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FINANCE

Vietnam's economy set for further rebound in 4th quarter of 2023

Vietnam's GDP growth accelerated further to 5.33 per cent on-year in the third quarter (Q3), from 4.14 per cent in Q2. This was due to improvements in trade, manufacturing, and domestic activities, after an underperforming first half of 2023, according to the United Overseas Bank (UOB).

FX & Rates	1Q24F	2Q24F	3Q24F	4Q24F
USD/VND	24,000	23,800	23,600	23,500
VND Refinancing Rate	4.50	4.50	4.50	4.50
Economic Indicator	2021	2022	2023F	2024F
GDP (%)	2.6	8.0	5.0	6.0
CPI (avg y/y %)	1.8	3.2	3.9	3.7
Unemployment Rate (%)	3.6	0.3	1.0	1.0
Current Account (% of GDP)	-0.3	-4.5	-3.0	-2.6
Fiscal Balance (% of GDP)	-4.1	-4.4	-2.6	-2.6

Data released for the October-November period reaffirm that activities have stabilized and in some cases improved markedly compared to the first half of the year. Retail sales of goods and services rose by over 10 per cent on-year in November from 7 per cent in October, the fastest pace since May.

Industrial production rose 5.8 per cent on-year in November, driven by the 6.3 per cent growth in manufacturing output, bringing total industrial production year-to-date (YTD) growth to 1 per cent. Both industrial production and manufacturing sectors' YTD readings have returned to positive since September, after hovering around negative growth in the earlier part of the year. Manufacturing output has been accelerating uninterrupted since its negative reading in May, suggesting that the sector's momentum is likely to persist into 2024.

Interest rate cuts from the State Bank of Vietnam (SBV) have helped to reduce business costs, while the government has launched various policies to support business. Vietnam has reportedly decided to cut VAT by 2 percentage points from 10 per cent to 8 per cent, effective from January 1 to June 30 next year, with certain industries excluded from the reduction. Nonetheless, these measures should help ease the cost burden for businesses and will further encourage greater output.

The real estate market in Vietnam has shown some signs of stabilisation and even recovery, with reports of several investors resuming sales activities and launching new projects while the Vietnam Association

of Real Estate Brokers (VARs) has reported a flurry of large-scale projects, spanning various categories from north to south, initiating sales campaigns.

Despite stronger growth in Q3, the drag from the first six months of the year is the main reason why overall growth for the full year is likely to be constrained. The UOB expects momentum from Q3 to carry over to the final quarter of the year, especially with more supportive domestic policies, and should help Vietnam hit its full-year growth forecast of 5 per cent, with the assumption of further acceleration of GDP growth in Q4 to 7 per cent on-year.

The SBV responded swiftly to the economic slowdown earlier this year with a rapid succession of interest rate cuts. The last policy rate reduction took place in June, when it lowered its refinancing rate by a cumulative 150 basis points, to 4.5 per cent. However, with the pace of economic activities quickening, and inflation rates already easing below the target level, the possibility of further rate cuts has diminished.

Indeed, the government has turned its focus to non-interest rate measures to support the economy. Prime Minister Pham Minh Chinh has reportedly asked the SBV to ensure sufficient credit is available for the remainder of the year, as the credit growth target of 14-15 per cent could yet be missed by several percentage points. As such, the UOB believes that the SBV will maintain its refinancing rate at the current level of 4.5 per cent. VIR

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The three main growth drivers of Vietnam's economy in 2024

Public investment, domestic consumption, and export recovery will be the three main growth drivers of Vietnam's economy in 2024, the Asian Development Bank (ADB)'s Country Director for Vietnam Shantanu Chakraborty has told the Vietnam News Agency.

The official said that the ADB maintains its GDP growth rate for next year at 6%, with an expectation that there will be a certain recovery in the external environment, and domestic growth drivers will regain momentum from 2023.

An important foundation to maintain growth momentum in the coming time will be macroeconomic stability thanks to Vietnam's continuation of prudent fiscal policies, and proactive and flexible monetary policies applied since 2023, he stated, stressing the need to ensure that they are effectively carried out to create stronger momentum for the economy. To achieve the 6% growth in 2024, the ADB Country Director advised Vietnam to speed up public investment in infrastructure, as it will help stimulate economic activities, support industrial, construction and mining businesses, and provide more employment opportunities.

Domestic consumption can be boosted by fiscal measures that encourage demand, and also supported by appropriate monetary policies that keep interest rates at relatively low levels. To cope with headwinds, Vietnam's policies need to be more proactive to support enterprises in expanding their markets, and promoting the exploitation of signed free trade agreements.

