THE INSIDER'S GUIDE TO BUSINESS AND LIFESTYLE

# VIETNAM ECONOMIC TIMES

A PUBLICATION OF VIETNAM ECONOMIC ASSOCIATION

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Issue 396 | Monday | March 17, 2025


## The Smart Revolution

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CEO of Aden Vietnam

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# LETTER FROM THE CHAIRMAN OF THE EDITORIAL BOARD

***Dear readers,***

To achieve the overall target of turning Vietnam into an upper middle-income country by 2030 and then a high-income country by 2045, when it celebrates the 100th anniversary of the Communist Party of Vietnam and the Democratic Republic of Vietnam (now the Socialist Republic of Vietnam), respectively, as set by the 13th National Party Congress, Vietnam has officially adjusted its 2025 economic growth rate from 6.5-7 per cent to 8 per cent or higher, to create momentum for annual double-digit growth in the subsequent five years.

In order to see such an ambitious target achieved in 2025, the growth of all economic sectors and industries, especially those that are traditional drivers of growth, such as exports, social investment, and domestic consumption, must be correspondingly higher. Export value, for example, must rise by at least 12 per cent and the overall trade surplus must be in the order of $30 billion. The private sector, meanwhile, has to record growth of 11 per cent or more.

None of these targets are easy to achieve in the context of Vietnam facing a host of obstacles and challenges internally and externally, including unpredictable changes in the global geopolitical and economic landscapes, possible trade wars between powerful economies, and trade protectionism taking hold.

In other words, Vietnam is now under major pressure to achieve its growth target.

To deal with this pressure, it must be fully aware of the risks, difficulties, obstacles, and challenges as well as the opportunities it is facing.

It is therefore necessary to identify all of the issues that lie ahead for Vietnam on the path to its growth target, in order to avoid or overcome them and create the best possible conditions for socio-economic development.

Our Cover Story in this edition provides in-depth risk assessments of Vietnam's economy while forecasting opportunities the country should capitalize on to achieve its growth target of 8 per cent or higher. Comments and analysis from experts and business insiders further clarify and evaluate the risks and opportunities related to existing policies and measures for economic growth, including the macro-economic stabilization policy, plans for restructuring the State apparatus, efforts to make breakthroughs in institutional reform and streamline administrative procedures, encouragement for social investment, and diversification of export markets, among many others.

We hope our up-to-date information will help readers gain a better understanding of Vietnam's challenges and opportunities in its efforts to boost socio-economic development not only for today but also for tomorrow.

ARTWORK BY PHAM DANG TAN

Warmest regards

**Dr. CHU VAN LAM**
**CHAIRMAN OF THE EDITORIAL BOARD**

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## COVER STORY

Vietnam's leadership has nominated a host of significant economic targets it believes are necessary for the country to grow over the course of the next decade. Such targets include 8 per cent GDP growth this year and annual double-digit for at least the next ten years. Though optimism remains both here and abroad that the country can successfully meet its goals, the ever-changing global economic landscape is marked by looming trade disputes and disruptions as well as escalating political tensions that may well dampen Vietnam's grand plans. Of particular concern is its increasingly open economy, which leave it vulnerable to global headwinds even in stable times. Solutions and strategies have been forthcoming, especially regarding the power of technology the potential of the private sector, but fluctuating circumstances may present Vietnam's leadership with a number of unpalatable options as the country navigates the path towards its ambitious growth targets.



"Compared to other countries in the region, Vietnamese entrepreneurs are highly intelligent, dynamic, and quick to adapt." (p. 22)

**Mr. Le Chi Phuc**
CEO of SGI Capital

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# UP FOR DISCUSSION

A number of draft laws on tax matters recently went before the National Assembly Standing Committee for consideration and comment.

NGUYEN TUYEN

During its 43rd session on March 10 and 11, the National Assembly (NA) Standing Committee gave opinions on five draft laws, including the amended Law on Product and Goods Quality, the amended Law on Railways, the Law on Personal Data Protection, the Law on State of Emergency, and the Law on Participation in United Nations Peace-keeping Forces.

The Standing Committee also gave opinions on explaining, accepting, and revising three draft laws, including the amended Law on Special Consumption Tax (SCT), the amended Law on Corporate Income Tax, and the Law on Management and Investment of State Capital in Enterprises. These revisions are expected to play a crucial role in shaping tax policies that align with Vietnam's ambitious goal of achieving double-digit economic growth in the years to come.

## Aligning with growth targets

The proposed amendments to the Law on Corporate Income Tax have drawn significant attention, given their potential impact on businesses, the investment climate, and overall economic development. Recognized as highly-complex legislation, it directly affects the corporate sector, production, and the broader socio-economic landscape.

A recent report summarizing key feedback and revisions highlights several areas of consensus between the reviewing and drafting agencies. They agreed to incorporate recommendations from NA deputies on key issues, such as taxable entities, tax exempt income, tax assessment periods, deductible expenses, and tax rules for foreign organizations without a presence in Vietnam.

One of the most debated aspects of the amendment is a proposed provision that would allow real estate businesses to offset profits from property transactions (including project transfers) against losses from other business activities.

This has sparked concerns that such a mechanism could be exploited, enabling companies to minimize their tax obligations on real estate transactions by deliberately offsetting them with losses from unrelated business activities, some of which may be short-lived ventures registered solely for this purpose.

The NA's Economic and Financial Committee has cautioned that such a provision could significantly reduce corporate income tax revenue from the real estate sector in the years ahead. To prevent potential loopholes and policy abuse, the committee has called for a thorough risk assessment.

During the discussions, Mr. Hoang Thanh Tung, Chairman of the Legal and Judicial Committee, emphasized that the draft law prioritizes corporate income tax incentives over other tax laws. He urged a comprehensive review of Vietnam's existing legal framework to ensure consistency and clarity in tax policies.

NA Vice Chairman Nguyen Khac Dinh stressed the need for a holistic approach to tax reform. He pointed out that the current draft does not yet account for Vietnam's economic growth targets of at least 8 per cent in 2025 and double-digit growth in subsequent years, as set by the Party Central Committee and the NA. He called for a reassessment to ensure tax policies effectively support these development goals.

NA Chairman Tran Thanh Man called for close collaboration between the Economic and Financial Committee and the drafting agency to conduct a comprehensive impact assessment, particularly regarding State budget revenue. "Tax policies must strike a balance - driving economic growth, maintaining macro-economic stability, controlling inflation, and ensuring social security," he emphasized. "A thriving business sector is the backbone of national progress, and any tax reform must carefully consider its impact on State revenue. The goal is to sustain revenue streams, enforce fair and effective tax collection, avoid excessive taxation, and prevent tax evasion through policy loopholes."

## Reassessing excise tax policies

The NA is currently reviewing proposed amendments to the Law on SCT, with Chairman Man emphasizing the significance of these revisions, which have drawn widespread attention from the business community. He stressed that the amendment process must be thorough and well-founded, ensuring effective management while promoting economic growth.

As discussions continue on tax rates for tobacco, alcohol, sugary beverages, pickup trucks, and hybrid vehicles, the Chairman called on the Ministry of Finance and relevant agencies to engage further with ministries, the Vietnam Chamber of Commerce and Industry (VCCI), and business associations. He urged them to gather more data to support the proposed tax adjustments, with findings to be presented at the next NA session. He also requested a detailed assessment of how these tax adjustments would impact production volumes, pricing, and the proportion of tax within retail prices. Additionally, he emphasized the need for concrete evidence on how tax policies would affect consumption, ensuring a data-driven and well-substantiated report for the NA.

Speaking on the broader taxation strategy, he highlighted the importance of balancing public health protection with economic development. Tax policies, he noted, should not hinder normal business operations but instead align with international practices while remaining suitable for Vietnam's economic conditions.

Several NA deputies expressed opposition to maintaining an excise tax on fuel and air conditioners with a capacity below 90,000 BTU. Many argued that these products are no longer considered luxury items but essential household necessities. Standing Vice Chairwoman of the Committee on Petitions and Oversight Le Thi Nga pointed out that applying an excise tax to these goods contradicts the tax's original purpose, which is to target luxury products. She added that concerns over this issue had been raised multiple times in discussions but had yet to be adequately addressed.

Chairman of the Legal and Judicial Committee Hoang Thanh Tung also supported the removal of an excise tax on fuel and air conditioners. He noted that fuel is already subject to various taxes, including environmental protection tax, value added tax (VAT), and import tax, making an additional excise tax redundant. Regarding air conditioners, he pointed out that most households now own one or two units, making it unreasonable to continue taxing them as luxury goods. He called for a careful reassessment of the tax policy to reflect the changing nature of these products in modern households.

In a related development, the NA Standing Committee unanimously approved a government proposal to reduce land rental fees by 30 per cent for 2024, extending the policy implemented in 2023. This move is expected to have minimal impact on State budget revenue while providing significant support for businesses as they recover and expand operations. It is also seen as a key initiative in Vietnam's broader economic strategy, aiming for at least 8 per cent growth in 2025 and double-digit growth in the following years. ■

# RIGHTS & RESPONSIBILITIES

The National Assembly has asked for further review of a draft Law on Personal Data Protection aimed at ensuring individuals' data is protected in an increasingly digital world.

**NHI ANH**

The draft Law on Personal Data Protection put before the National Assembly (NA) is intended to strengthen Vietnam's legal framework by providing a solid foundation for safeguarding personal data while aligning with international and regional standards. It also aims to empower organizations and individuals with better data protection capabilities and ensure the responsible use of personal data in driving socio-economic growth.

The NA Standing Committee reviewed and provided feedback on the draft law on March 11. Comprising seven chapters and 69 articles, it outlines clear regulations on personal data protection and defines the responsibilities of agencies, organizations, and individuals involved in handling such data.

A key highlight is the standardization of terminology and the introduction of essential concepts, including personal data, personal data protection, and distinctions between basic personal data, sensitive personal data, and non-personal data. It also clarifies personal data anonymization, specifies the full range of data processing activities, and defines the roles of different stakeholders in ensuring data security.

## Critical resource

The draft Law on Personal Data Protection lays the foundation for safeguarding personal data by establishing clear principles, defining the rights and responsibilities of data subjects, and setting strict conditions for organizations handling personal data. It applies to businesses offering data processing services, personal data protection providers, data security specialists, credit rating services focused on data protection, and certification bodies assessing data protection capabilities.

Beyond legal definitions, the draft also strengthens regulations on protecting both basic and sensitive personal data, ensuring effective enforcement, designating specialized agencies for data security oversight, and launching a national portal dedicated to personal data protection. It also addresses the financial resources necessary to uphold these protections.

According to a government report, the law is designed to align with the 2013 Constitution, transforming Party and State policies into an actionable legal instrument. It recognizes personal data as a critical national asset; one that must be safeguarded and responsibly utilized to drive economic and social progress while protecting human rights, citizen rights, and national security.

Reviewing the draft, Mr. Le Tan Toi, Chairman of the NA Committee on National Defense, Security, and Foreign Affairs, underscored its urgency. He emphasized that it will act as a shield against data breaches, reinforce accountability across organizations and individuals, and create a unified legal foundation for enforcement.

"The introduction of the law is a strategic move and fully aligned with the Party's vision for national digital transformation, digital economic growth, and the development of a digital society," he affirmed. "It meets the demands of global integration and sets the stage for Vietnam's ascent in the 'New era - The era of the nation's rise'."

## Key recommendations

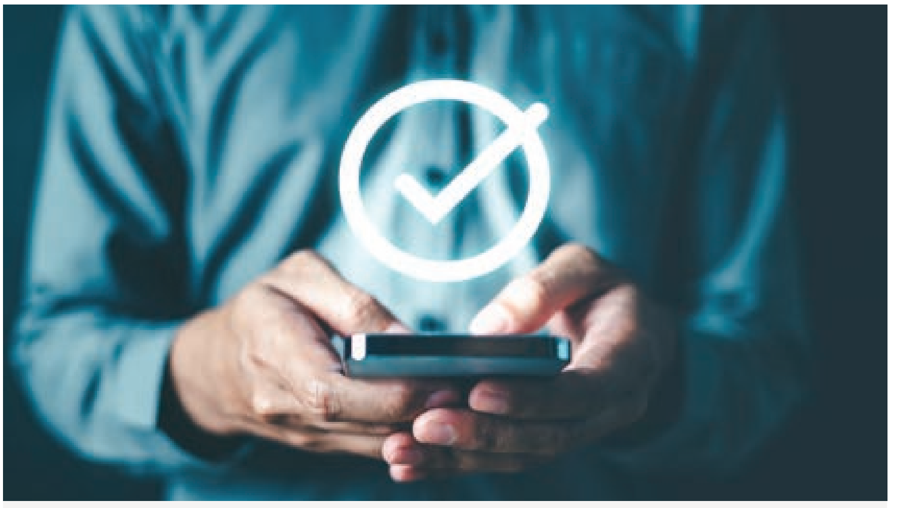
The Standing Committee of the NA Committee on National Defense, Security, and Foreign Affairs has sought further refinements to the draft to ensure it remains concise, practical, and aligned with the legislature's jurisdiction. For emerging and rapidly-evolving issues, the Committee recommended setting broad legal principles, while allowing the government and relevant ministries to handle specific regulations. This approach will ensure flexibility in policy implementation and adaptability to real-world developments. Additionally, there is a strong emphasis on simplifying administrative procedures, reducing compliance costs, and eliminating unnecessary barriers to investment and business operations, creating a more favorable environment for citizens and businesses.

One crucial aspect of the discussion was clarifying how personal data is defined under the law compared to related regulations in other legal documents. Lawmakers agreed on the urgent need to enact the legislation, recognizing its role in driving Vietnam's digital transformation, strengthening the digital economy, and fostering a modern digital society. The law is also considered a key factor in international integration, reinforcing Vietnam's position on the global stage.

During the discussions, NA Chairman Tran Thanh Man stressed the importance of further refining the draft, focusing on core issues within the legislature's authority. He reiterated the necessity of cutting red tape, eliminating excessive administrative procedures, and minimizing costs for businesses. Echoing this sentiment, NA Vice Chairman Tran Quang Phuong affirmed that the Standing Committee largely agrees on the need for the law and many of its key provisions. However, to create a more comprehensive legal framework, the drafting team has been urged to strengthen the legal and political foundations of the law, ensuring clarity on its direct impact on personal data protection. There is also a call for a thorough impact assessment, particularly regarding budget implications, compliance costs, and the outcomes of two years implementing Government Decree No. 13/2023/ND-CP on personal data protection.

To ensure consistency and compatibility, the draft must be reviewed alongside existing legal documents and international treaties to which Vietnam is a signatory. Additionally, clearer definitions and guidelines on prohibited acts, data encryption and decryption, and cross-border data transfers should be provided. The committee has also emphasized that regulations concerning conditional business activities related to personal data protection must strike a balance, ensuring robust data security while avoiding unnecessary restrictions that could hinder business operations. The law must align with major legal frameworks such as the Criminal Code and Civil Code to maintain legal coherence.

Looking ahead, the drafting team has been tasked with finalizing the bill in close collaboration with relevant agencies, with the goal of presenting a refined version for review at the NA's ninth session, on May 20-29. Efforts will also be made to raise public awareness and build consensus among citizens and businesses, ensuring smooth implementation once the law is enacted. ■



### Effective use and protection of personal data for socioeconomic development

On February 6, 2025, the Ministry of Justice convened an appraisal session to review the draft Law on Personal Data Protection.

Speaking at the session, a representative from the Ministry of Public Security highlighted ongoing challenges in personal data protection. Many organizations and businesses currently collect excessive personal data, beyond what is necessary for their industries, products, and services. In many cases, data collection lacks a legal basis, failing to comply with regulations. Additionally, businesses often do not have a clear understanding of how personal data is processed, how it is used, for what purposes, who it is shared with, and its broader implications.

A significant issue is the absence of user consent in data collection and processing. Many entities gather and use personal data without the explicit approval of the data subjects. In some cases, individuals are unaware that their data has been collected, making it impossible to retroactively seek their consent. Even when companies attempt to obtain permission afterwards, individuals frequently refuse, questioning why these companies have access to their personal information in the first place.

This situation underscores a critical gap in ensuring fundamental citizen rights regarding personal data. Many individuals remain unaware of how to protect their data, file complaints, or seek legal recourse when their rights are violated. They also lack the necessary knowledge to demand compensation for damages resulting from unlawful data use.

The primary reasons behind such challenges include the absence of explicit legal recognition of citizens' rights over their personal data, limited public awareness, and an underdeveloped enforcement mechanism to uphold these rights.

Establishing the Law on Personal Data Protection is therefore essential to completing Vietnam's legal framework on data security. The law will provide a clear legal foundation for safeguarding personal data, strengthening the capabilities of organizations and individuals in data protection, and aligning domestic standards with international and regional best practices. Moreover, the legislation aims to promote the lawful and responsible use of personal data to support sustainable economic and social development.

# PRIORITIES FOR PROGRESS

2025 will witness a host of macro-economic developments as Vietnam aims to boost its GDP growth and meet other economic indicators.

PHAN THANH HA

Vietnam's economy is expected to see major shifts in 2025. At an extraordinary session in February, the National Assembly (NA) approved an updated economic and social development plan, significantly raising the 2025 growth target to at least 8 per cent; far exceeding the previously approved 6.5-7 per cent goal. The projected average consumer price index (CPI) growth was also adjusted upwards, to 4.5-5 per cent, compared to the earlier target of 4.5 per cent.

Vietnam marks the 50th anniversary of reunification this year, setting the stage for its economic growth ahead of the 14th National Party Congress in early 2026.

## Seeking ambitious targets

Global financial institutions have taken note of Vietnam's economic momentum. The World Bank now forecasts GDP growth of 6.8 per cent for 2025 and 6.5 per cent for 2026. The Asian Development Bank (ADB) projects 6.6 per cent this year, while the International Monetary Fund (IMF) anticipates a 6.1 per cent expansion. These projections reflect growing confidence in Vietnam's ability to sustain strong economic performance amid global uncertainties.

Over the past decade, maintaining macro-economic stability, featuring low inflation and interest rates, a stable exchange rate, a healthy financial system, and sustainable public debt, has always been a top priority, serving as the foundation for economic development. The CPI has typically remained below 4 per cent. However, 2025 presents a formidable challenge, as the government sets an ambitious growth target exceeding 8 per cent, while acknowledging that macro-economic stability may need to be sacrificed in pursuit of this goal, driven by the unwavering resolve to achieve it at any cost.

