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Vietnam targets development of regional and international financial centers

Vietnam is laying the groundwork to establish itself as a global financial hub, leveraging its economic growth and strategic development plans, Prime Minister Pham Minh Chinh announced on January 4.

At the launch of the government's resolution on developing regional and international financial centres in Ho Chi Minh City, PM Chinh highlighted Vietnam's robust economic performance. With an annual GDP growth rate of approximately 7%, the economy is expected to reach \$470 billion in 2024.

The country also achieved a record \$810 billion in total trade turnover, securing a \$24 billion trade surplus. Additionally, state budget revenue hit \$79.2 billion, reflecting a 19.1% increase from 2023. Foreign direct investment (FDI) inflows of \$40 billion further positioned Vietnam among the top 15 global destinations for foreign capital.

Vietnam's stock market also saw significant growth, with capitalization reaching \$284.6 billion, a 21.2% rise compared to the previous year.

Vietnam is focusing on structural reforms and leveraging new growth drivers, including digital, green, circular, and knowledge-based economies. The government aims to complete 3,000 km of expressways by 2025, launch critical railway projects, and mobilize both direct and indirect investments to fuel growth.

Minister of Planning and Investment Nguyen Chi Dung emphasized that global markets need new financial centres to cater to niche markets and complement existing hubs. Vietnam's emerging financial centres in Ho Chi Minh City and Danang are well-positioned to meet these demands with favorable legal frameworks and competitive policies.

The Politburo's Notice 47-TB/TW, issued in November 2024, officially approved plans to establish Ho Chi Minh City as a comprehensive international financial centre and Danang as a regional financial hub.

To support these ambitions, 49 specific tasks and solutions have been assigned to 12 ministries and local authorities. These include creating legal frameworks, incentives, and infrastructure to attract global investors. Vietnam's strategic vision for financial centres aligns with its broader economic integration efforts, supported by 17 free trade agreements (FTAs) with over 65 major economies, reinforcing its role as a rising player in the global financial landscape. VNS

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The logistics industry in Vietnam is optimistic about its growth prospects in 2025

The logistics industry in Vietnam is optimistic about its growth prospects in 2025. A survey by Vietnam Report JSC revealed that 42% of companies expect a more positive business outlook, driven by internal improvements, supportive government policies, and a global surge in international trade.

Economists believe 2025, the final year of Vietnam's 2021-2025 socio-economic development plan, will mark significant transformation in the logistics sector. Businesses are capitalizing on global supply chain shifts, increasing investments, and integrating advanced technologies to bolster the industry's critical role in the economy.

Key government actions include administrative reforms, particularly in customs and specialized inspections, reducing procedural time and legal costs. Strategic ports like Lach Huyen in Hai Phong and Cai Mep-Thi Vai in Ba Ria-Vung Tau are being upgraded, enhancing maritime transport. Moreover, technology adoption, such as artificial intelligence (AI), blockchain, and supply chain management systems, has been strongly encouraged, boosting productivity and efficiency.

This period is pivotal for implementing the national action plan to improve logistics competitiveness by 2025 and preparing for the 2025-2035 development strategy, with a vision toward 2050. These initiatives aim to position logistics as a spearhead service sector, enhancing Vietnam's global competitiveness.

Additionally, the government is expediting transport infrastructure projects and promoting trade and investment to leverage Free Trade Agreements (FTAs). Such measures stimulate high-tech logistics centers and modern supply chains, strengthening domestic and international logistics services.

Business leaders, like Nguyen Thi Hoa of Goldtrans Transport, remain optimistic, setting ambitious growth targets, such as 20% in 2025. Experts emphasize adopting digital transformation, ESG standards, and sustainable practices as critical strategies for long-term growth in the logistics sector. VNS

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Vietnam ranked among the top 10 fastest-growing e-commerce markets globally

Vietnam's e-commerce market is not only a platform for businesses to boost revenue but also a gateway to integrate deeply into global supply chains. In 2024, Vietnam ranked among the top 10 fastest-growing e-commerce markets globally, with a value of \$25 billion, a 20% increase from 2023. E-commerce now represents 9% of Vietnam's total retail sales and contributes significantly to the digital economy.

The rapid growth of e-commerce, nearly three times faster than traditional trade, positions Southeast Asia as the world's most dynamic region for digital commerce. In Vietnam, e-commerce drives the digital economy and accelerates digital transformation, offering vast opportunities for micro, small, and medium-sized enterprises (MSMEs). By 2028, Vietnam's B2C e-commerce exports are estimated to reach \$5.8 billion, with MSMEs contributing 25%.

However, challenges persist. Cross-border e-commerce management remains problematic, with foreign platforms entering Vietnam without proper registration, leading to unfair competition and price dumping. Additionally, the regulatory framework for booming trends like livestream selling and the rise of counterfeit goods remains underdeveloped.

To ensure sustainable growth, Vietnam plans to strengthen regulations, enhance cross-border commerce management, and promote green and sustainable practices. Artificial intelligence (AI) will play a key role in improving e-commerce oversight. Policymakers aim to ensure inclusive development, address disputes, protect consumers, and foster innovation.

The Ministry of Industry and Trade intends to draft a comprehensive e-commerce law by 2025, aiming to create a robust legal foundation for a sustainable and thriving digital market. VNS



Vietnam's LNG power projects may face significant

Vietnam's LNG power projects are facing significant hurdles, including bureaucratic delays, financing difficulties, and unresolved issues with power purchase agreements (PPAs). These obstacles are slowing progress in developing a sector deemed crucial for national energy security.

