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VIETNAM BUSINESS REVIEW

Vol 50, Dec 20th 2023

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FINANCE

Vietnam's digital economy targets to reach 25% of GDP by 2025

Vietnam is set to significantly boost its digital economy, targeting 25% of GDP by 2025 and 30% by 2030, according to the Politburo Resolution 52-HQ/TW.



A recent workshop on measurement methods and indicators for calculating the digital economy's added value in GDP and GRDP highlighted that the digital economy's added value in GDP reached 12.75% in 2020-2022 and 12.67% in 2022. The core digital economy accounted for 7.77%, with other business fields contributing 4.91%. The service sector led in contributing to GDP at 6.59%, followed by industry and construction at 6.11%. Agriculture, forestry, and

seafood had the lowest contribution, at 0.05% of GDP.

Saigon Newport Corporation's focus on digitalization has yielded impressive results, with its electronic operations system saving 30,000-50,000 sheets of paper daily, reducing port trips, and increasing daily output. Vietnam's digital economy has seen steady growth, indicating government efforts to promote ICT development and digitization. Notably, services' digitization has led to a higher added value proportion in GDP, rising from 6.54% in 2020 to 6.61% in 2022. The digital economy's proportion in GRDP varied across localities, with Bac Ninh, Thai Nguyen, and Bac Giang showing high figures, attributed to substantial FDI in core digital economy activities.

Hanoi's digital economy proportion is expected to reach 30% of GRDP by 2025, while Ho Chi Minh City's figure is projected at 13.51% in 2022. Despite Hanoi's recorded digital economy proportion of 15.41% in 2022, there is a noticeable gap from the targeted 30%, emphasizing the need for more accurate assessments. Challenges in calculating the digital economy's proportion lie in different approaches and methodologies. GSO uses an inter-sectoral balance sheet with a supply and demand approach for the country, while provinces and cities use the digital value of applied information technology costs to create product values. Standardizing these approaches is crucial for accurate assessments. The digital economy's further development is pivotal for Vietnam's economic growth, requiring continuous efforts to bridge gaps and improve measurement methodologies. Vietnamnet

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Vietnam's economic stimulus policies should continue into 2024

Vietnam should continue its economic support programs into 2024 to facilitate planned investments and boost aggregate demand, the World Bank (WB) said in its macroeconomic report released on December 18. The recommended extension of the stimulus would ensure the effectiveness of policy implementation and prop up macroeconomic stability amidst ongoing challenges at home and abroad.

In the face of economic concerns, WB specialists underscore the need for continued vigilance regarding weaknesses in the financial sector. They said restoring confidence and getting the troubled real estate market back on track are vital to short-term economic stability and long-term economic growth.

The suggestions from the WB come amidst a backdrop of mixed economic indicators, including 2.7% industrial production growth and concerns over a declining S&P Global Purchasing Managers' Index (PMI) in November. Vietnam's PMI was 47.3 in November, down from 49.6 in October and 49.7 in September.

On the trade front, exports rose by 6.7% and imports improved by 5.1% compared to the same period last year. November's export growth was propelled by increased sales of agricultural products, electronics, machinery, footwear and furniture.

Credit in the year through November had expanded by 10.3% year-on-year, way below the State Bank of Vietnam's target of 14%-15%. This lower-than-expected credit growth resulted from weakened private investment and investor confidence, which was due to the downturn of the real estate market, which constitutes around 21.6% of total outstanding debt in 2022.

According to the report, foreign direct investment (FDI) approvals from January to November rose 14.8% year-on-year to US\$28.8 billion. Despite global economic uncertainties, this growth reflects investor confidence in Vietnam's economic outlook. However, the figure is 10% lower than pre-Covid-19 levels.

The manufacturing sector dominates fresh FDI pledges during this period, accounting for over 60%, while real estate makes up only 3.5% of foreign capital, a significant decline from the 16.7% recorded in the same period in 2022. The disbursement of FDI capital edged up by 2.9% year-on-year by the end of November, totaling US\$20.3 billion.

The November consumer price index (CPI) remained stable at 3.5%, down from 3.6% in October and below the National Assembly's target of 4.5% for the year. Key contributors to the CPI rise are food and housing, accounting for 1.1 and 0.9 percentage point, respectively.

