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Vietnam's capital markets have developed strongly over the past decade

Vietnam's economy continued to garner positive assessments in August, with the World Bank (WB) upgrading its 2024 growth forecast to 6.1%, up from 5.5%. The WB's Taking Stock report also projected the country's GDP to grow by 6.5% in 2025 and 2026, significantly higher than the 5% recorded last year. Despite global challenges, Vietnam's capital markets have developed strongly over the past decade, supported by stable macroeconomic conditions, according to WB Senior Financial Sector Specialist Ketut Kusuma.

The report highlights the resilience of Vietnam's economy, which expanded by 6.4% in the first half of 2024, driven by a recovery in exports, increased investment, and rising consumption. However, consumer spending and private investment have yet to return to pre-pandemic levels. Additionally, credit growth improved after a slow start in 2024, but concerns about bank asset quality remain.

Vietnam's capital markets have now reached over 90% of GDP, comparable to regional peers like Indonesia. However, the WB report pointed out the need to further develop the institutional investor base, including better utilization of Vietnam Social Security (VSS). Strengthening social insurance policies is seen as key to driving the development of capital markets.

In the first quarter of 2024, foreign direct investment (FDI) remained steady at 3.4% of GDP, despite increased net outflows. The ongoing relocation of supply chains across the region and investor confidence in Vietnam's prospects contributed to this FDI stability. To sustain FDI inflows and competitiveness, the WB suggested that Vietnam rise higher in the value chain by improving human capital and essential services, such as transport, telecommunications, and electricity. The adoption of green technologies was also recommended to maintain Vietnam's competitive edge.

HSBC's recent report underscored Vietnam's strong fundamentals, which continue to make it a prime destination for FDI, outpacing its ASEAN counterparts. The country has also benefitted from key economic agreements like the EU-Vietnam FTA and the CPTPP.

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Ho Chi Minh aims to position the city as a significant logistics service center

The Ho Chi Minh City People's Committee has outlined a strategic plan to boost investment in logistics infrastructure and expand port handling capacities and warehousing facilities. This initiative also aims to position the city as a significant logistics service center within regional and global supply chains.

Aligned with the city's socio-economic growth strategies, the plan emphasizes transparency, fairness, and legal compliance in executing investment projects. It encourages the maximum mobilization of social resources, particularly through private sector investments, facilitated by favorable tax policies, land use, and simplified administrative procedures.

A key focus of the plan is transitioning to green logistics to promote environmental sustainability. By adopting efficient, low-emission transport solutions, the city aims to enhance the sustainability and competitiveness of businesses.

Additionally, the plan prioritizes the integration of Industry 4.0 technologies, high-tech solutions, digital transformation, and green energy in logistics projects. These advancements are seen as essential for enhancing the efficiency of the supply chain and contributing to the city's development goals.

By 2030, Ho Chi Minh City aims to establish logistics as a critical sector of the economy, leveraging global supply chain opportunities to become a logistics hub for Southeast Asia. The long-term vision for 2045 is to develop logistics into a leading, sustainable economic sector, positioning the city as a logistics hub not only for Asia but also globally. This will involve investing in modern, synchronized logistics infrastructure to improve connectivity between industrial, commercial, and service hubs across the southern region.

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The e-commerce landscape in Vietnam is rapidly evolving

The e-commerce landscape in Vietnam is rapidly evolving, driven by technology and shifting consumer behaviors, particularly accelerated by the COVID-19 pandemic. Leading e-commerce platforms like Shopee, Lazada, and Tiki now offer games and live-streaming features to enhance customer engagement, responding to consumer demands for both shopping and entertainment during social distancing. To keep customers engaged, e-commerce platforms must integrate interactive features such as live-streaming and gamified experiences.

Retailers in Vietnam are increasingly adopting omnichannel strategies to enhance customer experiences. By allowing seamless transitions between physical stores and online platforms, companies like Mobile World, FPT Corp, and hypermarkets such as Big 5 are leading the charge. These strategies enable consumers to browse in-store and make purchases online, offering flexibility and convenience.

A significant factor shaping Vietnam's e-commerce market is the heavy reliance on shipping and payment methods. Cash on delivery (COD) remains popular, allowing consumers to inspect items before committing to a purchase. However, concerns about card fraud have driven many to opt for trusted retailers and secure payment platforms such as PayPal. Despite cash dominance, digital payment solutions are rising in popularity, with mobile wallets like Momo and Zalo Pay gaining significant traction. By 2025, it is expected that digital payments will outpace cash transactions as fintech adoption grows.