Under Decision 500/QĐ-TTg, LNG power is expected to supply 83 billion kWh and account for 14.9% of total power capacity by 2030. However, progress has been hampered by delays in investment approvals, land clearance, and infrastructure development in provinces like Thanh Hoa, Nghe An, and Ninh Thuan.

According to La Hong Ky from the State Steering Committee Office for Energy Projects, financing remains a major concern. Most LNG projects, except for Nhon Trach 3 and 4, depend entirely on PPAs to secure funding. Yet, none have finalized agreements with EVN due to disputes over energy quantities, gas pricing mechanisms, and contract guarantees.

Foreign investors also demand additional assurances, including currency conversion and payment guarantees, as well as protections against delays in transmission infrastructure. These legal and financial uncertainties have increased project costs and timelines.

Nguyen Duc Tung from the Institute for Strategic Research and Industrial Policy emphasized the need to revise regulations within Vietnam's Investment Law, Bidding Law, Construction Law, Environmental Law, and Planning Law. Simplified processes and clearer policies are essential to streamline project approvals and attract foreign investment.

Tung also suggested a dual strategy—combining domestic gas exploration with LNG imports—to ensure stable fuel supplies. Developing new gas fields can reduce reliance on imports while maximizing domestic resources.

Over time, Vietnam should assess the feasibility of domestic LNG production facilities if technological and financial conditions allow. Additionally, integrating LNG pricing into electricity pricing in PPAs is critical to making these investments viable.

Vietnam has identified 13 LNG power projects as critical infrastructure approved by the Prime Minister. To meet its 2030 targets, Vietnam must establish stronger mechanisms to synchronize investments, secure financing, and reduce regulatory bottlenecks.

With targeted reforms and strategic planning, LNG power development can become a pillar of Vietnam's energy security and economic growth.

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The Consumer Price Index increased by 3.63% in 2024

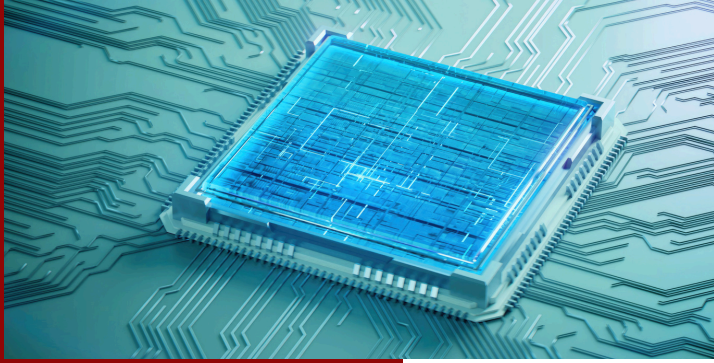
Vietnam's economy in 2024 demonstrated stability and growth across key sectors. The Consumer Price Index (CPI) increased by 3.63% year-on-year, achieving the National Assembly's target. Core inflation, excluding volatile items like food and energy, rose modestly by 2.71%.

Among 11 major goods and services categories in the CPI, five saw price hikes. Food and food services grew by 4.03%, contributing 1.35 percentage points to CPI growth, while housing, utilities, and construction materials saw the highest rise at 5.2%. Electricity tariffs surged by 7.68%, influenced by rising demand and tariff adjustments, adding 0.25 percentage point to CPI. Healthcare and education costs rose by 7.16% and 5.37%, respectively, reflecting policy changes.

Industrial growth was robust, with the Index of Industrial Production (IIP) increasing by 8.4%. Manufacturing led the way with 9.6% growth, followed by electricity production at 9.5% and water supply at 10.7%. Mining output, however, contracted by 6.5%, slightly dampening industrial momentum.

Retail sales and consumer service revenue reached \$261.6 billion, a 9% increase from 2023, or 5.9% adjusted for inflation. Vietnam's trade terms improved, with export prices outpacing imports, bolstered by strong performances in rubber, seafood, and agriculture. Tourism rebounded strongly, with 17.6 million international arrivals, up 39.5% from 2023, nearing pre-pandemic levels. Outbound trips by Vietnamese residents also increased by 5.5% to 5.3 million, highlighting the recovery in travel activities.

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The Vietnamese government to attract investment in semiconductor and AI

The Vietnamese government has unveiled significant financial incentives to attract investment in semiconductor and artificial intelligence (AI) research and development (R&D). Under Decree 182, businesses engaged in these sectors can receive up to 50% support for initial investment costs through the newly established Investment Support Fund. This fund, managed by the Ministry of Planning and Investment, aims to mobilize state and legal resources to promote innovation and high-tech development.

To qualify, businesses must be free of tax or budget-related debts and demonstrate the potential to enhance Vietnam's innovation ecosystem. Eligible R&D projects must focus on groundbreaking technologies and align with the government's list of prioritised high-tech industries. A minimum investment of VNĐ3 trillion (approximately \$117.78 million), with at least VNĐ1 trillion disbursed within three years, is required.

In addition to semiconductor and AI initiatives, other high-tech enterprises can access general support for training, R&D, advanced technology adoption, and infrastructure development. This comprehensive approach aims to attract diverse tech players and drive Vietnam's high-tech industry forward.

The decree addresses Vietnam's previous struggles to secure major investments due to regulatory gaps. For example, LG paused a planned \$5 billion electronic manufacturing project, highlighting the need for clear support measures. The new incentives are a strategic move to position Vietnam as a competitive destination for high-tech investments globally.

This policy shift signifies Vietnam's commitment to fostering a robust high-tech ecosystem, paving the way for sustained economic growth. VNS

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