concerns, Mr. Tran Tuan Anh has urged relevant units to conduct in-depth evaluations and propose strategies for the development of a more effective and sustainable logistics framework. The goal is to enhance the competitiveness and economic efficiency of the agricultural value chain, particularly in the Mekong Delta region.

Moving forward, these proposed measures will be submitted to the Politburo and the Secretariat for consideration, with the aim of facilitating the growth of the logistics sector and bolstering the overall economic landscape, especially in key agricultural regions. SGGP

[Back to top](#)

## INVESTMENT

### Foreign investments surge in Vietnam's robust manufacturing sector

Despite economic slowdowns, manufacturing remains an attractive sector for foreign investors engaging in dealmaking activities in Vietnam.



Noteworthy deals include Jardine Cycle & Carriage's subscription to a private placement by Vietnamese carmaker Truong Hai Group Corporation, and Sojitz Corporation's acquisition of full ownership of New Viet Dairy in the food manufacturing segment. Marubeni Corporation and Chinese battery firm Gotion Inc. also made significant investments in Asia Ingredients Group and VinFast, respectively.

Julien Curtet, a partner at Index-Asia, anticipates a smaller number of transactions in the manufacturing sector in 2023 due to economic challenges. However, he notes that the slowdown in volume may be compensated by sizeable investments and transactions. The manufacturing sector continues to benefit from factors like a qualified and cost-efficient workforce compared to China, a robust network of free trade agreements, and government support. The Ministry of Industry and Trade's proposition to offer an interest rate subsidy, tax incentives, and human resources training aims to stimulate part-supplying enterprises and encourage their participation in multinational corporations' supply chains.

Seck Yee Chung, partner of Baker McKenzie Vietnam, highlights the foreign investment and M&A market's growth in Vietnam, driven by its stable macroeconomic environment, growing middle class, and strategic location in Southeast Asia. The country's role as a China+1 destination in the supply chain recalibration further supports this trend. Chung emphasizes the considerable growth in Vietnam's manufacturing sector, particularly in high-tech products, with the country actively promoting chip manufacturing by attracting international companies for assembling, testing, packaging, manufacturing, and designing.

Overall, despite economic challenges, the manufacturing sector in Vietnam continues to attract foreign investment and M&A activity, driven by various favorable factors and government support. VIR

[Back to top](#)

## Vietnam to incentivize strategic investors and multinational corporations

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Vietnam is establishing a support fund to incentivize strategic investors and multinational corporations, aiming to enhance its appeal for foreign direct investment (FDI).

The move follows the National Assembly's approval of a resolution applying additional corporate income tax aligned with the Global Anti-Base Erosion Rules, implementing a global minimum tax rate of 15% for multinational enterprises (MNEs) with revenues exceeding 750 million EUR.



More than 120 MNEs in Vietnam are estimated to be affected by this global minimum tax. To counteract potential challenges, the 15th National Assembly has endorsed the creation of a fund to support investments affected by the global minimum tax, alongside other

legal sources. Prime Minister Pham Minh Chinh highlighted the government's commitment to learning from other nations to design a favorable policy for the global minimum corporate tax, emphasizing the importance of creating conditions for effective foreign business operations in Vietnam.

Minister of Planning and Investment Nguyen Chi Dung affirmed the preparation of incentive packages to support investors in the wake of the global minimum corporate tax implementation in 2023. While a draft decree is yet to be developed, the government's initiatives are anticipated to bolster confidence among foreign investors. Companies like Canon Vietnam stress the significance of tax incentives for expanding large-scale production in Vietnam, emphasizing the need for timely policies to uphold commitments and prevent potential relocations.

Foreign investors are interested not only in financial incentives but also in socio-economic infrastructure development, high-quality human resource training, green economy initiatives, and streamlined administrative procedures. FDI inflows have played a crucial role in advancing Vietnam's international market expansion, improving business activities, easing capital burdens for major projects, and driving economic transition, restructuring, and growth model renovation. VNA

[Back to top](#)

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