In the long term, Vietnam needs to promote public investment in green energy transition, upgrade infrastructure to improve the competitiveness of the economy, and strengthen the foundation to increase resilience and boost sustainable development, Shantanu Chakraborty said.

Assessing the country's economic situation this year, he said that its economy is showing a strong recovery despite the global economy's instability and increasing geopolitical tensions.

The Vietnamese Government has taken right steps to solve problems posed by global challenges. To date, the Government has achieved a balance between monetary and fiscal policies to ensure high resilience to the global challenges facing the economy.

The bank recently lowered its growth forecast for Vietnam this year to 5.2% from the previous 5.8% forecast. However, according to him, Vietnam's growth rate is quite good compared to many countries in the region. VNA

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E-COMMERCE

Cross-border sale via e-commerce platforms essential to businesses seminars

The Department of Industry and Trade of Ho Chi Minh City has coordinated with several e-commerce platforms to organize a series of seminars on cross-border e-commerce and global growth opportunities for Vietnamese businesses.



The seminars have been held within the framework of a demand-supply connectivity conference between Ho Chi Minh City and provinces and centrally-run cities which is taking place from December 21-24.

At the events, experts and representatives of e-commerce platforms such as Amazon, Alibaba and Tiki have focused on updating information about cross-border online sale, and solutions to increase sales and understand customer needs by using big data.

Nguyen Nguyen Phuong, deputy director of the municipal Department of Industry and Trade, said that e-commerce is a potential sale channel that has not been exploited effectively.

As for small- and medium-sized enterprises or local manufacturers, there are still limitations in accessing the online retail market, as well as seizing revenue growth opportunities in both the domestic and export markets via e-commerce platforms.

Pham Trang Dai, senior account manager at Amazon Global Selling Vietnam, said that cross-border e-commerce in Vietnam has grown positively and steadily over the past years, with an annual growth rate of 20% and Vietnam is ranked among the top 5 countries in the world in terms of trade growth.

In 2023, the export value of Vietnamese businesses via Amazon is estimated to increase by more than 50%, and the number of sale partners from Vietnam rose by 40%.

She cited statistics as saying that there are thousands of Vietnamese sellers doing business on Amazon, with 17 million products from the Southeast Asian nation sold on Amazon this year.

Experts agreed that developing e-commerce channels, promoting online connections, putting products on e-commerce platforms, establishing online distribution channels, and boosting cross-border exports will help production and business units access domestic and foreign consumer markets more effectively.

VNA

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ENERGY

Bosch Vietnam plant launches rooftop solar system

In mid-December, Bosch Vietnam, in collaboration with Tona Syntegra Solar Company, celebrated the inauguration of a 1,540kWp Solar Power System at the Bosch Plant (HcP). This event represents a major step for HcP in its transition to green energy for production, aligning with the Bosch Group's commitment to sustainability.



Andreas Abbing, vice president and Technical Plant manager of the Bosch Vietnam plant said, "At Bosch, we firmly believe that embracing sustainable, ecological, and socially responsible practices forms the cornerstone of our business success."

"This ethos permeates the entire Bosch group, manifesting in our day-to-day actions. Across all activities and the production processes, our goal is to minimise electricity consumption significantly, striving for effective CO2 neutrality through a multitude of initiatives. The solar power system stands out as a noteworthy project, exemplifying our steadfast commitment to utilising energy sustainably," Abbing continued.

The successful installation of the solar panel system at the Bosch Vietnam plant will generate approximately 2,300MWh of clean energy annually and cut 1,630 tons of CO2 emissions. This reduction is equivalent to planting around 30,000 trees annually. Underlining its dedication to environmental protection, the Bosch Vietnam Plant has made a significant investment of around \$1 million to install a wastewater recycling system. Since 2020, this initiative has enabled the plant to use treated wastewater for 65 per cent of its total consumption. Bosch Vietnam plant launches rooftop solar system, advancing sustainable energy goals. Additionally, Bosch Vietnam has launched a series of campaigns across its Vietnamese locations, notably including an annual tree planting initiative. This effort has led to the planting of hundreds of trees, significantly enriching Vietnam's forests. The firm's internal green campaigns encourage its associates to engage in reduce, reuse, recycle drives, promoting the conservation of natural resources, energy efficiency, and environmental protection.

