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Finance ministry works with S&P on sovereign credit rating

Deputy Minister of Finance Nguyen Duc Chi emphasized that despite global uncertainties, Vietnam's macroeconomy remains resilient, experiencing a strong rebound in production, exports, and foreign direct investment.

Vietnam recorded a total trade value of US\$238.88 billion in the first four months of this year, marking a 15.2 percent increase over the same period last year. Additionally, the country achieved a trade surplus of \$8.4 billion during this time.

Foreign direct investment (FDI) inflows increased by 4.5 percent to over \$9.27 billion.

Meanwhile, GDP growth reached 5.66 percent in the first quarter of this year and is on track to meet the full-year target of 6–6.5 percent.

Budget collection is estimated to have reached 48 percent of the annual plan, driven by strong domestic production and business activities.

The insights provided by the Ministry of Finance will enable S&P to accurately assess Vietnam's creditworthiness.

S&P Global Ratings reaffirms its commitment to collaborating with other government agencies throughout the rating process this year.

In mid-2022, S&P Global Ratings upgraded Vietnam's sovereign credit ratings to 'BB+' with a stable outlook, citing improvements in governmental administrative processes and promising economic prospects post-pandemic. VNS

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Lotte-KOBC global logistics partnership deal benefit Vietnam

Vietnam stands to gain significantly from a recent partnership deal on global logistics between Lotte Global Logistics of South Korea and the Korea Ocean Business Corporation (KOBEC).

The memorandum of understanding (MOU) was signed on May 10 in Ho Chi Minh City by Lotte Global Logistics CEO Kang Byong-ku and KOBEC CEO Kim Yang-soo. The agreement aims to enhance global logistics supply chains and promote eco-friendly shipping solutions.

Lotte Global Logistics is set to invest around KRW500 billion (US\$364 million) in various initiatives over the coming years to strengthen its global logistics capabilities. This investment will support the construction of a cold chain logistics center in Vietnam, establish logistics hubs in Hungary and other Eastern European locations, deploy ammonia-fueled ships for sustainable maritime transport, and invest in specialized containers.

Kang Byong-ku emphasized that Lotte Global Logistics will leverage these improvements to support Korean businesses in enhancing their import and export competitiveness through improved global logistics infrastructure.

Lotte Global Logistics Vietnam, a subsidiary of Lotte, has been operating cold storage facilities with a capacity of 25,000 pallets at Long Hau Industrial Park in Long An Province since 2008. The company plans to expand its operations to other provinces in the Mekong Delta region, including Vinh Long and Dong Nai provinces.

This partnership marks a strategic move to bolster Vietnam's logistics capabilities and infrastructure, benefiting the country's economy by facilitating more efficient and sustainable logistics solutions. VOV

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Efforts intensify to combat e-commerce fraud in Vietnam

With the rise of online shopping, significant measures have been implemented to address counterfeit goods and trade fraud on e-commerce platforms in Vietnam. As e-commerce continues to grow rapidly, businesses are leveraging digital technology to monitor market trends and meet consumer demands, leading to increased sales and reduced intermediary costs. However, fraudulent activities, including impersonation of trading platforms and brands, have posed significant challenges, exploiting policy loopholes that prevent customers from inspecting goods upon delivery.

Experts are calling for stronger sanctions to combat e-commerce fraud effectively. The Ministry of Industry and Trade (MoIT) reported that e-commerce generated USD 20.5 billion in revenue in 2023, a 25 percent increase from the previous year. A report from the e-commerce data platform Metric highlighted that business-to-consumer (B2C) e-commerce revenue reached nearly USD 19.64 billion in 2023, with projections of USD 27 billion in 2024. Online platform sales are expected to exceed USD 13 billion in 2024, reflecting a 35 percent growth.

While live-streaming has proven highly effective for sales, outperforming traditional e-commerce methods by tenfold, it also introduces new risks. Fraudulent actors often exploit consumer trust and policy gaps to sell counterfeit products under well-known brand names. Tran Huu Linh, Director General of the MoIT's Vietnam Directorate of Market Surveillance, reported frequent complaints about counterfeit goods on platforms like Lazada, Shopee, TikTok, and social networks such as Facebook and Zalo. He noted that online retail sales in Vietnam surged from USD 13 billion in 2020 to USD 35 billion in 2022.

