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VIETNAM BUSINESS REVIEW

Vol 37, Sep 25, 2024

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Foreign institutional investors can now buy shares without having sufficient funds upfront

Vietnam's stock market is set to move closer to achieving "emerging" market status following a significant regulatory change. Under Circular No. 68, issued by the Ministry of Finance on September 18, foreign institutional investors (FIIs) can now purchase shares without needing sufficient funds at the time of order placement. This amendment, effective from November 2, aligns with the criteria set by FTSE Russell for upgrading Vietnam's stock market from "frontier" to "secondary emerging" status.

Article 9a of the circular specifically allows FIIs to trade shares without requiring pre-funded accounts, marking a significant step towards modernizing and liberalizing Vietnam's capital markets. By easing restrictions, this move is expected to attract more foreign capital and accelerate the process of market classification improvement.

The new circular also addresses securities transactions, clearing and settlement procedures, and the operations of securities companies. It requires securities companies to evaluate the payment risks associated with FIIs before determining the required funds for stock purchases. If an FII is unable to complete payment for a transaction, the responsibility for the shortfall will fall on the securities company where the order was placed, as specified by the regulations.

This regulatory update is seen as a crucial step in enhancing the market's appeal to global investors and supporting Vietnam's broader financial market development goals. It reflects ongoing efforts to improve transparency, increase liquidity, and ultimately elevate the country's market classification to boost investor confidence. vneconomy

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Vietnam’s logistics transformation helps boost exports to EU

A forum on seizing opportunities from the Vietnam-EU Free Trade Agreement (EVFTA) and changes in the logistics industry to support Vietnam’s exports to the European Union (EU) was held in Ho Chi Minh City on September 23. The event, organized by the European-American Market Department under the Ministry of Industry and Trade, highlighted the positive impact of the EVFTA on bilateral trade.

Nguyen Thao Hien, Vice General Director of the Department, noted that 2024 marks the fourth year of the EVFTA's implementation. Despite global challenges like the COVID-19 pandemic and geopolitical conflicts, the agreement has facilitated robust growth in Vietnam-EU trade relations. In the first eight months of 2024, bilateral trade reached nearly $45 billion, a 15.8% increase year-on-year. Vietnam's exports to the EU amounted to $34.1 billion, reflecting a 17.4% rise.

Hien acknowledged that, while the EVFTA has boosted trade, Vietnamese businesses face challenges such as unpredictable market conditions, fragile EU consumer demand recovery, and political instability. Additionally, the EU's increasing emphasis on green supply chains, including sustainable production and transportation, presents further hurdles.

Chandler So, CEO of GEODIS Vietnam, emphasized that Vietnam's participation in FTAs like the EVFTA and CPTPP has accelerated its growth as a manufacturing hub. Trade diversification due to the pandemic and trade wars has also bolstered the logistics sector. Senior maritime economist Carlos Zepeda highlighted Vietnam's role as a key exporter to Europe, especially in high-tech goods, and predicted that container trade between Vietnam and Europe could double by 2050.

Tran Ngoc Quan, Vietnamese Trade Counselor in the EU and Belgium, pointed out the importance of addressing the EU's Carbon Border Adjustment Mechanism (CBAM) and maritime emissions regulations, which could raise logistics costs. Vietnam remains a critical trading partner for the EU, exporting phones, electronics, footwear, machinery, and textiles. VNA

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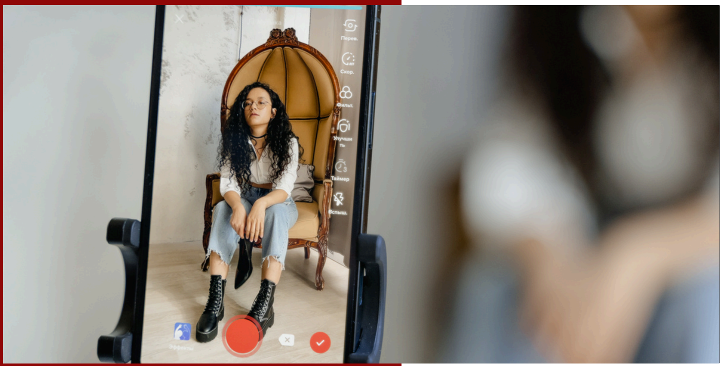

TikTok Shop becoming central to the Vietnamese online shopping experience

Social commerce is rapidly transforming the way people shop in Vietnam, with platforms like Facebook and TikTok Shop becoming central to the online shopping experience. Once primarily used for communication, social media platforms now serve as key channels for both sellers and buyers. In rural areas, where traditional e-commerce platforms are less dominant, Facebook has emerged as the preferred platform for online shopping.

Vietnam has seen a sharp increase in social media usage, with a significant portion of internet users turning to platforms like Facebook to discover products. Businesses have responded by leveraging social media for advertising and integrating their e-commerce operations with these platforms to enhance customer engagement. Facebook currently leads in social commerce, but TikTok Shop is quickly gaining traction, capturing 20% of the e-commerce market share in the first half of 2023. TikTok Shop’s success can be attributed to its innovative "shoppertainment" approach, which combines live-streaming, interactive product demonstrations, and influencer endorsements to create a unique shopping experience.