Furthermore, Bosch Vietnam's active engagement in social initiatives and community projects in Vietnam, such as vocational training and other social programmes, aims to empower local communities and enhance the quality of life in the region. With more than 400 locations worldwide, the Bosch Group has achieved overall carbon neutrality (scopes 1 and 2) since 2020. The company realised this goal by employing four key strategies, namely enhancing energy efficiency, generating energy from renewable sources (new clean power), procuring electricity from renewable sources (green electricity), and, as a final measure, offsetting residual CO2 emissions. In 2022, residual emissions of 0.7 million tons of CO2 were offset through carbon credits. Scopes 1, 2, 3 are used according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. VIR

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Navigating challenges and implementation roadmaps for solar power planning

The Ministry of Industry and Trade (MOIT) has submitted the eighth power development plan (Plan 8) to the Prime Minister for approval. However, the plan lacks a list of solar power projects with confirmed investors.



Notably, MOIT hasn't specified the starting time or implementation roadmaps for concentrating solar power projects. The government's standing committee's instructions and Government inspectors' conclusions emphasized aligning benefits and risks when determining electricity purchase prices for approved projects. However, the Prime Minister has not issued instructions related to these conclusions.

In November 2023, the Prime Minister urged localities to propose detailed project lists, including transitional projects. Transitional projects refer to those completed after the feed-in tariff mechanism expiration without a new pricing scheme. The approval plan for Plan 8 is pending, and MOIT requests approval without the list of concentrating solar power projects. The provinces hosting solar power projects are asked to check and report on project investment effectiveness and electricity purchase prices within three months after approval.

Currently, MOIT reports 779 small-scale hydropower projects (8,331MW), 651 onshore wind power projects (74,609MW), 73 waste-to-electricity projects (1,484MW), and 74 biomass projects (2,711MW) registered by provincial authorities. However, there are discrepancies, with some localities proposing capacities significantly higher than planned. MOIT faces challenges in creating a comprehensive list of renewable power projects due to insufficient information and non-compliance with project criteria.

Additionally, MOIT recommends Quynh Lap or Nghi Son for LNG-fired electricity development. The chosen site should meet economic and technical conditions for establishing an LNG power plant with a capacity of 1,500MW. Quynh Lap, with a ready construction site previously reserved for a coal-fired power plant, is considered favorable. Although many investors express interest in renewable projects, uncertainties regarding electricity pricing and sale mechanisms need resolution. A survey conducted in May 2022 revealed that some projects aimed to sell electricity directly to consumers, bypassing Electricity of Vietnam (EVN), highlighting the evolving landscape of Vietnam's energy sector.

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RETAIL

Vietnam's retail market bursting with growth potential

Vietnam's retail market is considered attractive and boasts significant growth potential despite facing many challenges, Mr. Dao Quang Binh, General Director and General Managing Editor of VnEconomy / Vietnam Economic Times (VET) said while addressing the Cool Product Awards 2023 ceremony.

The ceremony was held by VnEconomy / VET on December 21 to honor the Top 50 cool products and services in 2023, as voted on by consumers.



The market's current scale is estimated at \$142 billion and is projected to increase to \$350 billion in the years ahead, he told the gathering.

"With a population of 100 million, Vietnam ranks 15th globally in terms of population size, and over 60 per cent of its population falls within the working-age bracket," Mr. Binh said.

"Rapid urbanization further contributes to the market's appeal. All of these factors have driven various consumer segments forward in recent years. In the long term, the retail industry promises to expand even further."

Amid economic difficulties, people tend to limit their spending, causing many retailers to suffer efficiency reductions. Many products fail to attract customers despite promotional programs. However, essential and practical products still account for a huge proportion of spending in each household, making them key pillars in the retail industry, Mr. Binh said.

"This change has prompted the optimization of production and services and encouraged technological, digital, and green initiatives, offering new experiences to consumers," he added. vneconomy

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LOGISTICS

Local logistics firms urged to sharpen competitiveness

Local logistics firms have been advised to step up effort aimed at boosting their productivity, service quality, and competitiveness amid current difficulties due to global economic instability.



Tran Thanh Hai, deputy director of the Import-Export Department under the Ministry of Industry and Trade (MoIT), said that this year the logistics sector has greatly progressed, including the completion of a legal framework in the field.

At the same time, the system of ports, warehouses, and delivery serving import-export activities has both upgraded and expanded.

However, Hai said that domestic logistics firms continue to face limitations in both capital and human resources scale, as well as experience in international operations, while their linkages remain poor. Despite this, they still have many advantages compared to their foreign rivals thanks to the ownership of infrastructure and assets serving logistics activities, as well as an understanding of the business habits of local customers, Hai emphasized.

He underlined the need for Vietnamese logistics business to renovate themselves and change their business model towards a greener direction, thus enhancing their general competitiveness and ensuring their sustainable development.