The pressing question is: what strategies can propel such a high growth rate? In the long run, the key lies in boosting overall workplace productivity through technological advancements and enhancing investment efficiency, particularly in education and training. This will be crucial in building a professional public sector capable of executing policies effectively and developing a leadership team with strong oversight and guidance capabilities - something for which no clear selection mechanism currently exists.

The push for a technology-driven economy is beginning to take shape. In March, the Ministry of Finance (MoF) and the State Bank of Vietnam (SBV) were tasked with presenting a regulatory framework for managing digital assets and cryptocurrencies to the government. The MoF is also preparing a pilot resolution to govern activities related to digital assets and tokenized assets. The establishment of a digital currency exchange at a financial hub could unlock opportunities for Vietnam to develop its digital asset market and accelerate the digital economy, positioning the country as a regional and global center for digital assets.

However, this transition is far from straightforward and comes with significant risks. Digital assets and cryptocurrencies exhibit extreme volatility, often surpassing that of stock markets. Cross-border transactions are seamless, often anonymous, posing challenges for regulatory oversight, including anti-money laundering and counter-terrorism financing efforts. Moreover, recognizing cryptocurrencies not issued by the State could have profound implications for monetary policy.

In the short term, hopes for high growth are largely pinned on bank credit as a vital funding channel. The initial credit growth target for 2025 is set at approximately 16 per cent, up 0.92 percentage points from 2024, with potential adjustments to 18-20 per cent, equating to VND2,500-3,000 trillion ($100-120 billion), or significantly higher than the 12-14 per cent growth seen in recent years. Fiscal policy is expected to play a complementary role, through taxes, fees, revenue enhancements, and expenditure optimization, with the budget deficit revised upwards by the NA to 4-4.5 per cent of GDP.

Public investment will continue to serve as a growth driver, with total societal investment projected at no less than $174 billion. Public investment alone is expected to reach VND875 trillion ($36 billion), exceeding the initial 2025 allocation by VND84.3 trillion ($3.37 billion). Private investment is estimated at $96 billion, FDI at $28 billion, and other investments at $14 billion.

Several critical infrastructure projects are slated for completion in 2025, including Terminal 3 at Ho Chi Minh City's Tan Son Nhat International Airport, expansions to the T2 International Terminal at Hanoi's Noi Bai International Airport, and the breaking of ground for metro lines in the two cities, along with the development of Lien Chieu Port in central Da Nang city. The Lao Cai - Hanoi - Hai Phong railway project is also being considered, to be funded through a 10 per cent reduction in recurrent expenditures and increased 2024 budget revenue.

The decision to raise the budget deficit to 1.5-times the perceived sustainable level (3 per cent) raises concerns about inflationary pressure, particularly as administrative restructuring requires substantial financial resources, not just severance payments for early retirees. Initial estimates for ministry and agency mergers alone stood at VND160 trillion ($6.4 billion). As administrative reforms expand, eliminating district-level governance and merging provinces and communes on a large scale, funding sources remain unclear.

One notable shift, however, is the evolving perspective on the role of the private sector at the highest levels of leadership. A new Party resolution on private sector development is in the works, and is expected to be submitted to the Politburo shortly. This resolution acknowledges the private sector as the most crucial driver of economic growth. Key policy changes are anticipated, but the most fundamental principle - "people and businesses should be allowed to do anything not explicitly prohibited by law" - must be upheld from the Party Central Committee to grassroots Party organizations and enshrined in the legal framework, starting with the Constitution.

The private sector currently contributes around 46 per cent of GDP, accounts for approximately 30 per cent of State budget revenue, and employs 85 per cent of the workforce. It plays a crucial role in sustaining Vietnam's socialist-oriented economy by creating jobs and income opportunities. Notably, non-agricultural household businesses make up 33 per cent of GDP, while officially registered private enterprises have remained at around 10 per cent for many years.

However, Vietnam's socialist-oriented market economy has yet to resolve the fundamental relationship between "market mechanisms" and "socialist orientation" in a truly effective manner. Strengthening the market economy lays the foundation for achieving socialist goals such as equitable growth, universal healthcare and education, social trust, and environmental protection. Aligning with commitments under free trade agreements (FTAs) and international standards will be instrumental in addressing this challenge.

A level playing field is vital for market efficiency, yet the pace of equitization and State divestment remains sluggish. State capital should continue to be withdrawn from industries where domestic private enterprises are already capable of providing goods and services, such as food processing, retail, construction, road transport, and steel production. Simultaneously, it is essential to define the sectors where State-owned enterprises (SOEs) must remain to safeguard public interests.

The most critical element of a market economy is price mechanisms, which should be determined by supply and demand as well as competition among businesses and market players. Currently, the focal point of reform is the pricing framework for key resources such as land, capital, energy, and labor.

## Land valuation reforms and market impact

The newly-amended Land Law paves the way for a market-based land valuation mechanism within the framework of State-owned land, ensuring true property rights for economic entities. The removal of the land price framework and the adoption of market-based valuation principles, such as auctions, have driven land prices upwards due to rising costs factored into pricing, and both accumulated investment costs over recent years and future compensation for site clearance have surged.

Some argue that this price increase is only a short-term effect, while in the long run, land prices will be determined by actual market supply and demand. While this scenario is possible, a significant drop in land prices remains uncertain. With limited land supply, prices are likely to stay high relative to household incomes, making land access increasingly difficult for both businesses and individuals without appropriate measures. In Vietnam, housing prices are rising far faster than workers' incomes, while the supply of social housing remains far below expectations and targets.

It is crucial to address the challenges that have stalled certain projects due to unresolved issues. Regulatory agencies, primarily administrative rather than judicial bodies, currently determine sanctions based on violations and their severity. However, in judicial practice, most violations are subject to corresponding penalties rather than indefinite project suspension. Even in the absence of specific regulations, cases can still be resolved based on legal precedents. This is not about legitimizing violations but about ensuring practical enforcement.

A clear stance on the real estate sector is needed: Should it be encouraged to support urban development in line with economic growth and improved living standards, or should it be restricted due to its heavy capital absorption, potential negative impact on other industries, and economic risks?

Both individuals and businesses tend to invest in real estate due to its high returns, with speculation essentially serving as a means of asset value preservation. Implementing a real estate tax may have limited impact. The absence of a property tax, along with Vietnam's globally low transaction tax rates, is not necessarily the driver of speculation. In fact, real estate taxation in Vietnam is not low, and land users must pay substantial land use fees upfront when acquiring land or obtaining land use rights certificates.

Switching to an annual land lease payment model does not provide stability for businesses. Instead, a more effective approach is to diversify and expand investment channels, increasing income-generating opportunities and facilitating business and financial investments, such as savings, stocks (equities and bonds), and other alternatives.

## Capital market development

The credit limit management mechanism for 2025 remains unchanged, despite an expansion in credit growth. The credit ceiling is proactively determined and allocated by State agencies, eliminating the need for commercial banks to apply for approval. The SBV justifies maintaining credit limits due to concerns over overheating growth, systemic safety risks, and inflationary pressure. While the SBV has multiple tools to ensure liquidity and prevent excessive credit expansion, such as reserve requirements and capital adequacy ratios, it is still studying a gradual roadmap for phasing out credit limits.

These regulatory tools allow banks with high capital safety ratios to operate without credit restrictions while compelling those with lower ratios to strengthen their liquidity buffers. However, persistently high interest rates have remained a major challenge for businesses in recent years. The control of interest rates, even for short-term lending, is considered a contributing factor. A deeper issue lies in businesses' reliance on short-term bank loans for investment projects, while Vietnam's credit-to-GDP ratio continues to rise alarmingly, from 123 per cent in 2021 to nearly 125 per cent in 2022 and 132.7 per cent in 2023.

Despite this, the Prime Minister's directive strictly prohibits commercial banks from independently raising interest rates outside of policy guidance, engaging in unfair competition, or distorting market equality. This directive, however, does not fully consider the fundamental differences in capital mobilization between State-owned and private banks, as State-owned banks benefit significantly from deposits from the State Treasury and the Deposit Insurance of Vietnam.

The SBV may further lower policy rates if banking system costs decrease. Since last September, the US Federal Reserve (Fed) has begun cutting interest rates, easing pressure on the VND/USD exchange rate. However, this trend remains uncertain, as US economic policies, particularly increased import tariffs, could fuel inflation.

Long-term capital mobilization for investment projects remains constrained due to an underdeveloped financial market, including both equity and bond markets. The corporate bond market has shrunk by one-third in recent years, though there have been signs of recovery in late 2024 as the Law on Securities tightens issuance conditions. Difficulties in issuing both public and private bonds have forced many businesses back to bank loans, increasing maturity mismatches and liquidity risks for the banking system.

Rather than becoming a primary corporate funding channel, the bond market is evolving into a "playground" for financial institutions, where banks dominate both issuance and purchase activities. Institutional investors such as securities companies, insurance firms, pension funds, and investment funds account for only a small share of the market.

In 2025, Vietnam's stock market is expected to be upgraded from frontier to emerging market status, attracting a surge of foreign capital. Amendments to the Law on Securities will expand the participation of foreign institutional and individual investors in the privately-issued bond market, increasing the SBV's supervisory responsibilities over corporate foreign borrowing within annual government-approved limits.

It is time to further open the capital

and foreign exchange markets. Attracting foreign investment for economic development, including infrastructure, technology startups, and the establishment of international financial centers and free economic zones requires capital market and forex liberalization. This demands rigorous oversight to ensure the stability of financial and monetary markets.

While partnering with FDI enterprises may provide access to cheaper capital, this channel primarily benefits large corporations. The fundamental solution for meeting Vietnam's medium and long-term capital needs remains the development of the stock and bond markets.

A draft decree on the Investment Support Fund has been submitted to the NA Standing Committee but has yet to be issued. The fund's eligibility criteria focus on high-tech and research and development (R&D) enterprises, limiting support to a select group of businesses. Companies failing to meet these criteria may face negative impacts from the Global Minimum Tax (GMT) policy.

Upgrading technology and enhancing R&D capabilities require substantial time and capital. As a result, businesses that do not qualify for support may gradually downsize or exit the Vietnamese market. There is still no consensus on mitigating the impact of the GMT, as the draft Law on Corporate Income Tax continues to propose tax incentives for affected enterprises.

## Electricity: Key infrastructure

The development of transportation, including electric vehicles (EVs) and high-speed rail, requires corresponding investments in the power sector.

The newly-issued electricity pricing mechanism allows for more flexible price adjustments, with changes permitted at least once every three months. However, if electricity tariffs continue to be subsidized and fail to fully account for production and business costs while input costs remain market-driven, Vietnam Electricity (EVN) will lack the resources to invest in power generation and transmission systems.

Currently, electricity pricing prioritizes the interests of industrial producers over those of power suppliers, distributors, and households. It is essential to implement the principle that the average selling price of electricity must be at least equal to or higher than the purchasing price through distribution companies, while also eliminating cross-subsidization, particularly between household consumers and businesses.

ASEAN countries are working towards establishing a regional electricity market, with cross-border power connections via submarine cables to meet growing energy demand, while pursuing greenhouse gas reduction targets. The ongoing conflict in Ukraine provides critical lessons on energy security.

The Vietnamese Government has committed to long-term climate goals, including net-zero emissions by 2050. However, according to the United Nations Development Programme, Vietnam allocates less than 1 per cent of GDP to climate adaptation, excluding the need to enhance forecasting and disaster warning capabilities.

Achieving net-zero emissions will require significant investments in electricity storage, as renewable energy sources like solar and wind are entirely dependent on nature. Except for biomass energy, other renewable sources cannot be practically utilized without a stable baseload power supply. Recognizing this, the NA has approved a policy to restart nuclear power projects, to diversify Vietnam's energy mix.

## Domestic market and personal income tax

In recent years, Vietnam's economic growth has been primarily driven by investment capital and exports. As a result, policies have largely focused on investment and exports rather than final consumption.

Final consumption accounts for the largest share of GDP utilization but has often been constrained due to concerns that it reduces savings, thereby limiting investment and growth. Consequently, monetary policy has restricted consumer credit, while fiscal policy has imposed high personal income taxes.

The Covid-19 pandemic underscored the crucial role of final consumption. Despite the government's efforts to stimulate production, people had no income due to lockdowns and travel restrictions, leading to reduced spending. As a result, many growth-promoting initiatives yielded limited outcomes. Reducing indirect taxes, such as value added tax, was necessary but did not significantly boost consumption, as inflation persisted and households remained cautious with their expenditure.

Currently, international market conditions are less favorable for growth due to geopolitical tensions. This necessitates a reassessment of growth drivers and adjustments in economic development strategies. Policies, including monetary and fiscal measures, should strike a better balance between production incentives and consumption stimulation. Urgent revisions to personal income tax regulations are needed to increase disposable income and purchasing power. Only then can production-boosting measures be effective, ensuring goods and services are consumed rather than stockpiled.

Reducing the actual Personal Income Tax rate (to not exceed the Corporate Income Tax rate of 10-20 per cent) will not necessarily decrease State revenue. Similar to past tariff reductions, economic expansion can significantly increase tax revenues over time.

In summary, 2025 will bring profound socio-economic transformation. The adjustment of the 2025 GDP growth target to over 8 per cent aims to fulfill the 13th Party Congress's goal of making Vietnam a high-income country by 2045. This ambitious growth target, however, presents challenges to macro-economic stability. If not achieved, it could complicate future economic management, especially as the administrative system undergoes significant downsizing in 2025, dismantling old mechanisms while new ones remain in pilot phases.

Administrative streamlining is essential to simplify burdensome procedures that hinder businesses and society while mitigating adverse impacts. The opportunity for success through a new growth model remains, but it requires expertise and professionalism, beyond just political will and administrative directives. ■

# Spearhead of development

Though now recognized as a key component of Vietnam's economy, domestic private enterprises still have much to do on their own part to reach their full potential.

By **Associate Professor Nguyen Hong Son ***

Since the launch of the "Doi Moi" (Economic Reform) policy in 1986, the Communist Party of Vietnam's perspective on the private sector has undergone a remarkable transformation, shifting from non-recognition to cautious acceptance and ultimately to recognizing it as a vital engine of economic growth and sustainable development.

## Unleashing the power

Vietnam's private sector has grown alongside Doi Moi, becoming a driving force in the nation's socio-economic development. As of 2024, nearly 900,000 private enterprises were in operation, with major players like Vingroup, Masan, Sun Group, Vietjet Air, and Thaco shaping the business landscape.

With over 5 million individual business households, the private sector now accounts for approximately 50.4 per cent of GDP and around 30 per cent of State budget revenue, and provides jobs for about 85 per cent of the workforce. Beyond economic contributions, it has played a crucial role in poverty reduction and closing development gaps between regions and between urban and rural areas.

However, despite these achievements, the private sector still faces significant challenges. First, many businesses lack the motivation to scale up, with some choosing to remain small or selling to foreign investors rather than pursuing long-term growth. Second, limited internal capacity, particularly among small and medium-sized enterprises (SMEs), continues to be a roadblock. Third, both businesses and policymakers have yet to establish a clear long-term development strategy, leading to fragmented growth and missed opportunities. Fourth, the sector still operates in silos, with weak connections between private enterprises, between the private sector and FDI enterprises, and between the private sector and State-owned enterprises (SOEs), making it difficult to integrate with national development strategies. Finally, while support mechanisms and policies exist, their effectiveness remains limited, preventing businesses from fully leveraging government initiatives.

Those challenges have resulted in low efficiency, poor competitiveness, and limited international integration. Many businesses struggle not only to expand beyond Vietnam's borders but also to compete effectively in their home market. Innovation capacity remains underdeveloped, further limiting the sector's potential.

With rapid global changes reshaping economies, Vietnam can no longer afford to delay addressing these issues. Now is the time to unlock the full potential of the private sector and drive the country towards its strategic development goals for 2030 and 2045. During a working session on March 7, Party General Secretary To Lam emphasized the urgent need for bold, revolutionary solutions that not only tackle immediate challenges but also lay the groundwork for long-term, sustainable, and dynamic growth. These solutions must be implemented in a comprehensive, coordinated manner to ensure the private sector becomes a true engine of Vietnam's future prosperity.

## Six key solutions

To drive breakthrough, sustainable growth in Vietnam's private sector, six key solutions must be implemented.

First, renewing perspectives and building a strong consensus on the role and position of the private sector in Vietnam's socialist-oriented market economy is essential. Creating a breakthrough in improving the business and investment environment is critical.

Only when mindsets evolve and perceptions align can effective policies and mechanisms be developed to foster private sector growth. Vietnam must reaffirm that the private sector is an indispensable component of its socialist-oriented market economy, playing a vital role in driving economic growth. Alongside SOEs and the collective economy, the private sector forms the backbone of an independent, self-reliant economy, capable of spearheading development and propelling the country past the middle-income trap towards prosperity by 2030 and 2045. The private sector should enjoy equal development opportunities alongside other economic sectors.

However, removing restrictions alone is not enough. A more significant transformation is needed, one that creates a breakthrough in improving the business and investment environment. This requires a revolution in transparency, digitization, intelligence, and automation, leveraging information technology (IT), AI, and big data to eliminate inconsistencies in legal frameworks, simplify and enhance transparency in administrative procedures, reduce business costs and compliance burdens, reform inspection mechanisms to avoid redundancy, and establish continuous consultation and dialogue mechanisms to resolve bottlenecks. These measures will inspire confidence, ambition, and decisive action within the private sector as Vietnam enters a "New era - The era of the nation's rise".

Second, developing and effectively implementing a comprehensive strategy for private sector growth is crucial.

Vietnam currently lacks a dedicated private sector development strategy. Creating one will ensure that the sector's expansion aligns with the country's overall economic strategy, supporting national targets for 2030 and 2045. A well-defined strategy will maximize the potential of different enterprise groups within the private sector, fostering connectivity between them as well as with SOEs and FDI enterprises, ultimately strengthening Vietnam's economic foundation.

The strategy should set concrete targets, including the private sector's contribution to GDP, job creation, tax revenue, workplace productivity, integration into global value chains, and innovation capabilities. It must also define the distinct roles of different business segments, from large enterprises leading in innovation and international market penetration to medium-sized enterprises strengthening their market positions, small businesses and household enterprises driving employment, and startups serving as incubators for new ideas, business models, and products. Additionally, the strategy must outline priority sectors for State support and detail mechanisms and policies tailored to each business group, ensuring a dynamic and resilient private sector that propels Vietnam towards its long-term economic ambitions.