Higher transportation costs, triggered by rising domestic fuel prices, have started to subside since November. Core inflation, at 3.2% in November, showed a continued deceleration from 3.4% in October, as the lingering effects of the oil shock in March gradually diminished. Saigontimes

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E-COMMERCE

Sustainable growth in Vietnam's competitive E-commerce landscape

Vietnam's rapidly growing e-commerce sector is facing sustainability challenges, primarily driven by intense competition on major platforms such as Shopee, Lazada, and TikTok Shop. The proliferation of suppliers selling similar products on these platforms is contributing to fierce competition. Additionally, the lack of comprehensive state management in areas like promotion and development policies, tax management, origin management, and goods flow is limiting the sector's sustainable growth.



The uneven development among different regions in Vietnam poses a potential threat to the future of e-commerce. Currently, a significant portion of the population resides in rural areas, yet the majority of online retail sales, over 70%, occur in major cities like Hanoi and Ho Chi Minh City. Issues such as environmental concerns due to excessive product packaging, limited policies and regulations, high costs of booth creation and maintenance, and logistical challenges are further

hindering the sustainable development of the Vietnamese e-commerce landscape.

To address these challenges and enhance the efficiency of e-commerce activities, the Ministry of Industry and Trade plans to review legal regulations, focusing on laws related to electronic transactions and consumer protection. The ministry aims to decentralize responsibilities to localities for comprehensive management of online transactions, promoting a healthy business environment. Future efforts will include strengthening management and supervision in the online environment, collaborating with social networks and e-commerce platforms to remove unlawful product information, and enhancing the sharing of connection databases to support state management.

Despite these challenges, e-commerce remains a key driver of Vietnam's digital economic development. Estimated revenue for 2021 is approximately \$20.5 billion, marking a significant increase from \$8 billion in 2018. The number of consumers engaged in online shopping has surpassed 54.6 million, with an annual online shopping value per person reaching nearly \$270, affirming the sector's strong growth and its crucial role in leading digital transformation in business.

Moreover, e-commerce platforms like Shopee, Lazada, Tiki, and TikTok Shop continue to compete and evolve, while new entrants like Sendo and Mobile World add to the sector's dynamism. However, the fight against counterfeit goods and the protection of consumer rights in e-commerce pose new challenges for enforcement agencies, necessitating advanced technology solutions, improved legal frameworks, and policies to ensure sustainable growth in the sector. Efforts to address these challenges align with the broader goal of fostering a secure and reliable e-commerce environment in Vietnam. VNA

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ENERGY

Vietnam's energy sector seeks policy enhancements for offshore wind and LNG initiatives

Businesses have called on the government to enact policies aimed at simplifying legal procedures for offshore wind energy and liquefied natural gas (LNG) ventures. During a recent meeting, representatives from Vietnam Electricity (EVN) and the energy corporation PVN underscored various legal hurdles hindering the advancement of these projects.



One major issue highlighted was the absence of a legal framework for offshore wind energy. Specifically, the Nhon Trach 3&4 project, scheduled for launch between late 2024 and 2025, faces challenges in power purchase agreement (PPA) negotiations due to legal complexities. The Bac Lieu LNG-to-power plant, approved for investment in 2020, has shown no progress. The preparation phase for such initiatives, covering tasks like contractor

selection, PPA contract establishment, and approval processes, can extend up to eight years.

Moreover, the construction of offshore wind energy projects typically takes six to eight years post-survey. These prolonged legal procedures pose a threat to completing and operationalizing projects by the targeted 2030 deadline. In response, energy industry representatives have proposed new regulations to clarify and expedite processes for both offshore wind energy and LNG projects. Minister Nguyen Hong Dien has expressed agreement with these suggestions, emphasizing the need to treat offshore wind energy projects as national priorities, making them eligible for special mechanisms and policies.

The National Electricity Development Plan 8, approved by the Prime Minister, sets ambitious goals for Vietnam's renewable energy sector. By 2030, natural gas production is expected to reach 30,420 MW, with 75% from LNG. Offshore wind energy aims to achieve a capacity of 6,000 MW or more, contingent on technological advancements and cost considerations. Vnexpress

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Vietnam to explore ways of increasing the localisation rate in wind and solar power development

In a recent conference held in Hanoi on December 14, energy experts convened to explore ways of increasing the localisation rate in wind and solar power development in Vietnam. The aim is to align with the Party and State's directives regarding technology application, transfer, and development in the energy industry. Deputy Director of the Department of Technology Application and Development under the Ministry of Science and Technology, Tran Thi Hong Lan, emphasized the significance of localisation, considering Vietnam's commitment to net-zero emissions by 2050. The country has taken robust actions, issuing relevant mechanisms, policies, and strategies, making it a vibrant market in the Asia-Pacific region and a leader in Southeast Asia for wind and solar power.