This year, the World Bank (WB) has placed Vietnam in 43rd position out of 139 economies in terms of Logistics Performance Index (LPI), up from the 53rd position in 2010. In terms of the region, the country is among five leaders in the field together with the Philippines, Singapore, Malaysia, and Thailand.

The nation has also been ranked in the top 10 places in the 2023 Agility Emerging Markets Logistics Index compiled by Agility, one of the world's top freight forwarding and contract logistics providers. Indeed, it came fourth in the world in terms of international logistics opportunities, whilst being considered the country with the highest potential for logistics development in Southeast Asia.

Deputy Minister of Industry and Trade Phan Thi Thang said that in the time ahead, the Ministry will continue to co-ordinate with relevant ministries and sectors to collect requests and proposals from localities, associations, and businesses in the logistics sector inside and outside the country. They will submit a report to the Government and the Prime Minister to ask for adjustments, supplementations, and completion of relevant mechanisms, policies, and regulations, thereby creating a favourable legal corridor for the domestic logistics sector to renovate and develop in a fast and sustainable fashion. VOV

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INVESTMENT

South Korea to focus on green and high-tech ventures in Vietnam

South Korean corporations are strengthening their presence in Vietnam with a focus on green and high-tech ventures.



Hyosung Group, a major South Korean conglomerate, has revealed plans to invest \$720 million in a biotech fiber manufacturing plant in Vietnam, situated in Phu My II Industrial Park. This initiative marks Hyosung's global debut in using eco-friendly technology for Spandex fabric production, showcasing the group's commitment to advanced material production and environmental sustainability. In a related project, LG Innotek, a subsidiary of LG, is poised to be the first investor in Trang Due 3 Industrial Park in Haiphong, with Kinh Bac City Group finalizing legal procedures to attract investors in early 2024.

South Korean giants like Samsung and SK Group also view Vietnam as a key manufacturing hub, with plans to expand their operations. SK Chairman Chey Tae-won expressed the company's willingness to collaborate with Vietnam in energy transition during a meeting with National Assembly Chairman Vuong Dinh Hue. The Korean Chamber of Commerce in Vietnam reports that 9,000 South Korean enterprises are investing in Vietnam, contributing significantly to various sectors, including AI, IT, environment, and green growth, with around \$1.3 billion invested in renewable energy.

Despite these positive developments, challenges related to legal procedures need improvement for smoother disbursement. After Hyosung's announcement of a \$720 million investment in Ba Ria-Vung Tau, the company emphasized the need for support in administrative procedures, construction and environment licenses, and fire prevention licenses. Issues with the complexity of fire prevention license appraisals have been raised, impacting expansion plans. Deputy Prime Minister Tran Luu Quang has urged collaboration among ministries and localities to facilitate favorable conditions for new investment inflows in the coming year. VIR

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Vietnam's semiconductor market forecasted to reach US\$ 8.1 billion by 2028

Vietnam's semiconductor market is predicted to reach \$8.1 billion by 2028, exhibiting a growth rate of 12.6 per cent over the 2023-2028 period, according to a report by IMARC Group released on December 21.

The report reveals that semiconductor materials are extensively used in different industries across Vietnam, and its market size reached \$3.8 billion in 2022. As the demand for electronic devices continues to grow globally, manufacturing facilities need to increase their production volumes to meet consumer needs. This surge in production requires a proportional increase in semiconductor materials to fabricate the necessary electronic components.

Moreover, to maintain a competitive edge, electronics manufacturers frequently adopt the latest technologies, which often require new materials with enhanced properties.

In addition, Vietnamese semiconductor companies are incorporating 3D packaging to stay competitive in the market. The adoption of these technologies, such as through-silicon vias and stacked die configurations, has improved the performance and energy efficiency of semiconductor devices. These innovations enable the integration of multiple chips into a single package, reducing the form factor and enhancing functionality.

Moreover, technological advancements have led to the development of cutting-edge semiconductor materials like gallium nitride and silicon carbide. These materials offer superior electrical and thermal properties, making them ideal for high-performance applications in power electronics, wireless communications, and the automotive sector. Vietnamese semiconductor manufacturers are leveraging these materials to create more efficient and reliable devices.

As Vietnam's electronics manufacturing sector focuses on exports, semiconductor materials suppliers can tap into a global market through partnerships with local producers. This presents an opportunity for suppliers to cater to international demand while benefiting from Vietnam's competitive manufacturing landscape.

With growing awareness of environmental sustainability, there is an opportunity for suppliers to offer eco-friendly semiconductor materials. Materials with reduced environmental impact, such as lead-free solders and green packaging materials, align with global sustainability trends and are set to gain traction in Vietnam. VIR

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