Third, design effective mechanisms and policies tailored to different groups within the private sector. Segmenting beneficiaries ensures policies align with their roles and characteristics, maximizing their potential.

Fourth, establish policies linking the private sector with national development strategies, fostering connections among private enterprises, SOEs, and FDI enterprises. Strengthening these links enhances domestic business capacity, reduces import dependency, increases localization, promotes innovation and technology transfer, and boosts global value chain integration.

To achieve this, a "three-way ecosystem" between private enterprises, the State, and FDI should be developed to ensure collective growth through: (i) Building a national innovation ecosystem that connects private businesses and FDI with research and development (R&D) centers, universities, research institutes, and venture capital funds to foster product development, technological innovation, and digital and green transformation; (ii) Establishing integrated industrial parks, high-tech parks, and innovation hubs, following models like "Vietnam's Silicon Valley", where large, medium, and small enterprises, startups, and FDI enterprises interact, bridging research, production, business, and policy-making; (iii) Implementing localization policies by mandating local content ratios in strategic sectors (for example, automotive, electronics, and high-tech), supporting domestic companies in meeting FDI supply chain standards.

To enhance collaboration between private enterprises: (i) Strengthen industry associations and business clubs, develop digital platforms for networking, information sharing, and supply chain integration; (ii) Establish industry clusters and value chains, encouraging large enterprises to lead local supply networks and support SMEs and household businesses, particularly in supporting industries, agribusiness, IT, and creative industries.

To connect the private sector with the State sector: (i) Establish direct dialogue channels between private businesses and government agencies, ensuring timely resolution of business concerns; (ii) Promote public-private partnerships (PPPs) in infrastructure, healthcare, education, and environmental projects; (iii) Prioritize domestic private enterprises in public investment, digital transformation, and technology innovation programs; (iv) Improve access to national development funds (for example, technology innovation funds, SME development funds, and credit guarantee funds).

To integrate private businesses with FDI: (i) Develop supply chain links, particularly in supporting industries, manufacturing, and high-tech sectors, and encourage FDI enterprises to transfer technology, train workers, and enhance local supplier capabilities; (ii) Establish centers to connect and advise local companies on global supply chain participation and industrial promotion hubs in key economic zones; (iii) Offer investment incentives to FDI enterprises committed to technology transfer and local procurement, requiring large FDI projects to include domestic supply chain development plans.

Fifth, develop modern, integrated infrastructure to support business activities. These include transport networks (high-speed rail, urban railways, and logistics hubs), international-standard ports, free trade zones, and national and open-access databases for business operations.

Sixth, strengthen the leadership of the Party, State management, and business associations in supporting, protecting, and promoting business links. The Politburo is set to issue a new resolution on private sector development, with the government working alongside the Central Policy and Strategy Committee to formulate actionable and breakthrough solutions, similar to Resolution No. 57-NQ/TW on science, technology, innovation, and digital transformation. ■

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# Escalating uncertainties

International organizations have noted what lies ahead as Vietnam works to reach ambitious growth targets set for 2025 and beyond.

PHUONG NHI

The World Bank (WB)'s March edition of its Taking Stock report forecasts Vietnam's real GDP growth at 6.8 per cent this year and 6.5 per cent next year. The main uncertainties in its growth outlook stem from slower-than-expected global growth and trade disruptions, particularly among Vietnam's major trading partners.

"Vietnam is projected to maintain robust economic growth over the next two years, but it can use its fiscal space to better prepare for heightened uncertainties," said Ms. Mariam J. Sherman, World Bank Director for Vietnam, Cambodia, and Lao PDR. "Growth-enhancing public investment, especially in urban, transport, and energy infrastructure, will be critical, provided authorities can scale this up and ensure that spending is efficient."

## Indicators slowing down

Vietnam's trade activities in 2025 are expected to slow, with a potential decline to follow in 2026. Exports are projected to grow 12.1 per cent this year, while imports are forecast to rise by 12.7 per cent. While still representing handsome growth, this short-term slowdown in trade is primarily attributed to weakening demand from Vietnam's two largest trading partners, China and the US, along with global trade uncertainties amid potential adjustments in trade policies.

Regarding inflation, the WB cautions that while inflation remains below the target, Vietnam should continue to exercise prudence. Stabilized food prices have helped keep inflation under control in 2024, with projections indicating it will remain at 3.5 per cent in 2025-2026, under the government's limit of 4.5-5 per cent this year. Notably, despite ongoing conflict in Ukraine and the Middle East, crude oil prices are expected to fall further, contributing to inflation control.

Foreign investment and trade will continue to be key drivers of Vietnam's economic growth over the next two years. FDI inflows are expected to remain stable in the short to medium term, supported by strong interest from international investors. With sustained FDI attraction, the WB forecasts that disbursed FDI in Vietnam could reach $25 billion in 2025. Despite the slowdown in several economic indicators this year, Vietnam remains one of the fastest-growing and most-dynamic economies in Southeast Asia, according to Mr. Andrea Coppola, WB Lead Economist for Vietnam. "The government's ambitious target of 8 per cent GDP growth in 2025 is entirely achievable, provided that global economic conditions remain favorable, policy support is robust, and Vietnam strengthens cooperation with its key trading partners," he emphasized.

**Selected economic indicators, Vietnam 2021–2026**

| Indicator | 2021 | 2022 | 2023 | 2024e | 2025f | 2026f |
|---|---|---|---|---|---|---|
| GDP growth (%) | 2.6 | 8.0 | 5.0 | 7.1 | 6.8 | 6.5 |
| Growth of expenditure components | | | | | | |
| Private consumption | 2.0 | 7.8 | 3.5 | 6.6 | 7.1 | 7.3 |
| Public consumption | 4.7 | 3.6 | 4.9 | 4.5 | 4.5 | 4.4 |
| Investment | 3.7 | 5.8 | 4.1 | 7.3 | 8.4 | 8.1 |
| Exports | 13.9 | 4.9 | -2.5 | 15.5 | 12.1 | 5.5 |
| Imports | 15.8 | 2.2 | -4.3 | 16.1 | 12.7 | 6.3 |
| Consumer Price Index (average, %) | 1.8 | 3.1 | 3.3 | 3.5 | 3.5 | 3.5 |
| Current account balance (% of GDP) | -2.2 | 0.3 | 6.1 | 1.9 | 1.8 | 1.7 |
| Fiscal balance (*) (% of GDP) | -1.4 | 0.7 | -2.4 | 1.8 | -1.4 | -1.0 |
| Public & publicly guaranteed debt (**) (% of GDP) | 42.5 | 37.1 | 36.0 | 35.6 | 34.2 | 32.4 |

Notes: * - excluding unallocated expenditures and following Government Finance Statistics (GFS); ** - calculated based on the approved fiscal plan for 2025 and three-year fiscal plan for 2025-2027.
Source: GSO, MoF, SBV, IMF, and WB calculations.

## Reservations rising

While Vietnam's economic outlook remains positive, the WB warns that the country will face three escalating uncertainties in 2025 and beyond.

First, trade-distorting policies implemented by some Southeast Asian countries, such as higher tariffs and measures that increase production costs in Vietnam, have been in place since 2015 and are continuing to rise. These policies not only affect the business environment but also pose risks to Vietnam's GDP growth both this year and in the long term.

Second, the global economy may grow at a slower-than-expected pace, particularly in Vietnam's key trading partners such as the US, China, and the EU. Shifts in trade policies, coupled with deepening fractures in international trade relations, could negatively impact Vietnam's exports, especially in the manufacturing and processing sectors. This would not only affect industrial output but also challenge the country's overall growth trajectory.

Finally, the recovery of the domestic economy, particularly the real estate sector, remains sluggish. Though the number of real estate projects have shown signs of improvement since late 2024, the pace of recovery has yet to reach pre-pandemic levels. This will impact market sentiment, affect investment flows, and create certain pressure on economic stability in the time to come.

Additionally, Mr. Coppola noted that while Vietnam's economy is expected to continue its rapid growth this year, there are significant issues to monitor. The most concerning is weakening external demand, with one of the clearest indicators being the slowdown in export growth. In the first two months of 2024, Vietnam's export turnover saw a nearly 20 per cent increase year-on-year, but this pace slowed considerably in the same period this year, falling to just 8 per cent.

Weaker demand is also reflected in Vietnam's Manufacturing Purchasing Managers' Index (PMI). "The PMI in January stood at 48.9, down from 49.8 in December," Mr. Coppola added. "Though it edged up slightly in February, to 49.2, it remains below the 50-point threshold."

## Appropriate policies

According to a report from AFA Capital, in order for Vietnam to achieve its targeted GDP growth of 8 per cent this year, investment activities, both public and private, must be accelerated compared to 2024 to spur economic momentum. Specifically, total public investment must reach VND875 trillion ($35 billion), a 28 per cent increase from 2024, while private investment needs to hit VND2,300 trillion ($92 billion), up 7.7 per cent, and FDI $28 billion, up 9.4 per cent.

At the same time, other key economic indicators must be maintained, such as domestic consumption growth exceeding 12 per cent and net exports rising 12 per cent. These factors will help strengthen Vietnam's foundation for sustainable growth throughout the year.

To realize these targets and meet the projected GDP growth rate for 2025, AFA Capital's report outlined several critical policies that Vietnam must implement. These include promoting public investment and credit growth, streamlining administrative procedures through a "one-stop" mechanism, encouraging private sector investment, improving the legal framework, optimizing the administrative apparatus, accelerating major projects, and enhancing coordination between central and local governments through specialized conferences.

Further analyzing policy directions, the WB also emphasized the need for Vietnam to improve the efficiency of fiscal policies, accelerate public investment disbursement, and focus on both the scale and quality of public investments. In particular, the country should prioritize sectors that have a significant impact on economic productivity, such as transport infrastructure, energy, and human resources development.

Lastly, controlling inflation is considered a crucial factor. According to Mr. Coppola, in addition to targeting 8 per cent GDP growth in 2025, Vietnam also aims for double-digit growth in subsequent years. Closely monitoring inflation trends and implementing appropriate measures to maximize the economy's potential are therefore essential. ■

# Tackling constraints

Vietnam needs to fully address the shortcomings in its economy as it pursues higher growth, with the Party General Secretary calling for a new, groundbreaking resolution on private sector development.

**KHANH VY**

The year 2025 is a critical turning point in Vietnam's five-year socio-economic development plan (2021-2025). It is the year to accelerate momentum, pushing for over 8 per cent growth, as set by the government, while laying the groundwork for sustained expansion in the years ahead. While reaching 8 per cent growth in 2025 and double digits in subsequent years is undeniably challenging, it is entirely achievable with bold institutional reforms that create a more open and dynamic environment for private sector growth.

## Removing outdated regulations

Dr. Nguyen Dinh Cung, former Director of the Central Institute for Economic Management (CIEM), underscored the need for a shift in mindset and decisive action across all levels, from central to local leadership and businesses alike, to unlock breakthroughs in economic growth. "Vietnam's GDP growth has historically slowed after each ten-year economic cycle," he remarked. "Without game-changing solutions, this trend will continue in the years to come. Maintaining growth in today's environment is already a formidable challenge, let alone hitting double digits."

Despite the challenges, Dr. Cung nonetheless believes that achieving 8 per cent growth in 2025 and double-digit growth in the following years is entirely feasible. Vietnam still has room for expansion and can effectively resolve bottlenecks and remove barriers to development. The key breakthrough solution, he asserted, lies in addressing institutional constraints. "In recent years, many regulations have driven up compliance costs for businesses, limited their opportunities, and hindered growth," he explained. "Streamlining the administrative system, focusing more on human capital, and improving policy implementation at this stage reflect a fundamental shift in national governance thinking."

Mr. Dang Huy Dong, former Deputy Minister of Planning and Investment, emphasized that Vietnam's regulatory framework has played a crucial role in driving economic growth over the years, but these regulations were originally designed for a centrally-planned economy and have been gradually adjusted to fit the country's integration process. As a result, they are no longer suitable for the country's current stage of development. "What is needed now is to redefine and redesign the regulatory system to align with the new economic context," he emphasized.

Citing current investment-related regulations, Mr. Dong pointed out that Vietnam only provides a list of projects calling for investment, rather than presenting pre-feasibility studies with clearly defined implementation mechanisms, as practiced in other countries. This approach has extended some project approval timelines to 5-7 years, inadvertently causing major investment opportunities to be lost and slowing the country's economic growth. "Trillions of VND in State capital remain undisbursed, and trillions more in household savings are unable to flow into the economy," he noted. "If even a fraction of these funds were directed into development investment, Vietnam's growth would see a significant boost."

He added that simple procedural changes could resolve many bottlenecks, ensuring smoother economic circulation. For instance, implementing mechanisms to channel investment into transit-oriented development (TOD) projects surrounding railway infrastructure could serve as an effective solution to funding key transportation projects in the near future.

## Digital and green drivers

Assuming the economy continues on its current trajectory, Mr. Dong expects Vietnam's economic growth to hover around 6-7 per cent each year in the time to come. However, with institutional reform and a revamped investment environment, growth could reach 8-9 per cent. "And by adding two key drivers - digital transformation and green transformation - Vietnam has the potential to achieve double-digit growth in the years ahead," he believes.

From another perspective, Dr. Nguyen Bich Lam, former Director General of the General Statistics Office, emphasized that upcoming institutional reform must focus on enabling businesses to operate more efficiently, particularly private enterprises, which are predominantly small and medium-sized. "The private sector plays an increasingly vital role as a key driver of rapid and sustainable economic growth, improving living standards," he stressed.


A report from the Party Central Committee's Commission for Policies and Strategies highlighted the significant progress of Vietnam's private sector in recent years, with it contributing over 50 per cent of GDP, accounting for approximately 30 per cent of State budget revenue, employing around 85 per cent of the workforce, and serving as the primary driver of economic growth.

According to data from the General Statistics Office (now under the Ministry of Finance), as of December 31, 2022, 62.5 per cent of non-State enterprises had fewer than five employees, while 18.6 per cent had between five and nine employees, and 15.3 per cent employed 10-49 workers. Only 0.63 per cent of businesses had 300 or more employees.

Despite their large numbers, most private enterprises are micro and small businesses with weak internal capacity and low competitiveness. Vietnam's support industries remain underdeveloped, and production heavily relies on imported raw materials.

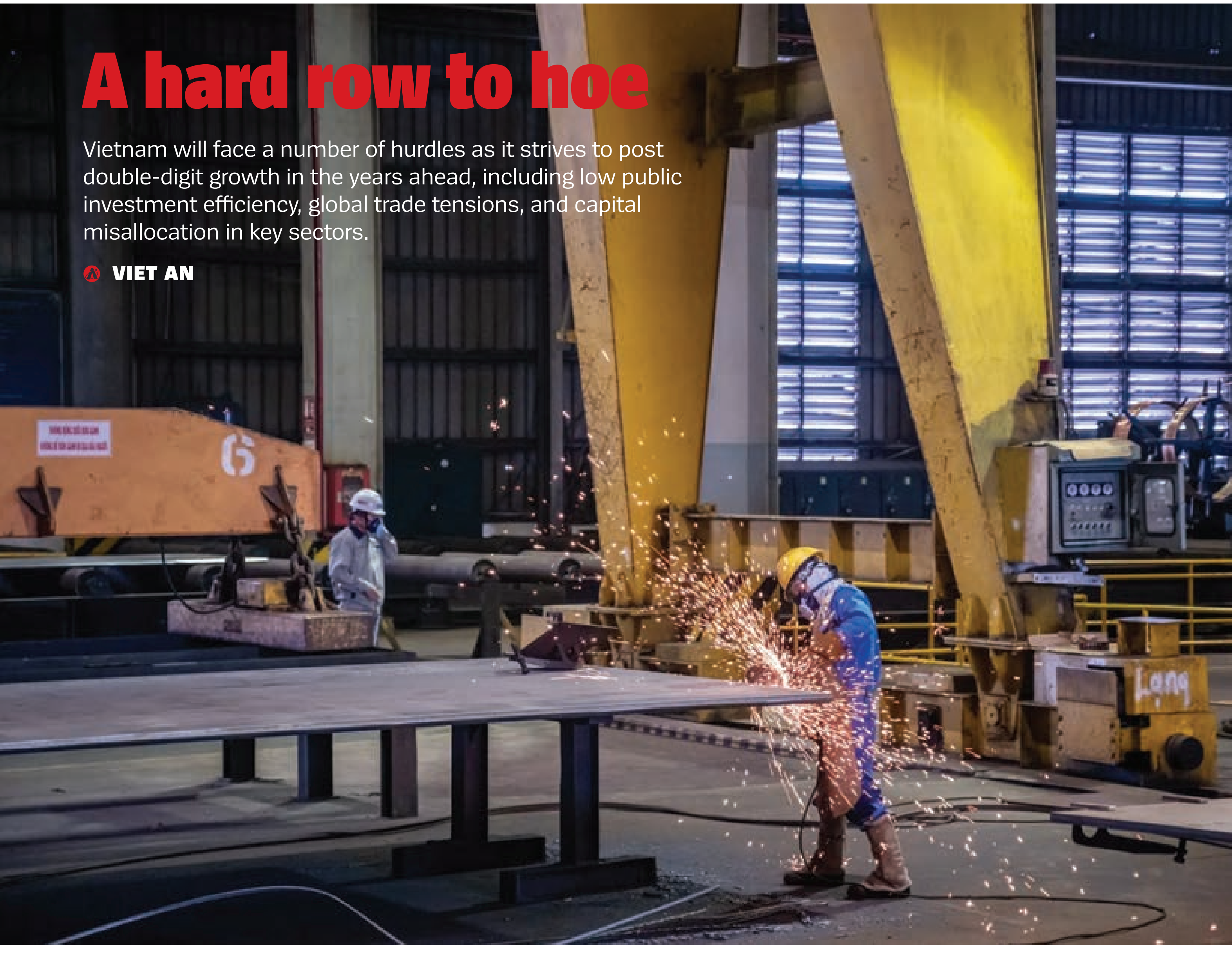
Additionally, technology and production methods in the sector lag behind. Vietnam's manufacturing industry is primarily engaged in assembly; a basic level in the four-tier industrialization scale.

Moreover, the shift towards green growth poses new challenges for the private sector. For example, the EU's green policies impose stricter requirements on Vietnamese exports. To access these markets, private enterprises must ensure product quality and demonstrate that their goods are environmentally-friendly and produced using sustainable processes. "This requires private enterprises to invest in new technologies, establish quality management systems, and enhance transparency in product information," Dr. Lam said. "They must also comply with stricter environmental and social regulations."