By the end of 2022, Vietnam's total power capacity reached 79,250 MW, with renewable energy contributing about 20,165 MW, equivalent to 25.4%. However, the localisation rate in the supply chain and the involvement of Vietnamese firms in servicing the wind and solar power industry have been limited. Nearly 90% of supplies for renewable energy projects are imported, primarily from China, Germany, India, and the US. The slow localisation is attributed to inadequate capacity in project assessment and development, poor infrastructure, and dependence on foreign sources.

The conference delved into discussions about policy measures to support the research, transfer, and development of wind and solar power technologies. Deputy Ambassador of Germany in Vietnam, Simon Kreye, highlighted the importance of localisation in reducing the cost of renewable energy development. He stressed that the conference is pertinent in empowering Vietnamese businesses to play a more integral role in the global value chain for wind and solar power products. As cooperation in energy transition remains a priority in the partnership between Germany and Vietnam, the German government is actively supporting Vietnam in green hydrogen and offshore wind power to achieve net-zero emissions and carbon neutrality. VNA

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RETAIL

Retail sales surge in Vietnam's year-end push

In anticipation of the Lunar New Year 2024, experts are optimistic about a surge in purchasing power, estimating an increase of over 10% compared to the previous year. Businesses have taken proactive measures, increasing inventory levels by 10-25% to meet the expected rise in demand.



areas.

Responding to the Ministry of Industry and Trade's directives, various localities, including Hanoi, Ho Chi Minh City, Dong Nai, and Ninh Thuan, have rolled out plans for market stabilization programs. These initiatives aim to prepare businesses for the year-end and Lunar New Year holidays, emphasizing the need for a stable supply of goods, mobile sales points, and programs bringing Vietnamese products to rural

To further stimulate domestic consumption, businesses are gearing up for promotional campaigns and discounts on essential consumer products, particularly in the lead-up to Tet. The Departments of Industry and Trade in cities like Hanoi and Ho Chi Minh City are collaborating with businesses to implement market-stabilizing and promotion programs. Regional linkage efforts and coordination with other provinces are being undertaken to ensure a stable and abundant supply of goods.

A recent report on the implementation of Resolution No. 01/NQ-CP reveals positive trends in retail sales for November 2023. Total retail sales of goods and consumer services are estimated to increase by 1.4% from the previous month and 10.1% compared to the same period last year. The demand for various categories, including food, cultural items, education, accommodation services, food and beverage, and travel, is on the rise.

In the first 11 months of 2023, the total retail sales of consumer goods and services are projected to reach VND 5,667 trillion, a 9.6% increase over the same period last year. Retail sales of goods alone are estimated at VND 4,420 trillion, constituting 78% of the total and experiencing an 8.6% increase over the previous year. Notable increases are observed in cultural and educational items (14.7%), food (11.4%), and apparel (7.6%), signaling positive trends in various sectors.

Several localities have reported substantial growth in retail sales, such as Quang Ninh (12.4%), Binh Duong (10.8%), Khanh Hoa (10.7%), Hai Phong (9.9%), and Can Tho (9.4%). The upbeat figures reflect a promising outlook for the Vietnamese retail market as it approaches the festive season. VNA

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LOGISTICS

Challenges and opportunities in Vietnam's seaport evolution

Seaports in Vietnam have undergone a significant transformation through modernization and digitalization, leading to improved operations. Saigon Newport Corporation, a key player in this transformation, has implemented an electronic operations system, revolutionizing container handling.



The system offers real-time container location tracking, wireless control, and semi-automated ship and container positioning within the yard. This digital advancement has not only saved substantial resources, with up to 50,000 sheets of paper daily, but has also streamlined daily port trips and increased vehicle output to 19,000-20,000 units.

Furthermore, the deployment of electronic delivery orders has simplified processes for partners, allowing them to set e-orders, receive invoices, make payments, and complete customs procedures online. This move towards digitization not only saves time but also aligns with environmental conservation efforts.

Saigon Newport Corporation envisions building an ecosystem that encompasses all marine services stakeholders, exploring container temperature monitoring through the Internet of Things, and studying the use of unmanned, self-propelled loading devices for an automated port system.