Urban consumers, especially those with busy schedules, are increasingly relying on delivery services like Foody JSC's Market Now, which partners with hypermarkets and supermarkets to offer grocery delivery. This trend highlights the growing importance of convenience in the e-commerce space.

Vietnam's e-commerce market is also characterized by its strong mobile commerce presence. However, only 19% of local merchant websites are mobile-friendly, even as apps are preferred for 62% of all online transactions. Local platforms such as Tiki and Sendo continue to thrive, while foreign platforms like Shopee dominate, attracting millions of users. In corp

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Vietnam's LNG infrastructure market is gaining strong interest from the US investors

Vietnam's liquefied natural gas (LNG) infrastructure market is gaining strong interest from foreign investors, particularly from the United States. The recent development of key projects, like the Cai Mep terminal, is driving growth in the sector, with Vietnam aiming to expand its LNG capacity to over 20GW by 2045. The country's geography, with a long coastline and challenging onshore terrain, necessitates the construction of extensive LNG infrastructure, including import terminals and distribution facilities.

Foreign companies, such as US-based ExceleRate Energy, are already capitalizing on opportunities to develop greenfield LNG import terminals. ExceleRate's partnership with Vietnam's ITECO JSC is one example of how foreign investment is shaping the future of Vietnam's energy sector. American firms, known for their leadership in energy technology, are eager to contribute to projects like the Son My Terminal and Son My 2 CCGT.

The Vietnamese government's Power Development Plan VIII (PDP8) supports this transition by promoting LNG and phasing out coal and hydro. The Ministry of Industry and Trade's new guidelines for power purchase agreements in 2024 further encourage investment by clarifying the regulatory framework. However, the industry still faces challenges, including long approval processes and difficulties for domestic investors in securing financing.

With ongoing infrastructure projects and strong foreign interest, Vietnam is positioning LNG as a crucial component of its energy future, with significant potential for growth in the coming decades. VIR

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Vietnam's total retail sales of goods and services surged by 8.5% in the first eight months of 2024

In the first eight months of 2024, Vietnam's total retail sales of goods and services surged by 8.5%, reaching nearly VND4.15 quadrillion (US\$169.7 billion), according to the General Statistics Office (GSO). This growth was driven by improvements in consumption, production, and tourism.

Retail sales of goods alone contributed nearly VND3,200 trillion, accounting for 77.1% of total revenue. Key categories experienced significant growth, with food and foodstuffs increasing by 10.2%, household appliances by 10.1%, garments by 8.7%, and vehicles by 4%. Provinces such as Quang Ninh (up 10.6%), Hai Phong (up 9.3%), and Ho Chi Minh City (up 6.8%) saw substantial gains in retail revenue. Accommodation and catering services experienced a 14.3% rise, while tourism revenue jumped by 26.2% during this period, with international arrivals increasing by 45.8% year-on-year.

The GSO's report highlights the need for the Ministry of Industry and Trade to expedite legal revisions to further develop the domestic market. Market monitoring will continue to ensure stable prices and sufficient supply of essential goods as the year progresses.

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Japanese investors are expanding real estate portfolio

In the first eight months of 2024, Vietnam's real estate sector attracted over \$2.4 billion in newly registered foreign investment, a significant increase—more than five times higher than the same period last year. This accounts for nearly 20% of the total \$12 billion in newly registered capital.

According to the General Statistics Office, as of August 31, the total FDI in Vietnam reached \$20.52 billion, an 8% increase year-on-year. Nearly \$12 billion came from 2,247 newly licensed projects, marking an 8.5% rise in project numbers and a 27% increase in capital compared to 2023.

FDI in real estate, including newly registered and adjusted capital, hit \$2.55 billion, 3.7 times higher than the previous year, representing 14.4% of the total. Capital contributions and share purchases by foreign investors in real estate reached \$812 million, accounting for 29% of investments.

Savills Vietnam highlighted three major real estate deals in Q2, including Kim Oanh Group's \$1 billion partnership with Japanese firms for a 50-hectare residential project in Binh Duong. Another key deal was Tripod Technology Group's acquisition of an 18-hectare industrial land plot in Ba Ria-Vung Tau for \$250 million. Nishi Nippon Railroad also acquired 25% of Paragon Dai Phuoc in Dong Nai for \$26 million.

Despite global challenges, Vietnam's positive FDI and infrastructure investment trends remain strong. VIR

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