## Suggested solutions

At a recent working session with the Party Central Committee's Commission for Policies and Strategies, Party General Secretary To Lam emphasized the urgency of removing barriers and unlocking the full potential of this crucial economic sector. He stressed the need for breakthrough and revolutionary solutions, ones that not only address immediate challenges effectively but also lay the foundation for the long-term, sustainable, and robust growth of Vietnam's private sector.

Accordingly, the Party General Secretary called for the prompt development of a new, groundbreaking resolution on private sector development to be submitted to the Politburo for approval. This resolution should focus on redefining policy approaches and government actions towards the private sector, establishing a clear development strategy, removing bottlenecks to improve the investment and business environment, and formulating and implementing national programs to accelerate private sector growth. ■



# A hard row to hoe

Vietnam will face a number of hurdles as it strives to post double-digit growth in the years ahead, including low public investment efficiency, global trade tensions, and capital misallocation in key sectors.

VIET AN

In order to achieve its ambitious goal of at least 8 per cent economic growth in 2025 and set the stage for double-digit growth in subsequent years, Vietnam must tackle a host of key challenges, from enhancing the efficiency of domestic resources to navigating global economic shifts.

With a strong 7.09 per cent growth rate recorded in 2024, it has outperformed most regional economies. International organizations project this momentum to continue through 2025 and 2026, provided the country seizes opportunities in exports, investment, and structural reforms.

## Limited workforce

Amid the global economic uncertainties, international organizations remain cautious in forecasting Vietnam's growth outlook.

UOB bank has forecast Vietnam's GDP growth at 7 per cent this year and 7.4 per cent next. The feasibility of posting over 10 per cent economic growth in the time ahead has now become a topic of keen interest.

To reach its ambitious target, Vietnam aims to follow the development model of South Korea and Japan from 20-30 years ago, as they are countries with cultural similarities to Vietnam but are decades ahead in economic development. However, unlike the two East Asian countries, Vietnam faces significant challenges in expanding its workforce to sustain domestic economic activities.

Vietnam has already passed the midpoint of its demographic dividend period, with only about 10-15 years left before its population ages and its workforce begins to shrink in number. The country's workforce is currently growing at just 1 per cent or so each year; a rate insufficient to drive strong economic expansion or boost domestic consumption.

In contrast, East Asian economies that recorded remarkable 10-12 per cent growth also maintained stable workforce growth of 3-4 per cent each year for two decades. This steady increase in workforce, combined with rising income levels and consumption, fueled their rapid economic acceleration. Vietnam experienced similar workforce growth between 1995 and 2010 but was unable to fully capitalize on the opportunity for an economic breakthrough.

Beyond the issue of workforce size, Vietnam's workplace productivity remains significantly lower than in major regional and global economies. According to AFA Capital, the country's workforce productivity per hour stands at just $6.40; the lowest among ASEAN's six largest economies. The figure is just over half of

Indonesia's and a mere 10 per cent of Singapore's. Without a substantial increase in workplace productivity, Vietnam will struggle to achieve the economic transformation envisioned by the government.

## Maximizing investment efficiency

Beyond workforce dynamics, experts have also highlighted investment efficiency as a critical factor in determining whether Vietnam can achieve its growth targets. Public investment disbursement in Vietnam remained low last year. According to the Ministry of Finance, cumulative disbursement since the beginning of 2024 to December 31 stood at VND548.57 trillion ($21.94 billion), reaching just 72.9 per cent of the planned VND752.48 trillion ($30.10 billion) and 80.32 per cent of the Prime Minister's allocated target. Many experts argue that, aside from concerns over investment quality, Vietnam's public investment efficiency remains suboptimal.

In addition to public investment, private capital is also considered to be inefficiently allocated. Up to 70 per cent of private sector investment is currently directed towards the real estate market, leading to capital shortages in other key economic sectors.

Moreover, credit growth in recent years has not been particularly strong. At the same time, lending to the real estate sector is rising at double the rate of housing credit growth. This uneven resource allocation poses the risk of higher inflation. When excessive liquidity enters the market without a corresponding rise in material wealth, prices surge, affecting overall market stability. In the long run, an over-concentration of investment in real estate could create an economic bubble, threatening to slow growth across other sectors of Vietnam's economy.

## Global trade tensions

Beyond effectively utilizing its internal resources, Vietnam, a highly export-dependent economy, must also adapt to policy shifts and geopolitical tensions worldwide. After achieving record trade turnover of $786.29 billion in 2024, Vietnam's exports and imports must grow at 12 per cent to meet its GDP growth target for 2025.

Though UOB believes Vietnam can achieve its growth goals, it argues that exports and manufacturing alone will not be sufficient to drive economic expansion. Its economy is highly open, with exports accounting for approximately 90 per cent of GDP in 2024; the second-highest in ASEAN, after Singapore (174 per cent), and ahead of Malaysia (69 per cent). However, this high level of openness also makes Vietnam more vulnerable to global trade disruptions and conflicts, especially as US President Donald Trump focuses on addressing perceived trade imbalances. The US's trade deficit with Vietnam has nearly quadrupled since 2016, reaching $124 billion in 2024.

Additionally, escalating trade disputes between major economies threaten to slow Vietnam's export growth. According to Mr. Tran Nhu Tung, Chairman of the Thanh Cong Textile Garment Investment Trading JSC and Vice Chairman of the Vietnam Textile and Apparel Association (VITAS), though order volumes grew slightly in the opening two months of 2025, the textile and garment industry remains at risk due to global trade volatility. The US is Vietnam's most crucial market, accounting for over 40 per cent of its textile and garment exports. "Tariffs are the biggest concern for Vietnam's textile industry this year," he warned.

During the economic boom of East Asian nations, the world was entering into an era of globalization. Each country took on a role in the global economy, increasing overall workplace efficiency and fueling rapid consumption growth. This era, lasting 40-50 years, enabled countries like Japan, South Korea, and China to achieve remarkable economic leaps forward. However, Vietnam's decision to embark on its own "New era - The era of the nation's rise" comes at a time when globalization is showing signs of reversal, making it more challenging for the country to achieve its growth objectives.

To reach its ambitious target, Vietnam aims to follow the development model of South Korea and Japan from 20-30 years ago, as they are countries with cultural similarities to Vietnam but are decades ahead in economic development.

Solutions for economic breakthroughs

Given the risks, experts have proposed several solutions to help Vietnam achieve high economic growth in the years to come.

The first is to enhance and improve the quality of public investment. According to a recent report from UOB, Vietnam's capital investment rate has remained at around 30 per cent of GDP for at least a decade. Meanwhile, China's total investment consistently exceeded 40 per cent of GDP during this period. This indicates that Vietnam is investing at a lower level than its northern neighbor, suggesting space for increased public investment, especially as the government aims for double-digit growth.

The second solution is to accelerate digital transformation and adopt AI technologies. With a young population exposed to technology from an early age, Vietnam is well-positioned to integrate these advancements across various economic sectors. The application of high technology and AI will enhance productivity, reduce pressure on the workforce, and strengthen Vietnam's competitiveness against major global economies.

The third is to improve institutional frameworks to unlock private sector potential. Experts note that the private sector often operates more efficiently than State-owned enterprises (SOEs). Unlocking this segment of the economy is crucial as Vietnam seeks to sustain high GDP growth and increase its chance of achieving double-digit growth in the years ahead. ■


# Determination for change

Mr. Le Chi Phuc, CEO of SGI Capital, tells Vietnam Economic Times / VnEconomy's Phan Linh how institutional reform can maximize the potential of the private sector and drive sustainable growth opportunities for Vietnam over the next decade.

**■ The private sector is considered one of the key drivers of Vietnam's economic growth. What are your thoughts?**

After decades of observing listed companies, we have seen that those with a high level of State ownership tend to have lower capital efficiency and slower growth rates compared to private enterprises.

State-owned enterprises (SOEs) often hold significant land resources and enjoy monopolistic positions, yet their operational efficiency, cost control, innovation, and ability to seize opportunities are far lower than those of private enterprises. Just over a decade ago, the leading companies in most industries were SOEs. Today, private enterprises have risen to the top in many sectors, demonstrating strong competitiveness not only domestically but also in replacing imports and expanding into global markets.

We frequently compare Vietnamese private enterprises with their counterparts in ASEAN and worldwide. Despite operating in a business environment that is not always favorable and receiving limited policy support, many Vietnamese private enterprises perform remarkably well, posting strong growth rates. In fact, when assessed against various financial efficiency and growth criteria, some even surpass regional standards and are on par with top global corporations in their industries.

Compared to other countries in the region, Vietnamese entrepreneurs are highly intelligent, dynamic, and quick to adapt. Therefore, if the government implements mechanisms to further activate the private sector, Vietnam could achieve even higher growth rates.

**■ Will Vietnam's future growth drivers turn out to be institutional reform, the private sector, and workplace productivity?**

In this new era, we have reason to hope for strong institutional reforms. In just the past few months, we have witnessed a high level of determination for change. Things are progressing rapidly, with groundbreaking policies that have never been considered since Vietnam's economic opening. These include initiatives such as streamlining the government apparatus, digitalizing administrative management, establishing digital asset exchanges, building international financial centers, and developing special economic zones.

This is not just about constructing buildings and central hubs or meeting hard infrastructure needs. More importantly, it is about institutional reform, creating a more open legal framework that facilitates free capital flows, emphasizes technology and high productivity, and offers comprehensive incentives in taxation, fees, and labor policies. If realized, these initiatives could mark a turning point, stimulating domestic investment while attracting additional foreign capital into Vietnam.

In the short term, any major change will have both positive and negative impacts. However, I believe that strong institutional reform will make Vietnam's economy more dynamic and improve capital circulation. The key is to direct capital into areas that enhance productivity and ensure sustainable growth quality.

One important lesson from both Vietnam's past and other countries' experience is that accelerating public investment disbursement while simultaneously easing monetary policy can immediately drive GDP growth. Infrastructure development can also stimulate a vibrant real estate market, attracting speculative capital through debt financing. While this model can sustain high growth for two to three years, it lacks long-term sustainability, as it carries risks of asset bubbles, inflationary pressure, and exchange rate instability. Therefore, the quality of growth matters far more than just the growth figures.

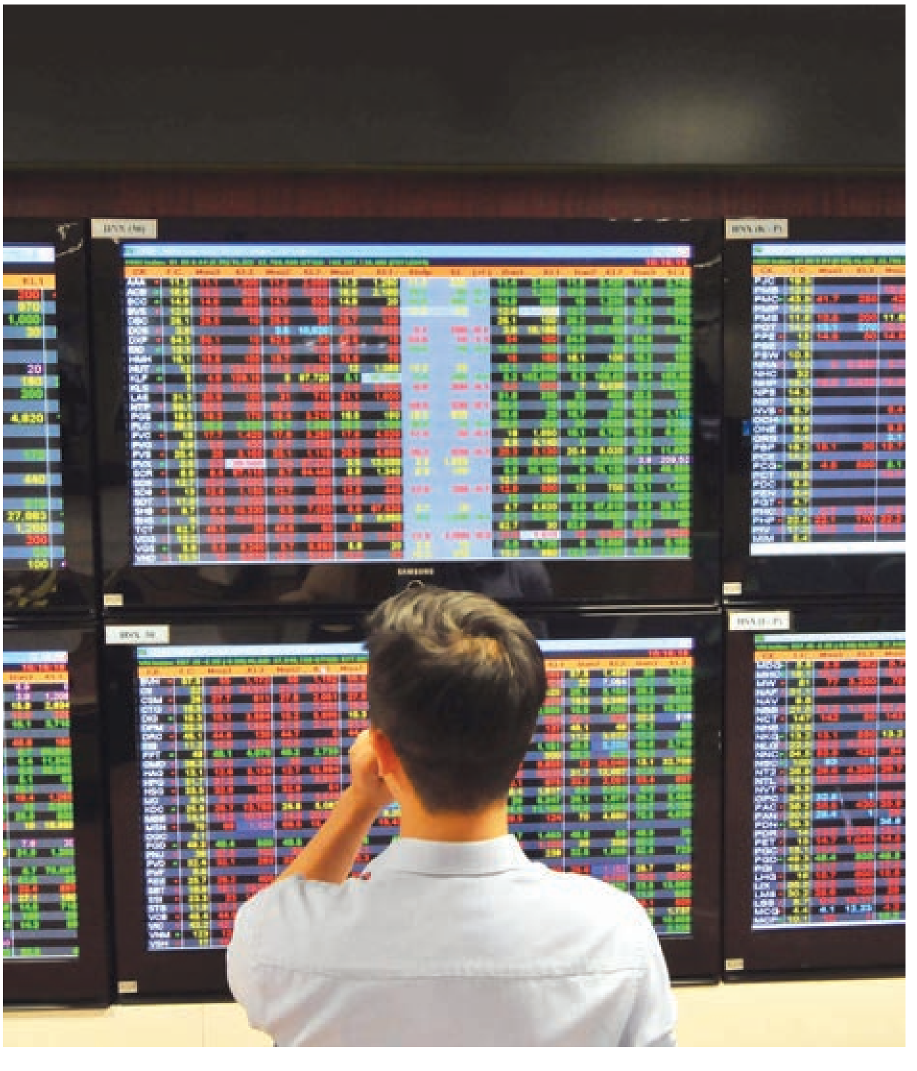
**■ To achieve the government's target of 8 per cent economic growth in 2025, the banking system must supply approximately VND2,500 trillion ($100 billion) in credit to the economy, equivalent to credit growth of 16 per cent. How would you assess the challenges and opportunities that banks will face this year?**

Looking at the banking sectors of countries that have gone through similar economic cycles as Vietnam, such as Thailand, Malaysia, and China 15-20 years ago, credit growth slowed to around 10-12 per cent a year after a period of economic boom.

Credit growth must be in keeping with the economy's absorption capacity, as reflected in the credit-to-GDP ratio. Vietnam's ratio has risen to approximately 140 per cent, and if corporate bonds held by banks were to be included, the figure is even higher. This is a significant number compared to economies of similar size or even those that were ahead of Vietnam by 15-20 years in development terms.

Every 1 per cent GDP growth requires 2 per cent credit growth. With projected credit growth of 16-20 per cent per year in 2025 and beyond, the credit-to-GDP ratio will rise even further. This presents a major challenge for the banking sector in the years to come.

From an investor and market observer's perspective, I believe the banking system has limited room left for credit expansion. Looking back at the period of interest rate cuts during Covid-19, in 2021 and 2022, credit growth was already quite high, at 15-16 per cent. In 2022, banks exhausted their credit limits in the first half of the year. In 2024, banks continued to lend at a rate about 5 per cent higher than deposit growth, preventing improvements in their liquidity and capital adequacy ratios. At the end of 2022, an external interest rate shock led to a sharp exchange rate surge, combined with the corporate bond crisis and the SCB incident, pushing the banking system into a liquidity crisis.



Currently, the global and macro-economic environment remains volatile and full of risks. If banks do not accelerate deposit mobilization and reduce their loan-to-deposit ratio (LDR), they will struggle to maintain liquidity while expanding credit as expected, and they will also be vulnerable to sudden shocks.

However, reducing the LDR is also a challenge for banks, as they must simultaneously maintain low interest rates while global interest rates, especially in the US, remain high. When deposit interest rates are low, bank savings become less attractive to both individuals and businesses. Capital will instead flow into other, more profitable investment channels such as gold, real estate, USD holdings, or even cryptocurrencies.

**■ How would you assess the relationship between credit growth quality and the economy's capacity to absorb capital?**

We have conducted statistical analyses on the borrowing demand of both listed and non-listed enterprises across the manufacturing, trade, and service sectors. The results indicate that corporate borrowing demand has been on a continuous decline over the past 5-7 years.

The main reason is that well-performing publicly-traded companies in manufacturing, trade, and services have scaled up their operations, strengthened their market position, and built strong cash flows. They have also accumulated sufficient equity to reinvest and expand without relying heavily on loans. Furthermore, their growth rates have slowed compared to the high average recorded between 2005 and 2015, leading to a decreased need for financing.

Looking at credit growth data from the banking system, we see that the highest credit expansion has been concentrated in two sectors: consumer lending, and real estate (including mortgages and loans to property developers).

I believe that capital absorption capacity in manufacturing, trade, and services may remain low in the immediate future for two reasons: (1) the global economy has yet to show significant signs of recovery, and trade tensions could disrupt international commerce; and (2) domestic consumption is recovering but at a slow pace, making businesses cautious about investing in production and expansion.

As a result, it is likely that credit will continue to flow into the real estate sector or industries related to infrastructure development. ■


# For transformative growth

Vietnam Economic Times / VnEconomy sought insights from educators and businesses on the need for institutional reforms and a more favorable business environment to help domestic enterprises drive breakthrough growth to ensure the country meets its GDP growth target of 8 per cent or higher in 2025 and double-digit growth beyond.

During the "Doi Moi" (Economic Reform) period, Vietnam's economic growth surpassed 9 per cent in 1995 and 1996 before declining. One critical factor that could drive Vietnam towards double-digit growth is institutional reform, which would unlock the full potential of its private sector.

Relying solely on public investment and FDI could sustain growth at around 8-9 per cent, but surpassing 10 per cent requires unleashing the power of private enterprises.

Exports have long been a key driver of Vietnam's economic expansion. As the economy has grown, several Vietnamese industries, such as textiles and agriculture, have flourished. In 2024, durian exports alone brought in nearly $3 billion, while FPT earned $1 billion annually from software exports. These successes reflect growing confidence in Vietnam's economic potential, and many more opportunities remain untapped.

This confidence was not always present. In 2015, when FPT set a goal of reaching $1 billion in annual export revenue, many within the company doubted whether it was achievable. By the end of 2023, however, that milestone had been reached. Today, $1 billion is no longer considered an ambitious target, and the company is aiming for $5 billion in software export revenue by 2030. This is just one example, and in the years ahead thousands of Vietnamese businesses could generate revenues in the hundreds of millions to billions of dollars.

In the future, Vietnam's trade surplus with the US may no longer be driven mainly by textiles and footwear but by high-tech industries such as software exports. With 2030 approaching, FPT has already committed to its $5 billion export target, and the next generation of entrepreneurs could add tens of billions more to private sector exports.

Achieving such transformative growth requires that businesses evolve. At FPT, we recognized that reaching $5 billion in exports through human labor alone would require 200,000 employees. However, technology has changed the equation, and many companies are adapting to this shift.