Despite the remarkable strides in port modernization, the training of human resources in this sector lags behind. Challenges faced by universities, vocational schools, and institutes include the need for substantial investments in facilities, simulation systems, and practical training. The limitation of tuition fees further underscores the necessity for supportive governmental policies. The shortage of skilled and experienced lecturers adds to the challenges, emphasizing the need to equip staff with advanced system management skills, especially with the reduction of positions for less-skilled employees.

Vietnam's seaport landscape comprises 286 terminals capable of handling over 706 million tonnes of cargo. The government aims to develop the seaport system to handle 1.14-1.42 billion tonnes of cargo by 2030, investing approximately VND313 trillion (\$13.2 billion) in goods loading services alone. The funding is expected to primarily come from non-state sources and business investments, positioning Vietnam's seaports on par with global standards by 2050. VIR

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INVESTMENT

VinFast and Marubeni collaborate on electric vehicle battery recycling

VinFast, a prominent Vietnamese electric vehicle (EV) manufacturer, and Marubeni Corporation, a major Japanese trading and investment conglomerate, have officially announced a memorandum of understanding (MoU) on December 18.



This MoU signifies a crucial step in the strategic partnership between the two companies, with a focus on exploring opportunities in the secondary use of EV batteries and the potential establishment of a circular economy model. The announcement took place in the presence of Vietnamese Prime Minister Pham Minh Chinh during the Vietnam – Japan Economic Forum and the Commemorative Summit for the 50th Year of

ASEAN – Japan Friendship and Cooperation held in Tokyo from December 16-18.

In line with the MoU, VinFast and Marubeni will collaborate on the research and manufacturing of Battery Energy Storage Systems (BESS) utilizing recycled EV batteries. VinFast will supply used batteries, and Marubeni will be responsible for conducting feasibility assessments, technical consulting, and deploying BESS. Both companies aim to foster business opportunities related to recycled EV batteries, with the ultimate goal of establishing a circular economic model.

Marubeni intends to leverage its exclusive technology to recycle VinFast's EV batteries efficiently, repurposing them into affordable and easily manufacturable BESS without the need for disassembly, processing, and repackaging of the batteries.

This collaboration aligns with the broader commitment to reduce greenhouse gas emissions in Vietnam and contribute to global sustainability efforts. Marubeni's prior agreements, such as the one with VinES Energy Solution Joint Stock Company, a subsidiary of VinFast, demonstrate a concerted effort toward sustainable practices in the electric vehicle and battery industries. VNA

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China's evolving investment landscape in Vietnam

Vietnam is poised to become a significant investment destination for Chinese enterprises, diversifying their investments across sectors like energy, green development, and the digital economy, experts predict.



Chinese companies, especially those deeply integrated into the global supply chain, have been actively exploring investment opportunities in northern provinces of Vietnam. Key examples include Wingtech, China's largest smartphone assembly firm, Goertek, which invested \$280 million in new and existing projects in Bac Ninh province, and BYD, China's largest EV company, injecting \$269 million into an automobile component

manufacturing project in Phu Tho province.

China has been a major foreign investor in Vietnam over the past five years, with investments amounting to \$3.96 billion in the first 11 months of 2023, ranking fourth among countries and territories investing in Vietnam during this period. Chinese investments have diversified beyond traditional areas like restaurants, hotels, and consumer goods into sectors such as electricity, electronics, tire production, textiles, and footwear. This diversification has significantly contributed to the development of Vietnam's supporting industries.

The favorable geographic location of Vietnam, its economic integration, and the availability of a skilled and competitive labor force are key factors attracting Chinese businesses. John Campbell, Head of the Industrial Services Department at Savills Vietnam, highlighted Vietnam's proximity to China, facilitating the transportation of goods and production lines, as a major draw for Chinese investors.

Chairman of the Vietnam Association of Foreign Invested Enterprises, Nguyen Mai, emphasized the potential for more substantial economic and investment cooperation, suggesting that large-scale Chinese investment projects in Vietnam are on the horizon. He anticipates Vietnam becoming a prime destination for Chinese investors from 2025 onwards, with the country serving as a crucial export partner for goods. During a meeting with Prime Minister Pham Minh Chinh in June, leaders of major Chinese companies expressed their desire to expand operations in Vietnam, spanning various fields, including energy, industrial park infrastructure, social housing, inland waterway ports, automobile manufacturing, research and development, and supply chain development. VNA

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