Influencer marketing has also become a critical part of social commerce in Vietnam. With nearly 80% of internet users following influencers, many Vietnamese consumers have purchased products promoted by their favorite online personalities. This trend, combined with the popularity of live-stream shopping, has made commercial livestreams one of the most viewed types of content in the country. The ability to view products in real time and access promotional deals makes live-streaming a powerful sales tool.

As social commerce continues to grow, Vietnam’s vibrant market is expected to become a major player in Southeast Asia. Statista

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Vietnam is advancing its renewable energy initiatives to achieve net-zero emissions by 2050

Vietnam is advancing its renewable energy initiatives as part of its broader strategy to achieve net-zero emissions by 2050, with a focus on leveraging green hydrogen. A recent milestone in this journey is the signing of a Memorandum of Understanding (MoU) on September 17 between HDF Energy, a global leader in hydrogen technology, and Quang Ngai's Department of Industry and Trade.

This partnership aims to explore renewable energy and green hydrogen opportunities in Quang Ngai province, incorporating HDF Energy's advanced hydrogen power plant technologies. These plants will contribute clean energy to the national grid and power key industrial facilities, such as oil refineries and steel manufacturing plants. The initiative aligns with the province's vision for sustainable development, particularly in remote and island areas.

At the MoU signing ceremony, Vo Van Ran, director of Quang Ngai's Department of Industry and Trade, highlighted the province's vast potential for renewable energy and its commitment to green hydrogen as a priority for future development. Ran expressed optimism about partnering with investors and technology developers like HDF Energy to advance hydrogen projects in the region.

Mathieu Geze, HDF Energy's regional director for Asia, also emphasized the significance of this partnership, describing it as a crucial step toward realizing Quang Ngai's green energy strategy and promoting innovation in hydrogen energy production.

This collaboration fits into Vietnam's national hydrogen development strategy, which seeks to promote green hydrogen across various sectors and attract investment for hydrogen production and export. The government is planning to create supportive legal frameworks, regulate approvals for offshore wind projects, and introduce policies to stimulate further investment in renewable energy and hydrogen-based initiatives.

Vietnam's commitment to green hydrogen reflects its determination to diversify energy sources and become a key player in the global clean energy transition.

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Vietnam is set to launch a series of trade promotion to bolster the domestic market

As 2024 progresses, Vietnam is set to launch a series of trade promotion and consumer demand stimulation programs to bolster the domestic market. According to the Ministry of Industry and Trade (MoIT), domestic consumption and production, along with the strong growth in tourism, have positively impacted the trade and service sectors since the start of the year.

In August, total retail sales of goods and services reached VND526.6 trillion (US$21.35 billion), marking a 7.9% year-on-year increase. Key sectors like food, household appliances, garments, and travel services all saw solid growth, with the overall retail value rising by 8.5% in the first eight months of the year.

However, challenges remain. The impact of Typhoon Yagi is expected to create price pressures on the domestic goods market, particularly affecting crops and livestock. Economist Vu Vinh Phu highlighted the uneven infrastructure development and the need for better connections within the supply chain, especially for essential goods. Additionally, issues like smuggling, trade fraud, and counterfeit goods continue to disrupt the market, particularly in e-commerce.

In response, the MoIT has proposed Directive No. 29/CT-TTg to the Prime Minister, focusing on removing obstacles to business operations and stimulating consumer demand. As part of these efforts, numerous trade promotion activities are planned from now until the end of the year, particularly in key areas like Hanoi and Ho Chi Minh City. These programs are aimed at supporting growth, stabilizing the economy, and ensuring a stable supply of goods. VNA

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Investment law revisions to increase decentralization

The Ministry of Planning and Investment (MPI) of Vietnam is preparing draft amendments to four key investment-related laws—planning, investment, public-private partnerships (PPP), and bidding. These changes aim to streamline procedures, increase decentralisation, and address current obstacles in business operations and investment projects. The draft is open for feedback from the business community before being submitted to the National Assembly in October.

Key revisions include granting provincial people's committees more authority in approving funding policies, establishing investment support funds, and adjusting procedures for terminating ventures. The Law on Planning will be revised to strengthen the national planning system while reducing overlap between different planning levels.

The PPP law will expand the scope of public-private collaboration, refine financial mechanisms, and decentralise state management for projects. Additionally, the Law on Bidding will simplify regulations to speed up bidding processes and add new provisions for special contractor selection.

Local governments have supported these changes, particularly the separation of site clearance compensation into independent projects to accelerate progress. This approach is expected to remove barriers for important national and smaller-scale projects alike.

National Assembly members stressed the need for timely but carefully crafted amendments, ensuring that these changes effectively resolve existing challenges while avoiding unintended consequences. VIR

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