AI has advanced rapidly. In this new era, success will depend on individuals who can think creatively and leverage technology

**Mr. Hoang Nam Tien**
Vice Chairman of the University Council at FPT University

for innovation. This presents a unique opportunity for Vietnam's younger generation, those who have grown up with AI and digital tools, to drive breakthrough growth.

AI is a game-changer, offering countries like Vietnam significant advantages. Vietnam's young, tech-savvy workforce is poised to thrive. As digital transformation accelerates and AI becomes more deeply integrated into business and industry, Vietnam is in a prime position to capitalize on this shift. ■

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The year 2024 was a challenging one for private enterprises. However, stepping into 2025, thanks to the economic growth policies set forth by the Party and the government, alongside institutional reform and supportive policies, private enterprises are now presented with significant opportunities for growth.

Large enterprises have long contributed substantially to Vietnam's economic expansion. With their competitive advantages, they can leap ahead and capitalize on strategic, high-growth sectors such as semiconductor technology and software development.

For small and medium-sized enterprises (SMEs), 2025 marks a pivotal year in transformation, particularly in how they approach market expansion. With the rise of the internet and AI, geographical boundaries are becoming increasingly blurred, meaning that businesses must now look beyond the domestic market and seize international opportunities.

To achieve this, companies must focus on effective governance and building a solid business model. Only with a robust management structure, spanning from the Board of Directors and the Executive Board to operational oversight and control, can businesses navigate their path to sustainable growth.

**Mr. Phan Le Thanh Long**
Founder and Director at the AFA Group

With institutional bottlenecks being addressed and the Party and government demonstrating a strong commitment to private sector development, businesses now face both a major opportunity and a turning point. Transparency, public disclosure, and governance quality must be strengthened to align with this new era.

Ultimately, governance plays a critical role in meeting the demands of capital markets, attracting investment, and securing foreign capital. As Vietnam works towards an upgrade in its market classification, governance will be a key trend affecting all enterprises.

Looking at governance reports from 2024 assessing 2023, there remains a gap compared to ASEAN standards. However, the transition year of 2025 is expected to bring significant improvements.

Sustainable development is emerging as a critical criterion for many Vietnamese enterprises. It is now embedded in multiple areas, particularly in credit ratings. Whether raising capital through equity or loans, companies must meet sustainability requirements to access funding.

Moreover, the structure of corporate boards in Vietnam has evolved. Businesses are now placing greater emphasis on governance, yet a key challenge remains: a shortage of qualified personnel, particularly in corporate management. To address this, companies must develop a professional, independent, and specialized governance workforce, moving beyond the past practice of boards and executive teams merely holding capital without actively engaging in management.

As AI continues to advance, businesses can leverage this technology to boost productivity and accelerate decision-making. This is an irreversible trend, and enterprises across all industries must adapt or risk being left behind. When SME owners recognize the opportunities, take bold steps, and invest the necessary resources, they will drive private investment and contribute to GDP growth. ■

**Mr. Nguyen Thanh Ha**
Managing Partner of SBLaw

In 2025 and beyond, numerous tax law proposals will be presented to the National Assembly for discussion and approval. As the economy faces challenges such as inflation, supply chain disruptions, and weakening global demand, tax policies must be adjusted carefully to support businesses and consumers while ensuring stable State budget revenue. To achieve these goals, three key priorities should be considered.

First, tax policies should serve as a catalyst for investment. Reducing corporate income tax or introducing appropriate tax incentives can provide businesses with additional resources to expand production, adopt new technologies, and create jobs. This becomes even more critical in the post-Covid-19 recovery phase and amid ongoing geopolitical uncertainties. Encouraging investment in strategic sectors such as infrastructure, high technology, and education will not only drive short-term economic growth but also lay a solid foundation for long-term sustainable development.

Second, supporting consumer purchasing power is equally important. Measures such as reducing value added tax (VAT) rates or adjusting personal income tax rates can lower the cost of goods, increase disposable income, and stimulate domestic consumption. A rise in consumer spending will drive production, create a positive economic cycle, and contribute to GDP growth. However, tax adjustments must be carefully balanced to prevent negative impacts on State revenue and ensure fiscal sustainability in the long run.

And third, a comprehensive approach is essential when refining tax policies. Evaluating the impact not only from an economic perspective but also from a social standpoint is crucial to ensuring fairness, transparency, and a stable, competitive business environment. Engaging experts, businesses, and the public in policy discussions will help shape tax policies that not only address immediate challenges but also foster long-term sustainable growth.

In a rapidly-changing and unpredictable economic landscape, tax laws should provide a flexible framework, allowing the government to adjust tax rates in response to real-time economic conditions.

During the Covid-19 pandemic, many countries and territories quickly adjusted tax rates to support businesses and consumers. Vietnam implemented a VAT reduction, from 10 per cent to 8 per cent, to boost consumption. If such adjustments had required a full legislative amendment, the process could have taken months or even years, while businesses needed immediate relief. Similarly, when global fuel prices surged, some countries quickly lowered environmental taxes on fuel to control inflation. Without a flexible mechanism, tax policies risk becoming slow and ineffective in addressing economic realities.

A balanced approach would be to set a tax rate range within the law, enabling the government to make adjustments within this predetermined framework. Any changes beyond this range should require National Assembly approval. For instance, corporate income tax could be legislated within a 15-25 per cent range, allowing adjustments within these limits. If a rate increase to 30 per cent or a reduction below 15 per cent become necessary, this would require legislative approval. Such an approach ensures flexibility in policy implementation while maintaining transparency and stability in the business environment. ■

The government's issuance of Decision No. 232/QD-TTg on January 24, 2025, approving a project to develop the country's carbon market, reflects Vietnam's responsiveness to investors' views on the growth potential of the carbon credit market.

Though Vietnam's carbon credit exchange is operational, it will initially function on a pilot scale from 2025, with this potentially extending until 2027 or 2028 before integrating with the global exchange in 2029-2030. Despite its pilot status, the establishment of this exchange has already drawn attention from both domestic and international businesses to the potential of Vietnam's carbon credit market.

Moreover, the forthcoming requirement for businesses in Vietnam to comply with government-mandated emissions quotas presents an opportunity for the carbon credit trading market to expand. Beyond achieving the net-zero target by 2050, the development of the carbon credit market is an essential step for Vietnam to align with the global green transition.
Building a domestic carbon credit trading market will also foster the emergence of

an ecosystem of businesses operating in this sector, further contributing to economic growth. In the past, many Vietnamese companies seeking to trade carbon credits had to rely on foreign service providers due to the absence of local standards or domestic entities responsible for establishing compliance criteria.

Without domestic standards, Vietnamese businesses will face challenges in participating in the international carbon credit trading market. Over the past year, the World Bank has purchased a number of forest credits from Vietnam, a type of emissions allowance with a lower value than carbon credits, at just $3-4 per credit. Once national standards are established and internationally recognized, Vietnam's carbon credit prices are expected to rise significantly. However, achieving this goal will require time and substantial investment.

Vietnam has the potential to generate significant economic benefits from carbon credit trading, especially as achieving net-zero is a global priority. However, before engaging in the global exchange, Vietnam must first secure sufficient carbon credits to meet its Nationally Determined Contribution (NDC) emission reduction targets.

Once the NDC target is met, Vietnam can supply carbon credits to major emitting economies such as the US, China, India, and Russia. Some developing countries are now leveraging their vast forest resources to profit from carbon credit trading. Vietnam cannot afford to stay out of this game. ■

**Ms. Dinh Thu Huong**
Deputy General Director
of the Net Zero Vietnam JSC

**Mr. Nguyen Minh Tuan**
CEO of AFA Capital

To ensure GDP growth reaches 8 per cent in 2025 while maintaining Vietnam's long-term economic momentum, capital remains a key factor. In this context, the non-State sector (or the private sector) plays a crucial role. Currently, the private sector contributes nearly 45 per cent of national GDP and accounts for over 40 per cent of total disbursed social investment capital.

However, private sector investment growth has shown signs of slowing in recent years, reflecting the challenges facing the private sector and indicating a weakening investment drive.

Looking at the broader picture, private investment appears to be a misaligned cog in the economic engine, unable to function smoothly to generate strong economic momentum. In this context, stimulating private investment is not just an important task but a decisive factor for Vietnam's economic growth targets.

To achieve the government's 8 per cent GDP growth target this year, Vietnam must focus not only on accelerating public investment and attracting FDI but also on boosting private investment. According to projections, investment from this sector needs to reach at least VND2,300 trillion ($92 billion), equivalent to 7.7 per cent growth compared to 2024. This goal will require a series of practical support policies to create favorable conditions for the private sector to maximize its potential.

One key solution is to introduce a dedicated resolution aimed at fostering the sustainable development of the private sector. At the same time, the government must continue to significantly improve the investment environment, simplify administrative procedures, enhance transparency, and minimize legal barriers to enable private enterprises to expand and operate more efficiently.

In reality, if Vietnam can establish a solid institutional framework and create a favorable business environment, the private sector will undoubtedly thrive. A clear testament to this is the current generation of young entrepreneurs who are not only active domestically but also engaged in the global economy, present in developed markets, and investing in various sectors in Vietnam. ■


# The Smart Revolution

Mr. Laurent Deflandre, CEO of Aden Vietnam, shares his insights with Vietnam Economic Times / VnEconomy on how technology and sustainability are shaping the future of building management. With over 15 years of expertise in Vietnam, Mr. Deflandre discusses the key trends driving the industry and the role Vietnam plays in this transformation.

**■ What key factors and major trends have shaped the transformation of building management over the past 25 years?**

The Building Management industry has been shaped by three main factors: technological advancements, sustainability concerns, and changing habitat dynamics. Technology particularly has had a profound impact, especially with the adoption of 3D Building Information Modeling (BIM), Internet of Things (IoT) and automation systems. By bridging the gap between the physical and digital worlds, these innovations have allowed buildings to be managed more efficiently and transparently. Smart building technologies, for example, allow real-time monitoring of HVAC, lighting, and security systems, enhancing occupant experience while reducing costs.

Sustainability concerns have also influenced the industry, as buildings are responsible for 40 per cent of global energy-related carbon emissions and costly utility bills represent a heavy burden for building owners. With the growing emphasis on energy efficiency and waste reduction, facility managers are now tasked with implementing sustainable practices aligned with green building standards.

Moreover, the Covid-19 pandemic has accelerated changes in how we work and live, focusing on creating healthier, more collaborative environments. Today, management teams often require the ability to monitor and control building systems remotely, especially during emergencies or when physical access is limited. Tenants also expect faster maintenance response times, seamless digital services, and communal spaces that enhance their lifestyles. All these changes have driven demand for outsourced and professional building management services.

**■ How is Vietnam adapting to these challenges, especially in terms of sustainability?**

Vietnam has made significant progress toward achieving its sustainability goals, including the ambitious target of net-zero emissions by 2050. The Vietnamese Green Building Council (VGBC) is leading efforts with certifications that align with global standards like LEED and WELL. These standards require buildings to meet specific criteria in areas such as energy efficiency, water conservation, and the use of sustainable materials.

The government is also focused on increasing the share of renewable energy in the national grid, with a target of 15-20 per cent by 2030. Many building owners, particularly in the industrial sector, are integrating solar energy solutions, and some are exploring cutting-edge technologies like Virtual Power Plants (VPPs) to optimize energy usage and enhance sustainability.

From the operational side, building management companies step in as architects of efficiency, conducting regular energy audits and identifying areas for improvement, such as HVAC zoning, LED lighting, or water leak detection systems.

Sustainability is also about offering comfortable spaces for users through cleanliness and accessibility, creating a holistic environment that supports people's well-being. In Vietnam, there is an increased focus on Indoor Environmental Quality (IEQ), including acoustic comfort, air quality management, and healthy eating.

**Do you foresee any fundamental transformation for the building management industry in Vietnam in the coming years?**

The future of building management will be heavily influenced by advancements in Artificial Intelligence (AI) and machine learning. These technologies will enable even more sophisticated automation and a shift from reactive to predictive maintenance, where systems detect anomalies and anticipate issues before they arise, reducing inefficiencies. Traditional maintenance schedules often lead to unnecessary interventions or, conversely, failures due to missed inspections. AI-powered buildings, however, leverage machine learning algorithms to monitor HVAC systems and their energy consumption patterns to predict when components are likely to break down. Similarly, AI technology can use vibration and temperature data from machinery to identify potential bearing or overheating failures. The simulation of various scenarios in virtual twins enables management teams to assess the impact of energy efficiency improvements before implementation. By enabling the collection and analysis of vast amounts of real-time and predictive data on energy usage, asset performance, and occupancy, AI enables building managers to automate routine tasks like work order management and inventory tracking, make better-informed decisions, and focus on strategic initiatives.

AI is also transforming building security and safety by allowing proactive threat detection and incident response. It can use sensor data to detect potential hazards, such as gas leaks, fires, or water leaks, and trigger automated responses. Combined with video analytics, it can identify suspicious activity or unauthorized access and alert security personnel in real time. AI-powered chatbots can handle routine inquiries and provide instant support to building occupants, improving customer service and reducing response times.

With these technologies, buildings are able to operate more efficiently and sustainably, contributing significantly to the broader goal of reducing the carbon footprint of the built environment and creating a more reliable and comfortable environment for building occupants.


**"Aden continues to pioneer the industry with our R&D center in Hanoi spearheading the expansion of our digitalization capabilities. The integration of AI into our Akila platform is central to our strategy for the future."**

**Mr. Laurent Deflandre**
CEO of Aden Vietnam

**Aden has been a key player in the building management industry for over 25 years. How has Aden adapted to the changing needs and expectations of society?**

Aden's growth from its foundation in Vietnam in 1997 to its presence in more than 25 countries reflects our adaptability and foresight in the face of market changes. Unlike traditional players, Aden has built in-house expertise across all areas of building management, offering strategic and comprehensive solutions to our clients. This approach enables us to truly understand the evolving needs of our clients and provide tailor-made services from day one.

Over ten years ago, Aden was one of the first companies to prioritize sustainable solutions and real-time data, which led to the launch of Akila, a digitalization platform for decarbonization, powered by digital twin technology. This platform helps optimize energy and environmental impact, integrate smart building technologies, and enhance overall facility management.

Aden's partnership with innovative Vietnamese companies, like FPT Software, further strengthens our ability to deliver cutting-edge solutions. Through our collaboration, we provide to their company facility management services while also integrating their VertZero carbon monitoring solution into our Akila platform, creating a powerful synergy that enhances both companies' offerings.

**As the leader of Aden Vietnam, how do you envision the company's future growth and developments?**

Aden continues to pioneer the industry with our R&D center in Hanoi spearheading the expansion of our digitalization capabilities. The integration of AI into our Akila platform is central to our strategy for the future. Additionally, new projects like NxPark, which focuses on real estate, construction, and engineering, as well as Aden Energy, which targets renewable energy and energy efficiency, are paving the way for our continued growth in Vietnam. We are now able to help our clients' projects be fully sustainable from the conception (sourcing land, building design) to the full completion (building construction and operations). No other company in the world has this level of project integration.

As a leader of building management, Aden Vietnam will continue to adapt and innovate, anticipating the global trends in the industry. We are eager to contribute to Vietnam's net-zero carbon objectives and support the nation in achieving its sustainability goals. ■

# The power of a growth mindset

Cultivating a growth-oriented workplace is key for organizations as technology sparks change in every facet of work and life.

By **Mr. Tim Evans** *

I met with a friend the other day who is also a music lover, like me. He told me about Suno, a generative AI music creation program that has made headlines in recent months. He typed some words in to describe the song he wanted the app to generate, and in just a few seconds he got a three-minute-long tune, including lyrics, vocals, and a melody in almost any language. Despite the controversy over copyright, I was amazed by Suno's ability to turn such a simple request into an almost complete song.

Obviously, technological advancement is accelerating, and AI is at the forefront of this wave, fundamentally reshaping both how we live and how we work. This is such a significant transformation that experts estimate it could displace approximately 15 per cent of the global workforce, or around 400 million workers, by 2030. Understandably, this potential for disruption is causing widespread apprehension about job security and career paths. Yet, amid this climate of tech-driven uncertainty, a segment of the workforce responds not with fear but with remarkable adaptability and even optimism. What sets these individuals apart?

While foundational skills and relevant experience remain important, their defining characteristic is a growth mindset; an approach characterized by a proactive embrace of learning, a willingness to adapt, and an eagerness to see change as a catalyst for progress. This forward-thinking orientation is not just theoretical; it is a core principle valued by individuals and forward-looking organizations as they navigate and thrive in our rapidly-evolving world.

## A growth mindset matters for organizations ...

First introduced as an educational theory by psychologist Carol Dweck in 1988, the growth mindset challenges the belief that intelligence and abilities are fixed. Instead, it emphasizes that skills, capabilities, and even strengths can be developed through continuous learning and effort.

When organizations adopt this mindset, the impact can be profound. This culture of continuous learning directly fuels key business imperatives: agility, innovation, and sustained high performance. Companies can empower their workforce to readily embrace change and emerging technologies like AI, ensuring they remain competitive amid industry shifts. Furthermore, a growth-oriented environment fosters a culture of innovation, where experimentation and learning from setbacks are valued, leading to breakthrough solutions and a continuously expanding knowledge base.

Empirical evidence robustly supports this. Research indicates that organizations with strong learning and development strategies experience a significant 37 per cent surge in productivity and are 17 per cent more likely to be market leaders. Crucially, this commitment to growth also addresses talent retention, as studies show that 41 per cent of workers leave jobs due to limited career development opportunities.

## ... and employees too

Not only organizations but also individuals must take responsibility for proactively pursuing growth opportunities, especially in today's rapidly-changing world. A Stanford University study found that individuals with a growth mindset - those who believe their abilities can be developed through effort and learning - demonstrate 34 per cent higher engagement and motivation than their peers with a fixed mindset. This is not just about acquiring new skills; it is about unlearning outdated methods, embracing innovation, and viewing challenges as opportunities rather than obstacles.

For those with a growth mindset, setbacks are not failures but stepping stones to success. Moreover, research from the University of Pennsylvania highlights that individuals with a growth mindset exhibit more substantial leadership qualities. They believe in continuous development, inspire their peers, and empower others to reach their potential. These qualities are invaluable in a world where leadership is increasingly about collaboration and adaptability.

But growth does not happen by accident, it requires intention. Whether through formal training programs, mentorship initiatives, taking on new projects, or stepping outside their comfort zones, individuals who actively seek growth unlock tangible career benefits. In an era of disruption, those who fail to adapt risk being left behind. However, for those who embrace growth, the possibilities are limitless. They are the ones who will lead their organizations through change, drive innovation, and shape the future of work.