Vietnam has the highest online shopping ratio in Southeast Asia, with 49.3 million, or 41 percent, of its population shopping online. To combat e-commerce fraud, robust resources, tools, methods, and sanctions are necessary. Linh emphasized the importance of legal compliance awareness among individuals and organizations to prevent counterfeit goods, smuggling, and trade fraud in e-commerce. VNA

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Optimistic future for establishing a direct power purchase market

EVN President Dang Hoang An is optimistic about establishing a direct power purchase market without limitations on buyers and sellers. Deputy Prime Minister Tran Hong Ha chaired a meeting on May 14 discussing a draft decree on regulations for Direct Power Purchase Agreements (DPPA). Ha emphasized the state's orientation for developing the energy sector towards a competitive power market. However, slow policy implementation is attributed to an unsynchronized legal framework and business models.

DPPA, mandated in the Law on Electricity, forms the foundation for this competitive market, separating state management from production and business activities. Ha highlighted the need for roadmaps for electricity development and DPPA.

Deputy Minister of Industry and Trade Nguyen Sinh Nhat Tan detailed the draft decree's various purchase models, including separate transmission line purchases and national grid purchases, with articles covering implementation procedures and relevant parties' responsibilities. The MOIT stated the decree could promptly take effect, with no need to await further legal documents.

The draft decree outlines direct purchases near generation sources via separate transmission lines, simplifying negotiations between generators and clients. For distant clients, purchases via the national grid are facilitated in a spot-delivery market, with clients responsible for various fees. The decree aims to meet clean energy demand, attract investments in renewable energy projects, and prepare for a competitive power market in Vietnam. Vietnamnet

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Younger consumers drive Vietnam's food and beverage industry growth

Vietnam's food and beverage (F&B) industry is seeing substantial growth, driven by younger consumers, particularly Gen Z, who favor local products and heritage cuisine. According to the Decision Lab Best F&B Brand Rankings 2024, Trung Nguyen Legend coffee surged to third place, while some fast-food giants experienced slight declines. KFC remained at the top despite a dip, followed by Highlands Coffee and other local favorites. The F&B market in Vietnam is projected to boom in 2024, with restaurant and coffee chain expansions. Decision Lab highlights that younger consumers prioritize convenience and frequent dining out, making coffee chains popular social hubs. The preference for heritage cuisine, which combines traditional flavors with innovative twists, is especially strong among Gen Z.

Social media plays a significant role in shaping dining trends, with Gen Z sharing their culinary experiences online. A VIR survey revealed that 87% of respondents aged 16-30 regularly spend money on dining out and café visits. Brands like Phe La, known for its oolong tea from Dalat, have rapidly expanded, reaching 20 stores nationwide. Lasimi Tea and Oola have similarly grown, capitalizing on the trend for heritage drinks.

Vegetarianism is also rising among young people, with vegetarian restaurants attracting Gen Z customers. Dana Vegan House in Hanoi targets young adults to build a vegetarian community, emphasizing a lifestyle choice.

Despite economic challenges, the Vietnam Food & Beverage Market Report 2023 by iPOS.vn shows positive growth, with over 317,000 restaurants and cafés by the end of 2023, a 1.26% increase from 2022. The report notes that two out of three Vietnamese individuals actively follow street food trends, contributing to the dynamic F&B scene driven by Gen Z's evolving preferences. VIR

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Navigating Vietnam's compliance with global minimum tax

Experts have stressed the significance of evaluating affected FDI enterprises, appraising tax collection capabilities, and harmonizing investment incentives with Global Minimum Tax regulations.

At a recent international conference on "Applying Global Minimum Tax in Vietnam," Professor Nguyen Mai, Chairman of the Vietnam Association of Foreign Investment Enterprises (VAFIE), underscored the necessity of prudent policymaking to ensure fairness, regulatory consistency, and adherence to international commitments.

Vietnam, aiming to attract FDI for socioeconomic development, must align its interests with those of investors amidst fierce global competition. The Government's role is crucial in establishing conducive institutions and an attractive investment environment.

In November 2023, the National Assembly approved a resolution implementing additional corporate income tax aligned with Global Anti-Base Erosion Rules, effective from January 1, 2024, imposing a 15 percent global minimum tax rate on MNEs with annual revenues exceeding €750 million.

Approximately 113 MNEs in Vietnam are projected to be impacted by the Global Minimum Tax. International stakeholders acknowledge the Government's capacity to adapt economic policies and expect harmonization during implementation.

Jonathan Pemberton, a senior expert at ITIC, highlighted South Korea and Vietnam's proactive approaches in incorporating global minimum tax rates into legislation.

Vietnam's resolution aims to finalize detailed regulations by October 2024, facilitating compliance for multinational companies. Professor Mai emphasized the need for swift review of affected FDI enterprises and alignment of investment policies with Global Minimum Tax regulations.

He also urged the Government to explore and implement the Qualified Domestic Minimum Top-Up Tax mechanism in line with OECD standards from 2024. Understanding the impact and adapting policies accordingly will be crucial for Vietnam's tax landscape in the global context.

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