## Cultivating a growth-oriented workplace

Fostering a growth mindset is not just the responsibility of individuals, it is a cultural imperative that organizations must actively nurture. A workplace that prioritizes continuous learning empowers employees to innovate, take risks, and push their limits, creating a thriving environment for both personal and organizational growth. However, a recent report from TalentLMS, "Growth Mindset in the Workplace", reveals a stark reality: only 45 per cent of employees believe their company actively promotes a culture of growth. This gap highlights the urgent need for businesses to move beyond lip service and take tangible steps to embed learning and development into their DNA, especially in an era where AI and digital transformation are reshaping industries at breakneck speed.


**"To cultivate a growth-oriented workplace, organizations must also create an environment where curiosity is celebrated, failure is seen as a learning opportunity, and employees feel empowered to take ownership of their development."**

**Mr. Tim Evans**
CEO of HSBC Vietnam

Leading organizations have already shown the way. Take Google for example, which introduced the "20 per cent time" initiative in its early days, allowing employees to dedicate a fifth of their work hours, essentially one day a week, to focus on projects they are passionate about, outside of their core responsibilities. This approach has yielded groundbreaking products like Gmail and Google Maps, proving that businesses reap the rewards of creativity and innovation when employees are free to explore and experiment.

Mentorship is another powerful tool for cultivating growth. According to Forbes, 70 per cent of successful professionals attribute their career advancement to mentorship. Organizations that pair employees with experienced mentors can accelerate skill development, foster leadership qualities, and create a knowledge-sharing culture. Beyond mentorship, encouraging participation in industry events, professional communities, and cross-departmental collaborations can open doors to new perspectives and opportunities, further enriching the learning ecosystem.

To cultivate a growth-oriented workplace, organizations must also create an environment where curiosity is celebrated, failure is seen as a learning opportunity, and employees feel empowered to take ownership of their development. This means investing in training programs, providing access to resources, and recognizing employees' efforts. In 2024, 46 per cent of training activities at HSBC Vietnam were conducted on digital platforms, either through e-learning or virtual classrooms. Moreover, last year, our employees spent 20 per cent more time on external online learning platforms, including LinkedIn, Coursera, and getAbstract.

In particular, we have recently introduced the Skills Academy, a comprehensive learning platform designed to empower our staff with the critical skills needed for success in today's dynamic environment. Each academy is carefully curated to support their growth, whether they are leaders, practitioners, or just starting out. From mastering Agile methodologies to diving deep into AI and data literacy, these academies offer specialized resources to help employees thrive in their roles and strengthen their career paths.

By leveraging such tools, organizations can deliver more effective and flexible learning experiences that cater to diverse employee needs. In a world where adaptability is the key to survival, organizations that prioritize growth will retain top talent and stay ahead of the curve in an ever-evolving landscape.

For individuals, having a growth mindset not only enhances career development but also serves as a safeguard in uncertain situations, making them more marketable as valuable resources in the workforce. ■

** Mr. Tim Evans is the CEO of HSBC Vietnam*


# Alternative access to assets

Mr. Pham Xuan Hoe, General Secretary of the Vietnam Leasing Association, discusses addressing obstacles in financial leasing and promoting the growth of the private economy with Vietnam Economic Times / VnEconomy's Phuong Linh.

**With the government setting an ambitious growth target of over 8 per cent for 2025, what key factors should be focused on, given the economic landscape seen in 2024?**

2024 was a tough one for Vietnam's economy, especially for businesses and household enterprises. While GDP growth reached 7.09 per cent, a deeper look reveals that the main drivers were still FDI, exports, and public investment. These remain Vietnam's key pillars of growth.

However, the domestic business landscape tells a different story. Private investment saw only modest growth, barely exceeding 2 per cent. Total retail sales - an important indicator of consumer spending - rose by less than 6 per cent (excluding inflation), lagging behind 2023's growth of 7.1 per cent. This signals ongoing economic challenges that cannot be overlooked.

To break this stagnation, policymakers must take bold action to energize the private sector. Boosting domestic demand through three key channels - public investment, private sector investment, and household spending - will be essential in achieving the 8 per cent growth target.

Of course, FDI and exports remain vital, but with global trade tensions rising, Vietnam, which is deeply integrated into the global economy, will face increasing external pressure.

A key takeaway from 2024 is that, despite the challenges, strong government leadership and decisive action by the State Bank of Vietnam (SBV), such as lowering policy interest rates and pushing credit growth above 15 per cent, helped lift GDP beyond 7 per cent. Moving forward, medium and long-term credit, particularly from financial leasing companies, will be a crucial lever to stimulate private investment, providing another important boost to economic momentum.

**Financial leasing is a crucial element of the financial market, especially for the private sector. However, it still seems to be largely "under the radar". What are your thoughts on this?**

The financial leasing sector showed solid performance in 2024, with member companies' total assets growing over 10 per cent and capital increasing 18.1 per cent, or 1.5-fold higher than growth in the broader credit system. However, outstanding loans only grew 8.6 per cent, which is modest compared to the overall system's growth. This is largely due to some companies focusing on resolving bad debts and restructuring their portfolios, which tempered growth. While a few companies achieved growth of 18-20 per cent, the overall sector growth was capped at 8 per cent.

On the positive side, new leasing contracts rose 15.8 per cent, signaling strong demand. The portfolio is also diversifying, with vehicle leasing up 26.2 per cent, mining equipment leasing hitting VND3 trillion ($120 million), and medical equipment leasing growing the fastest, at 62.9 per cent.

Long-term credit from financial leasing companies is on track with environmental goals, as all equipment and vehicles meet emissions standards, positioning nearly all leasing credit as "green".

Moreover, the bad debt ratio among members of the Vietnam Leasing Association remained low in 2024, at 1.68 per cent. Despite the challenging environment, companies have managed risk well.

Looking ahead, I see significant growth potential in renewable energy for agriculture, which we plan to target as a key area for collaboration and further development in financial leasing.

**Given the macro-economic challenges in 2025, especially from external factors, what are the financial leasing sector's goals this year?**

Looking ahead, 2025 will be even more challenging than 2024 and 2023 for several reasons.

Geopolitical tensions and conflicts continue to disrupt supply chains, slowing global economic recovery. Since Donald Trump assumed the US presidency, the trade war has created instability in global markets, affecting Vietnam's exports. This will challenge both monetary and fiscal policies and create hurdles for the government's growth strategies.

On the bright side, Vietnam's key exports, particularly agricultural products, remain competitive. However, sectors like automotive and steel manufacturing may face more tariff barriers.

For the banking sector, the goal for early 2025 is credit growth of around 16 per cent, with flexibility to adjust if necessary.

The government is also prioritizing public investment, aiming to disburse 95 per cent of the VND800 trillion ($32 billion) budget. This will stimulate private sector growth, especially in construction materials and machinery.

These are the drivers for financial leasing, and we expect outstanding leases to

grow around 18-20 per cent this year. Some companies may exceed this target, thanks to strong financial resources and partnerships with foreign firms.

**The Prime Minister recently introduced a draft outlining environmental criteria and certification processes for investment projects receiving "green credit" and issuing "green bonds". How does the financial leasing sector fit into this growing "green credit" landscape?**

Financial leasing activities related to production lines, technological equipment, and office equipment for small and medium-sized enterprises (SMEs) will continue to grow. Regardless of the time or circumstances, the government has always identified the private sector as a key driver of growth. Therefore, our association and industry businesses are always focused on the "green economy", "green GDP", and "green consumption" when issuing credit. We view this as a growth driver for the industry because growth must always be linked to sustainability.

**Some experts believe that the financial leasing sector needs its own space due to the unique nature of its clients and risk appetite. What is your perspective on this?**

The Vietnam Leasing Association's direction this year is to strongly implement the SBV Governor's directive on handling bad debts. As a result, we will focus on recovering bad debts, increasing non-recurring income, and reducing provisions.

However, I believe that we need a more flexible approach to credit quality in the financial leasing sector, rather than treating it the same as commercial banks. The reason is that this sector focuses on SMEs, which inherently carry higher risk than the standard clients of commercial banks. Therefore, the bad debt ratio and risk appetite of financial leasing companies will naturally be higher. This is normal in international practice.

Additionally, in the long term, we should establish a separate legal framework for the financial leasing industry. This would facilitate the provision of medium and long-term capital to the economy, allowing businesses to lease without being overly dependent on collateral, as is done in countries like China, Japan, and Taiwan.

**According to analysts, the current regulation on the 30-day payment safety ratio for the financial leasing sector is too high and needs to be reduced to alleviate capital cost pressure on businesses. How do you see it?**

We hope the 30-day payment safety ratio will be adjusted to 5 per cent instead of the 20 per cent specified in Circular No. 23/2020 issued by the SBV. The current regulation is not entirely suitable for the financial leasing sector because liabilities and assets have clearly defined timeframes. Therefore, a time gap between average mobilized funds and average loans is unlikely to occur.

Additionally, financial leasing companies are not allowed to open current deposit accounts, so there are no sudden payment obligations like those that commercial banks might face.

Moreover, there is a regulation requiring the reporting of related party information for non-bank organizations requesting loan limits from 0.5 per cent of their own capital. The Association believes this ratio should be reconsidered because it demands significant administrative procedures while the loan amounts are relatively small, which creates a barrier to meeting customers' financial needs. ■


# Readiness to respond

While Vietnam's steel industry has witnessed a solid recovery over recent times, changeable trade policies around the world are likely to have some degree of impact.

VU KHUE

At a February conference with Vietnam Trade Offices overseas, hosted by the Ministry of Industry and Trade (MoIT), Mr. Dinh Quoc Thai, Vice President and General Secretary of the Vietnam Steel Association (VSA), said that despite the direct impacts in 2024 from the global steel market, Vietnam's steel industry has exhibited signs of recovery.

Crude steel production, for example, reached over 21.98 million tons last year, up 14 per cent. Among key product categories, cold-rolled coil (CRC) posted the highest growth, of 34.6 per cent. Meanwhile, Vietnam's steel exports reached 8.042 million tons for the year, marking a modest 0.6 per cent dip from 2023.

Despite such positive results, Mr. Thai noted that the industry's recovery remains somewhat slow and uncertain. To thrive in this evolving landscape, businesses must stay informed, proactively develop response strategies, seize opportunities, and mitigate risks arising from shifts in major countries' trade policies, which are all crucial to unlocking new growth avenues.

## Policy changes in major economies

A major concern for Vietnam in 2025 is China's growing steel exports due to weak domestic demand, which puts Vietnamese producers at risk of losing market share at home, threatening both profitability and jobs. An oversupply of domestically-produced steel, coupled with rising steel imports, is also intensifying price competition and making the domestic market even more challenging.

On a broader scale, the increasing volatility of global markets, supply chain disruptions, and fluctuating international freight costs pose further risks, while rising raw material prices are expected to push up production costs significantly.

Another pressing issue is the shift in trade policies among major economies. Protectionist measures are becoming more prevalent worldwide, primarily driven by global steel overcapacity, which the Organization for Economic Co-operation and Development (OECD) estimates at 559 million tons. Many countries and territories are strengthening technical barriers and trade defense measures, while also leveraging climate-related policies and green growth initiatives to protect their domestic steel industries. These strategies could create substantial hurdles for Vietnam's steel exports in the years to come.

Domestically, the government must strengthen and enhance its ability to protect local production by tightening input controls. This includes improving technical barriers and import procedures to ensure compliance with both legal requirements and international trade practices. Strengthening trade defense capabilities is also essential, initially to address the current issue of unfair competition from Chinese steel in Vietnam's market, and in the medium to long term to prevent unfair competition for its steel sector from major economies.

On February 10 and 11, US President Donald Trump announced plans to expand tariffs under Section 232 of the US Trade Expansion Act of 1962; an extension to tariffs he first imposed in 2018, which affected Vietnamese steel, among other products. These new measures aim to safeguard US domestic steel and aluminum producers on national security grounds, while also extending tariffs to downstream products using foreign steel, such as fabricated structural steel and pre-stressed concrete steel wire strand.

In the short term, Vietnamese steel still has opportunities in the US market, as local producers are not yet able to fully meet domestic demand. Additionally, Vietnam's steel products may hold a competitive edge over those from countries and regions facing new 25 per cent tariffs. However, this advantage is likely to be short-lived due to increasing trade defense investigations as protectionist trends strengthen in the US market.

In the medium and long term, the imposition of 25 per cent tariffs on steel imports from advanced manufacturing economies like Japan, South Korea, Mexico, and Canada is expected to reshape global steel trade flows. With these countries facing challenges in the US market, they may shift their exports elsewhere, including to Vietnam, or refocus on their domestic markets. As a result, Vietnamese steel could face heightened competition not only in the US but also across nearly 30 of its traditional export markets.

Beyond the US, the EU has introduced new regulatory hurdles. On April 11, 2024, the bloc issued the Waste Shipment Regulation 2024/1157 regarding the transport of non-hazardous scrap materials to non-OECD countries. This decision covers key recyclable materials such as paper, aluminum, steel, and plastics. While framed as an environmental initiative, the move raises concerns among businesses about increasingly complex EU regulations that could hinder Vietnam's steel industry. Measures such as the Carbon Border Adjustment Mechanism (CBAM), steel import quotas, and restrictions on scrap imports from the EU are expected to create further challenges for the sector.

## Planning for early action

To effectively navigate shifts in trade policies by major economies in today's global landscape, the VSA suggested that, alongside diplomatic strategies, government agencies, particularly Vietnam Trade Offices abroad, continue monitoring developments, providing timely updates, and issuing early warnings to businesses and industry associations. This would enable Vietnam's steel manufacturers to proactively formulate early response strategies, identifying opportunities while mitigating risks associated with trade policy changes.

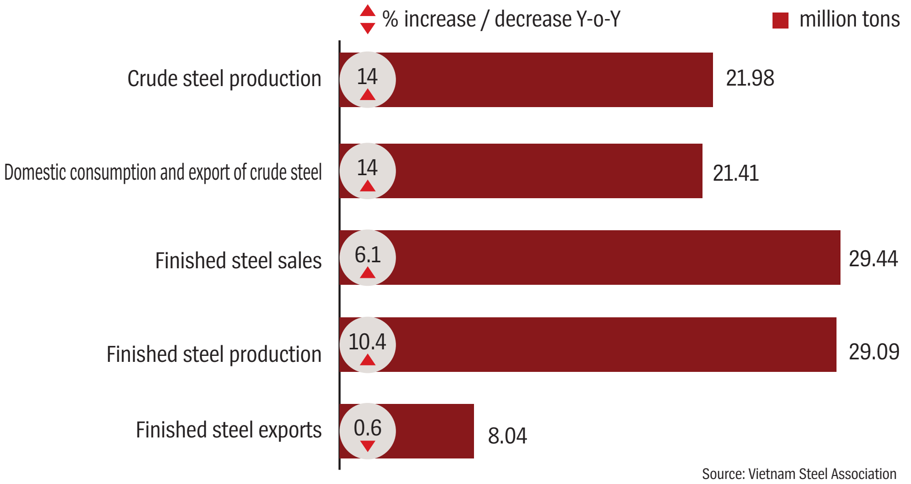
Key areas of focus include tracking upcoming US Government decisions related to tariff targets and implementation timelines under Section 232 of the Trade Expansion Act of 1962. Additionally, there is a need for ongoing negotiations and updates regarding the EU's carbon tariff policy under the CBAM. Monitoring the European Commission (EC)'s procedures for including Vietnam on the list of eligible scrap metal importers from the EU is also crucial, allowing businesses to take necessary procedural steps in advance.

Domestically, the government must strengthen and enhance its ability to protect local production by tightening input controls. This includes improving technical barriers and import procedures to ensure compliance with both legal requirements and international trade practices. Strengthening trade defense capabilities is also essential, initially to address the current issue of unfair competition from Chinese steel in Vietnam's market, and in the medium to long term to prevent unfair competition for its steel sector from major economies.

At the same time, ensuring smooth market access for domestically-produced steel is vital. This involves conducting market research, promoting Vietnamese-made steel products, and accelerating trade promotion efforts to boost exports to new markets. Simplifying export procedures, issuing early warnings, and enhancing the industry's ability to respond to foreign trade defense investigations, through negotiations, discussions, legal arguments, and participation in public hearings, will help strengthen Vietnam's steel industry's competitive position in traditional markets and facilitate its expansion into the global market.

Mr. Do Ngoc Hung, Head of the Vietnam Trade Office in the US, added that while US-imposed tariffs on trade partners could create export opportunities for Vietnam, they also present significant challenges that require close monitoring. He emphasized the need for Vietnam to stay updated on US trade and tariff policy developments to make timely adjustments. Additionally, he urged businesses to enhance coordination and communication with the MoIT and the Vietnam Trade Office in the US, to remain informed and develop appropriate response strategies. ■

**Vietnam's steel market, 2024**




Source: Vietnam Steel Association

# Confidence in place

Despite the clear global headwinds, there is optimism that Vietnam's wood and wooden product exports can thrive and meet ambitious targets set for 2025.

CHU KHOI

Vietnam's wood and wooden product export industry has set an ambitious goal of posting revenue of $18 billion in 2025. Despite anticipated shifts in both the domestic and global economy over the course of the year, the Association of Vietnam Timber and Forest Product (VIFOREST) remains optimistic, believing that the ambitious target is within reach.

Looking back over 2024, the Association highlighted the industry's strong performance, with wood and wooden product exports soaring a remarkable 20.1 per cent year-on-year to $15.89 billion. Five key product groups led the way: wooden furniture, chairs, wood chips, plywood, and wood pellets. These categories generated combined export turnover of $14.43 billion, making up 98.8 per cent of the industry's total export value.

## FDI fuels growth

The FDI sector remains a key driver of Vietnam's wood processing and export industry. Foreign enterprises contributed $7.67 billion in wood and wooden product exports last year, making up 48.3 per cent of total turnover.

A report released recently by Forest Trends and VIFOREST highlighted the growing role of FDI in the industry, with investment shifts expected across countries and regions during 2025. Among the more than 4,200 enterprises in Vietnam exporting wood and wooden products totaling $15.89 billion in 2024, FDI businesses, though only 18.5 per cent of all exporters, accounted for nearly half of the industry's total exports. "The surge in FDI reflects Vietnam's rising position in the global wood market, especially with upcoming policy shifts in the US," said Dr. To Xuan Phuc from Forest Trends.

New FDI projects rose 7 per cent in 2024 against 2023, while total investment capital surged 73.2 per cent. China led with 25 new projects and capital of $185.3 million, representing 41 per cent of all new projects and 35.7 per cent of total FDI, mainly focused on wood processing and furniture production. Taiwan followed, with five projects totaling $129.62 million, accounting for 8.3 per cent of projects and 24.9 per cent of FDI.

The industry also saw 46 capital contribution and share purchase transactions totaling $139.1 million, up 27.8 per cent in volume but down a slight 0.5 per cent in value from 2023. China led, with 19 transactions totaling $20.2 million, followed by Taiwan with seven deals worth over $75.84 million and Hong Kong (China) with two transactions totaling $25 million.

Additional capital surged, with 47 transactions adding $139.35 million, up 34.3 per cent in volume and 143.4 per cent in value compared to 2023. Singapore was most active, with ten capital adjustments injecting $34.2 million, while China followed with eleven transactions adding $31.72 million.

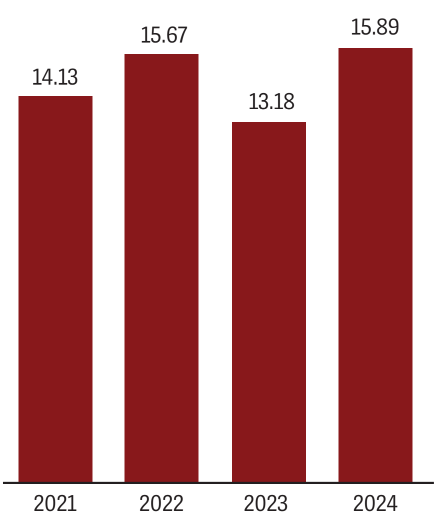
## Positive outlook amid challenges

Vietnam's wood and wooden product exports stood at $2.52 billion in the opening two months of 2025, according to VIFOREST, marking a 12.4 per cent increase year-on-year. The US remained Vietnam's largest export market, accounting for 55 per cent of total exports, followed by Japan with 11.7 per cent and China 9.8 per cent.

Despite this growth, VIFOREST noted that the global economic landscape remains uncertain, intensifying the challenges left over from 2024, such as the ongoing Russia - Ukraine conflict, supply chain disruptions, and persistently high shipping costs.

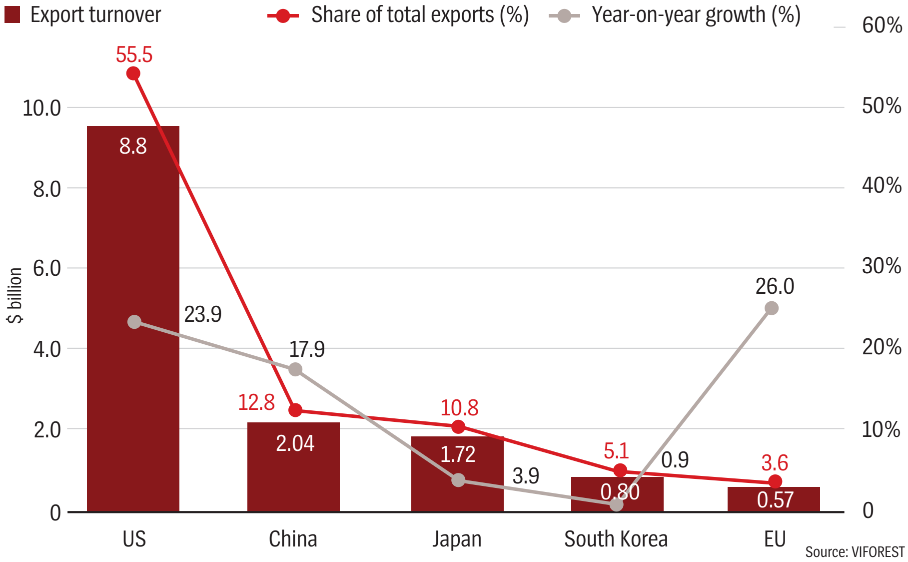
### Vietnam's wood and wooden product export turnover, 2021-2024

($ billion)




Source: VIFOREST

### Vietnam's key wood and wooden product export markets, 2024




Source: VIFOREST

### FDI in Vietnam's wood industry, 2021-2024

| | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Newly-registered projects | 35 | 28 | 57 | 61 |
| Newly-registered capital ($ million) | 332.837 | 90.254 | 300.064 | 519.582 |
| Number of projects with additional capital | 27 | 30 | 35 | 47 |
| Additional capital ($ million) | 144.139 | 53.079 | 57.244 | 139.348 |
| Number of capital contribution / share purchase transactions | 278 | 33 | 36 | 46 |
| Value of capital contributions / share purchase ($ million) | 126.326 | 110.018 | 139.826 | 139.107 |

Source: Compiled by VIFOREST and Forest Trends

Changes in the US's trade defense policies have introduced further unpredictability.

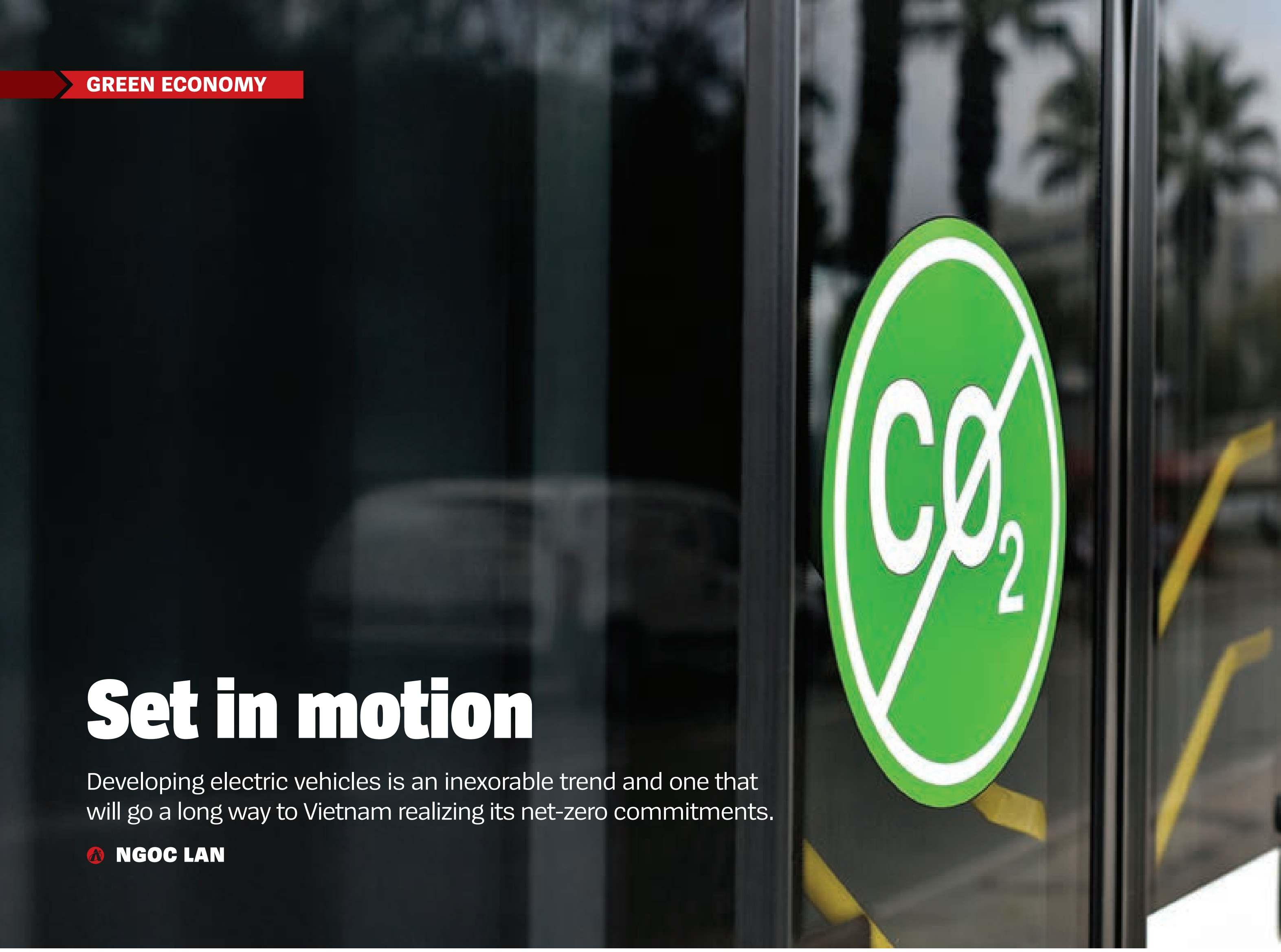
A February report from the Conference Board, a New York-based trade research organization, projected US GDP growth of 2.3 per cent this year, with consumer spending rising 2.8 per cent. The country's furniture market is expected to reach $274 billion, up 3.8 per cent, with the largest segment - living room furniture - estimated at $75.66 billion. Meanwhile, US importers are assessing the potential impact of tariff expansions, though only 13 per cent cite furniture tariffs as a major concern, trailing behind building materials (24 per cent) and household goods (21 per cent).

In the EU, the Conference Board forecasts GDP growth of 0.9 per cent in the Eurozone in 2025, rising to 1.3 per cent in 2026. According to market researchers Statista, the bloc's furniture market is to reach $239.07 billion in 2025, growing at a steady annual rate of 2.33 per cent, with living room furniture remaining the largest segment, at $62.43 billion.

The Department of Forestry and Forest Protection at the Ministry of Agriculture and Environment also maintains an optimistic outlook for wood exports in 2025 but underscored that achieving the $18 billion export target will depend on factors such as global economic recovery, consumer demand in major markets, trade policies, and the competitiveness of Vietnamese enterprises. The industry currently faces challenges in strengthening its internal capabilities and competing in international markets. Evolving tariff policies in key import markets also pose hurdles that businesses must surmount.

Vietnamese companies face increasing competition from China, Malaysia, and Indonesia, necessitating a focus on high value added products. The EU offers further opportunities through the EU-Vietnam Free Trade Agreement (EUVFTA), which continues to provide tariff advantages. Meanwhile, China's rising urbanization and construction activities drive demand, but Vietnamese exporters must comply with stricter legal timber sourcing requirements.

Despite market fluctuations, VIFOREST remains confident that Vietnam can reach its $18 billion export target in 2025. However, the Association has urged wood processing and exporting businesses to innovate their production and sales models to meet evolving challenges. Technology upgrades, product design innovation, and cost-saving measures will be critical. Furthermore, digital transformation is key to enhancing customer engagement, streamlining purchasing decisions, and boosting competitiveness in a rapidly changing market. ■




# Set in motion

Developing electric vehicles is an inexorable trend and one that will go a long way to Vietnam realizing its net-zero commitments.

NGOC LAN

The latest World Bank economic update, entitled "Electrifying Journeys: E-Mobility Transition in Vietnam", released on March 12, highlighted that Vietnam has set ambitious goals to decarbonize its economy by 2050. The Prime Minister's pledge at COP26 in 2021 to achieve economy-wide net-zero emissions by 2050 has kicked off plans to decarbonize the transport sector. The energy sector is the biggest contributor to greenhouse gas (GHG) emissions, with transport being a main driver. Without decarbonization, this share would rise significantly. "Vietnam's push towards e-mobility is a key step in creating a greener transport sector and reducing local air pollution," the report noted.

## Context drives transition

According to the report, the transport sector accounted for 32.9 million tons of carbon dioxide equivalent ($CO_2e$) in 2021, or 7.2 per cent of total economy-wide GHG emissions in Vietnam, the majority of which were generated from road transport, with the most emitting road vehicle segment being cargo trucks. Though car ownership remains a luxury for many Vietnamese, a growing middle class has been fueling auto sales at an annual rate of 15 per cent since 2010; one of the fastest rates in the region.

The transition to electric vehicles (EVs) could reduce net emissions by 2.2 million tons of $CO_2e$ by 2050, even with the current power grid mix. It could also create up to 6.5 million jobs in total by 2050, particularly in battery manufacturing and charging infrastructure development.

Responding to environmental and economic imperatives, the government has set targets for e-mobility by 2050 related to the electrification of vehicle stocks, production, and charging infrastructure. In July 2022, the Prime Minister approved Decision No. 876/QD-TTg, setting targets to transition the road transportation sector toward e-mobility through the use of EVs, such as 50 per cent of urban vehicles and 100 per cent of urban buses and taxis being powered by electricity or green energy by 2030, and, subsequently, 100 per cent by 2050.

This EV transition could yield multiple economic benefits, including savings on fuel imports and job creation in associated industries, while enhancing Vietnam's energy security and resilience to external shocks. In addition to environmental conservation, a switch to EVs will, in fact, reduce the consumption of gasoline and diesel, both of which are largely imported into Vietnam. In the motorcycle segment, the current level of EV penetration had already resulted in about 390 million liters of avoided gasoline consumption as of 2022.

By 2050, in oil barrel equivalent terms, this is expected to reach a cumulative 4,502 million or 6,224 million barrels of oil under the Stated Policy Scenario (SPS) and the Accelerated Decarbonization Scenario (ADS), respectively. With the current international oil price set at $80 a barrel, this translates into avoided cumulative expenses of $360 billion under SPS and $498 billion under ADS, subsequently enhancing economic resilience.

On the other hand, as domestic GDP per capita grows, affordability constraints on ownership will gradually lift, driving a shift from motorcycles to cars, with sales parity expected by 2035. Post-2035, demand for cars will surge to nearly 54 million on a cumulative basis, leading to a motorization rate of 312 units per 1,000 population, up from 22 in 2023.

## Future evolution

Between 2024 and 2035, Vietnam's e-mobility transition will primarily be driven by the transition of the motorcycle segment to electric motorcycles, given that they will remain the dominant vehicle choice until 2035, according to the World Bank report. In 2022, registered motorcycles in Vietnam totaled 72.16 million, or 94 per cent all vehicle stock. This represents a motorization rate of close to 518 motorcycles per 1,000 people. "As such, the e-mobility transition will be driven by the uptake of electric motorcycles, as it has been historically since 2014," the report noted.

The market for electric motorcycles could account for more than half, or 56 per cent, of total motorcycle sales by 2035. Vietnam is already the world's second-largest market for electric motorcycles, following China, accounting for a 12 per cent market share in overall motorcycle sales in 2022. Vietnam is ready for a rapid acceleration of electric motorcycles, with more than 37 suppliers competing on quality and price, a sufficient travel range, and high consumer acceptance levels, especially in cities. In several electric motorcycle segments, purchase prices are competitive against regular motorcycles. By 2035, the share of electric motorcycles is estimated to reach 42-56 per cent of total motorcycles sales, depending on the pace, scale, and relevance of policies to be rolled out.

In automobiles, according to the World Bank, to achieve the targeted EV adoption rate, sales in Vietnam need to increase from 500,000 vehicles in 2022 to 1.5 million in 2030 and 7.3 million in 2050. Total market demand for EVs could reach over 7 million vehicles in the 2024-2030 period and 71 million in the 2031-2050 period. This development will boost the entire EV value chain, from manufacturing and batteries to charging infrastructure, maintenance, and recycling.

Vietnam has many opportunities to promote the transition to EVs, but to ensure the success of this process, Ms. Chiara Rogate, Senior Energy Specialist at the World Bank, said there needs to be synchronized solutions, from policy to infrastructure.

Hanoi and Ho Chi Minh City have set targets of putting thousands of electric buses into operation by 2030. To realize these goals, however, it is necessary to address investment costs and infrastructure synchronization. EVs, especially motor cars and trucks, are expected to account for 53 per cent of charging demand in 2035-2050, which will require significant investment of $6-9 billion from 2024-2030 and $200-218 billion from 2041-2050, depending on the scenario.

Source: World Bank

She made four key recommendations. The first is to establish an inter-ministerial State management agency to oversee the entire EV ecosystem during the transition period.

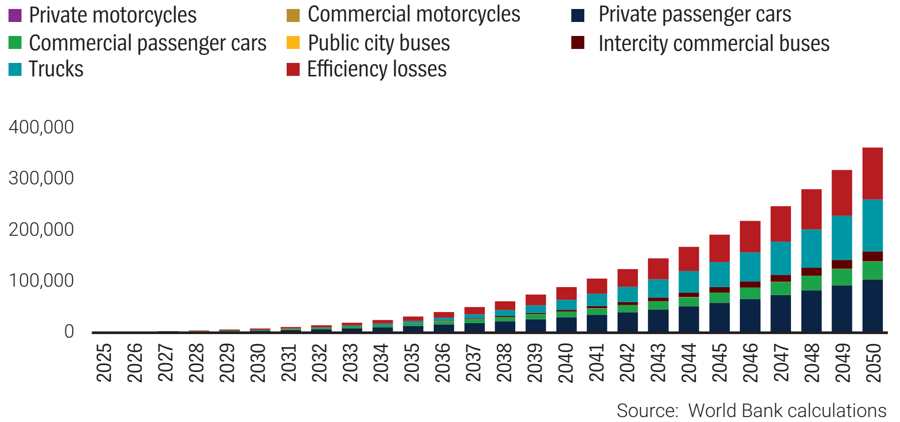
The second is to encourage the conversion of all types of vehicles to EVs by addressing concerns and shortcomings and creating future incentive mechanisms, including the development of charging infrastructure.

The third is to prepare the electricity sector to accommodate the impact of EV charging demand by integrating forecast demand into the updated Power Development Plan (PDP), increasing investment in planned power generation sources, enhancing transmission and distribution grid capacity, encouraging smart charging through differentiated electricity pricing, promoting the installation of smart charging stations for off-peak charging, and supporting the development of rooftop solar power at public charging stations. And fourth, the government should promote a shift in transport demand, encouraging a transition from private vehicles to public transport and changing inter-provincial passenger transport from bus to railway as well as freight transport from truck to railway and waterway.

Regarding the motorcycle segment - a key focus in Vietnam's EV transition roadmap from now until 2035 - World Bank experts recommended implementing strict safety standards, using high-performance batteries, and expanding charging stations and battery-swapping services. The government should also provide financial support to offset initial costs, such as preferential loans to reduce the price gap between electric and gasoline-powered vehicles.

World Bank experts suggest boosting demand by banning the use of gasoline-powered vehicles in the transportation service industry, while also setting a target of 40 per cent of urban motorcycles to be electric this year and increasing this to 80 per cent by 2030.

**Anticipated EV charging demand under Stated Policy Scenario (SPS), by vehicle segment (GWh)**




Source: World Bank calculations

# Roadmap required

With global trade likely to continue facing headwinds for the time being, Vietnamese businesses must be ready and willing to act as necessary.

VU KHUE


Despite the global growth slowdown, ongoing economic uncertainties, and emerging trade risks, the Ministry of Industry and Trade (MoIT) has highlighted that Vietnam's foreign trade displayed impressive resilience throughout 2024. Total trade turnover stood at $786 billion, with exports hitting $405.5 billion, a 14.3 per cent increase against 2023. Many of Vietnam's leading export items have not only maintained their strong positions but also expanded further.

Looking ahead to 2025, global trade is expected to face a host of challenges. With trade defense measures on the rise and major economies adjusting their policies to protect domestic industries, Vietnam's exports will need to act swiftly and strategically to adapt to the evolving international market.

## Trade policies of major markets

Providing an update on the US market, Mr. Do Ngoc Hung, Vietnam's Trade Counselor and Head of the Vietnam Trade Office in the US, said that just four weeks after officially becoming President, Donald Trump is still driving a strong trade policy agenda, fulfilling campaign promises with significant impacts on taxes, investments, and decisions affecting global supply chains.

First, the Trump administration has initiated a public consultation process on concerns related to unfair or non-reciprocal trade measures from global partners, aimed at building a corresponding tariff policy. The Office of the US Trade Representative (USTR) is reviewing and compiling data by country on non-market or unfair trade practices that create barriers for US exports, to adjust trade policies to address disadvantages for US businesses and the economy.

The US Government has set metal tariffs, for an effective increase to 25 per cent, as prior exemptions, exclusions, and quotas expired on March 12. It is also contemplating a 25 per cent tariff on sectors like automotive, pharmaceuticals, and semiconductors, as well as imports of sawn timber, which could take effect after a review of US trade policies is completed by April 1-2. "Under the 'America First' trade policy, the current US Congress is drafting legislation to further facilitate trade defense lawsuits, especially those related to tax evasion and cross-border subsidies, and will likely create significant challenges for related export businesses," Mr. Hung noted.

In the EU, Mr. Tran Ngoc Quan, Vietnam's Trade Counselor in Belgium and the EU, said the bloc has started its new term for the 2024-2029 period with several important policy adjustments. For instance, the European Green Deal program, with its high environmental and sustainability requirements, is gradually shifting towards programs that are seen as transformative in terms of governance.

Overall policy will enhance competitiveness, security, and economic resilience. The EU is expected to implement a comprehensive program called the "Competitiveness Compass" (focusing on simplifying administrative procedures and tax processes), Omnibus (focused on green development based on businesses' capabilities), which includes extending EUDR timelines, reviewing the CBAM with a goal of reducing the number of affected companies to 20 per cent based on current data, and replacing the pesticide reduction program with biotechnology, applying processes for pesticides, and engaging with businesses on ecological design to create appropriate regulations.

To ensure economic security and resilience, the EU is pursuing policies to strengthen free trade agreement (FTA) negotiations and is currently striving to conclude talks with India, ASEAN, South American countries, and Africa, boost exports, attract investment, and manage imports with stringent safety quality controls and safety warnings for agricultural and industrial goods, combating trade fraud, anti-dumping, and subsidies.

Similarly, policy changes in China also present both challenges and opportunities for Vietnam. Mr. Nong Duc Lai, Vietnam's Trade Counselor in China, pointed out that every move by China's economy and related policies has either a quick or slow impact on Vietnam, to varying degrees.

Currently, both China and the US are major trade partners and significant export markets for Vietnam. Therefore, the policies between the two countries affect not only trade but also Vietnam's economy in general, both positively and negatively.

"New environmental policies may reduce pressure on Vietnamese businesses, but this is a transitional period as the EU adjusts its new policies to reduce innovation pressure on EU businesses and enhance competitiveness, especially with US companies, as the US President withdraws from certain international environmental efforts."

**Mr. Tran Ngoc Quan**
Vietnam's Trade Counselor in Belgium and the EU

## Proactive solutions

In light of the trade policy changes from major markets, particularly the US market, Mr. Hung recommended swiftly developing a specific roadmap to protect Vietnam's trade interests against potential tariff measures from the Trump administration, while also strengthening strategic cooperation with the US to ensure sustainable development in bilateral relations between the two countries.

Government agencies should collaborate with business associations to identify and engage with interest groups in the US, including importers of Vietnamese goods, American exporters to Vietnam, US companies investing in Vietnam, and relevant associations, to build a coalition supporting the expansion of trade with Vietnam.

The tariffs imposed by the US on trade partners could present an opportunity for Vietnam to increase exports but also poses several challenges that require close monitoring. First, Vietnam needs to closely monitor trade developments and tariff policies in the US to make timely adjustments. Businesses should also enhance cooperation and communication with the MoIT as well as Vietnam's Trade Office in the US to stay updated and find appropriate solutions.

Moreover, businesses need to carefully review their production and business plans, as countries subject to tariffs may increase trade protection measures, creating greater competitive pressure on the Vietnamese market. Additionally, businesses should be cautious with input materials from countries that are being tariffed by the US, to avoid the risk of being investigated for origin fraud or tariff evasion.

"Under the 'America First' trade policy, the current US Congress is drafting legislation to further facilitate trade defense lawsuits, especially those related to tax evasion and cross-border subsidies, and will likely create significant challenges for related export businesses."

**Mr. Do Ngoc Hung**
Vietnam's Trade Counselor and Head of the Vietnam Trade Office in the US

Emphasizing the EU-Vietnam Free Trade Agreement (EUVFTA), which offers a clear advantage to Vietnamese goods, Mr. Quan suggested that Vietnamese businesses intensify trade promotion activities and seek partners to capitalize on this advantage, aiming to dominate the market before many FTA negotiations are expected to conclude this year and next.

"New environmental policies may reduce pressure on Vietnamese businesses, but this is a transitional period as the EU adjusts its new policies to reduce innovation pressure on EU businesses and enhance competitiveness, especially with US companies, as the US President withdraws from certain international environmental efforts," Mr. Quan advised. "We need to have suitable production and research plans. Additionally, regular engagement with importers is essential to understand the market's demands and preferences."

Furthermore, Deputy Minister of Industry and Trade Phan Thi Thang emphasized that strengthening coordination between localities, industry associations, businesses, and Vietnam's Trade Offices abroad is crucial to fully exploit opportunities from international economic integration. At the same time, businesses should proactively monitor and regularly update market information, comply with trade regulations, and exercise caution with input materials, especially from countries facing US tariffs, to avoid the risk of being investigated for origin fraud or tariff evasion. ■


# Avenues of engagement

Ms. Sunanta Kangvalkulkij, Director General of the Department of International Trade Promotion (DITP) at Thailand's Ministry of Commerce, spoke with Vietnam Economic Times / VnEconomy's Phuong Hoa about the growing opportunities for collaboration between Vietnam and Thailand in the hotel, restaurant, and catering sector.

**■ The recent THAIFEX - HOREC Asia 2025 trade show counts among the leading international exhibitions for the hospitality, restaurant, and catering (HoReCa) sector in Thailand. With the sector booming in ASEAN, how can Vietnam strengthen its position in the market?**

To strengthen its position, Vietnam could collaborate closely with Thailand and other ASEAN countries to share best practices, improve service quality, and elevate its global competitiveness. Thailand, for instance, has implemented comprehensive policies to support the food sector, covering the entire supply chain from production to distribution. By leveraging Thailand's expertise and insights, Vietnam can further develop its HoReCa sector and establish itself as a key player in the regional market.

A well-developed supply chain is essential for the success of a HoReCa sector. The achievements of THAIFEX - HOREC Asia demonstrate the importance of a strong ecosystem that supports not only food production but also logistics, technology, and innovation. Thailand's experience in integrating tourism with the food and hospitality industries has been highly successful, creating a model that Vietnam can adapt and expand upon.

Initiatives like Thailand's International Trade Promotion (ITP) network, which operates through 58 offices worldwide, also serve as a global ambassador for the country's food and hospitality sector. Vietnam could adopt a similar approach by establishing international trade networks and promoting its culinary and hospitality strengths on a broader scale. By doing so, it can enhance its global visibility, attract investment, and drive sustainable growth in the HoReCa sector.

**■ How can events like THAIFEX - HOREC Asia help Vietnam strengthen its trade ties with Thailand and expand its presence in the ASEAN market?**

Thailand and Vietnam have long enjoyed a strong and dynamic trade relationship, with both countries serving as key economic partners within ASEAN. Bilateral trade continues to grow, driven by complementary industries such as agriculture, food processing, and tourism-related services. Events like THAIFEX - HOREC Asia play a vital role in further strengthening this relationship by providing a platform for businesses to connect, exchange knowledge, and explore new market opportunities.

Thailand takes great pride in its tourism sector, which is deeply interconnected with various industries, particularly food, hospitality, and retail. THAIFEX - HOREC Asia acts as a crucial hub for businesses to discover the latest trends, technologies, and innovations that can enhance their operations. Participants gain firsthand exposure to new products, solutions, and business opportunities that drive growth and competitiveness.

Beyond product exhibitions, the trade show also hosts discussions, seminars, and awards programs that bring together industry experts, business leaders, and policymakers. These forums facilitate valuable knowledge exchange, helping businesses refine their strategies, adopt best practices, and stay ahead of evolving market demands. The event fosters collaboration not only between Thai enterprises and international partners but also among ASEAN businesses, including those from Vietnam, creating stronger regional trade networks.

Vietnam's food and hospitality industries are rapidly expanding, and Thai companies are increasingly looking to collaborate with Vietnamese partners, both as suppliers and buyers. The strong demand for high-quality food products, restaurant supplies, and hospitality services presents an opportunity for businesses from both countries to work together. THAIFEX - HOREC Asia provides a gateway for Vietnamese companies to explore the Thai market, build connections with distributors and suppliers, and expand their presence in the region.

Additionally, Thailand and Vietnam both benefit from ASEAN's regional trade agreements, which facilitate smoother trade flows and lower tariffs and encourage cross-border investment. Events like THAIFEX - HOREC Asia help accelerate these trade links by bringing businesses together under one roof, enabling practical discussions and partnerships that drive mutual growth. With increasing participation from Vietnamese businesses in recent years, the trade show plays a significant role in shaping the future of Thailand-Vietnam trade relations and strengthening ASEAN's position as a key player in the global food and hospitality industry.

**■ How do you see the potential for collaboration between Vietnam and Thailand in the HoReCa sector in the immediate future? Are there any initiatives or partnerships between the two countries to foster this cooperation?**

Thailand and Vietnam share strong trade and economic ties, with several collaborative initiatives already in place to strengthen our partnership in the HoReCa sector. Our Thai Trade Office in Vietnam actively works with local partners to promote business exchanges and create new opportunities. Initiatives such as the Thai Trade Center, the annual Thai Festival, and various trade missions facilitate both inbound and outbound business connections, serving as key platforms to enhance cooperation between Thai and Vietnamese businesses.

Given the similarities between our markets and the complementary strengths of our industries, there is significant potential for deeper collaboration. Events like THAIFEX - HOREC Asia provide an excellent opportunity for Thai and Vietnamese businesses to connect, explore new products, and exchange insights on market trends.

This year's trade show also witnessed a strong presence from Vietnamese exhibitors and visitors, reflecting the growing interest in bilateral trade and investment in the HoReCa sector. Moving forward, we aim to further strengthen ties by encouraging more joint ventures, knowledge-sharing initiatives, and trade promotion activities, ensuring that businesses from both countries can capitalize on emerging opportunities in the sector.


**■ What advice would you give Vietnamese businesses looking to connect with Thai partners, explore collaborative opportunities, and expand their presence in Thailand's HoReCa sector?**

For Vietnamese businesses seeking to build strong connections with Thai partners and expand in Thailand, I highly recommend leveraging the various trade missions and business-matching initiatives actively facilitated by our trade offices. We organize both inbound and outbound trade missions, allowing Vietnamese business representatives to engage directly with Thai enterprises, explore potential partnerships, and gain valuable market insights. These initiatives create structured opportunities for networking and collaboration across different sectors, including HoReCa.

Additionally, participating in major trade events such as THAIFEX - HOREC Asia as well as industry-specific exhibitions and business forums is an effective way to connect with Thai partners. These platforms not only showcase the latest trends and innovations but also provide direct access to key stakeholders, potential clients, and distribution channels in Thailand.

Another avenue for engagement is through the Thai Trade Center and various government-backed business programs, which offer support to foreign enterprises looking to enter the Thai market. These programs help businesses navigate market entry strategies, regulatory requirements, and industry-specific opportunities.

Since Thailand and Vietnam share many economic similarities and are both key players in ASEAN, there is great potential for deeper collaboration. By actively participating in trade missions, business-matching programs, and industry events, Vietnamese businesses can strengthen their presence in Thailand and unlock new growth opportunities in the region. ■

# A wave to ride

The positive performance of Vietnam's industrial real estate segment in recent years augers well for all concerned.

**THANH XUAN**

Vietnam's real estate market has been steadily rebounding after a challenging time, with encouraging signs seen across all segments. Notably, industrial real estate has been riding the momentum and experiencing robust growth. Driven by a mix of strategic factors, the segment is stepping into a new phase of expansion, which presents a golden opportunity for businesses and investors to catch the investment wave and gain a competitive edge in the evolving landscape.

## Industrial parks on the rise

The Vietnamese Government has already given the green light to multiple large-scale industrial infrastructure projects in the opening months of 2025, fueling a new phase of development. In the northern region, Bac Giang province will see the establishment of the My Thai Industrial Park on 159 ha and the Dong Phuc Industrial Park on 354 ha. In the southern region, meanwhile, the Long Duc Industrial Park, Phase 2, on 293 ha in Dong Nai province, the Van Thuong Industrial Park, on 387 ha in Ba Ria-Vung Tau province, and the Minh Hung III Industrial Park, Phase 2, Stage 1, on 483 ha in Binh Phuoc province are all set to take shape.

Vietnam's industrial real estate market has exhibited strong momentum over the last year or so. According to the Vietnam Association of Realtors (VARS), the Prime Minister approved or adjusted investment plans for 28 new industrial infrastructure projects in 2024, covering some 8,991 ha, or more than double the area in 2023. The north led in project numbers, while industrial parks in the south boasted larger-scale developments.

Analysts have pointed out that the surge in industrial real estate investment is not by chance, but the result of a convergence of favorable factors.

Mr. Nguyen Minh Duc from MBS Research highlighted that Vietnam has become a prime destination for foreign businesses looking to shift their investment, because of the country's strategic location in the global supply chain, its business-friendly policies, and its competitive advantages.

FDI disbursement reached a record-breaking $25.35 billion last year, up 9.4 per cent from 2023. Though total registered FDI dipped slightly, by 3 per cent to $38.23 billion, the year saw a remarkable surge in additional capital, both in project numbers, up 11.2 per cent, and in total additional investment, up 50.4 per cent. New project investments edged up by 1.8 per cent.

Among industries in Vietnam, real estate was the second-largest recipient of FDI, attracting $6.31 billion, or 16.5 per cent of total registered investment, for an 18.8 per cent increase against 2023. Manufacturing and processing remained the dominant sector. Key FDI-attracting cities and provinces included Bac Ninh, Hai Phong, Ho Chi Minh City, Quang Ninh, Hanoi, Binh Duong, Dong Nai, Nghe An, Ba Ria-Vung Tau, and Hung Yen, which collectively accounted for 79.2 per cent of all new projects last year and 70.1 per cent of total investment.

Vietnam is steadily transforming into a global manufacturing hub, drawing interest from tech giants like Samsung, LG, Intel, Apple, GE, and Foxconn. A recent survey by the Japan External Trade Organization

(JETRO) found that over 60 per cent of Japanese companies active in Vietnam plan to expand their operations in 2024-2025, after recognizing the country's strategic advantage in ASEAN. Beyond electronics, high-tech industries are also seeing growing interest from multinational corporations.

Vietnam's two industrial powerhouses - the northern and southern regions - each boast unique strengths.

In the north, industrial parks are gaining in appeal due to improved infrastructure and competitive rental rates. With its proximity to China's economic corridor, including its major hubs, the region is a gateway for global trade. Infrastructure upgrades, such as the 600-km Lao Cai - Quang Ninh Expressway and modernized seaports in Hai Phong, Quang Ninh, Thai Binh, and Nam Dinh, further enhance its connectivity. Additionally, Noi Bai and Cat Bi International Airports facilitate seamless logistics. The north currently boasts 61 per cent of Vietnam's total expressway length, abundant industrial land, and rental prices that are 26 per cent lower than in the south.

In regard to the south, strong connectivity through Tan Son Nhat and Can Tho International Airports along with a vast highway network ensures efficient domestic and international trade. Looking ahead, major infrastructure projects are set to further strengthen the region's industrial appeal.

With Vietnam's rapid industrial expansion, the country is not only cementing its status as a leading investment destination but also shaping the future of global manufacturing.

## Strengthening infrastructure

Dr. Nguyen Van Dinh, Chairman of VARS, acknowledged that while Vietnam's industrial real estate sector is capitalizing on numerous growth opportunities, several challenges remain. Key economic hubs such as Ho Chi Minh City, Binh Duong, and Dong Nai are struggling to expand their industrial land supply due to rapid urbanization and intense land competition.

Despite infrastructure improvements, development is not keeping pace with the rapid growth of industrial parks. Complex administrative procedures remain time-consuming and costly, while investment and industrial development policies sometimes lack consistency, creating uncertainty among long-term investors.

Additionally, challenges such as a shortage of skilled labor, environmental management issues, heightened competition from regional markets with stronger incentives and infrastructure, and rising land and construction costs continue to pose risks for investors.

To address these concerns, VARS representatives suggested that the government prioritize investments in upgrading transportation, logistics, and industrial utilities to support industrial park development. Further streamlining administrative procedures is essential to fostering a more favorable business environment. Moreover, targeted investments in education and vocational training, particularly in high-tech and automation fields, can help enhance workforce quality and leverage Vietnam's demographic advantage.

Stronger environmental management policies and the development of eco-industrial parks are also crucial in minimizing environmental impacts. At the same time, Vietnam must introduce attractive and stable incentive policies to attract foreign investment, enhance international collaboration, and adopt successful development models.

Ms. Nguyen Hoai An, Director, Consultancy Services, at CBRE Vietnam, forecast that in the next three years industrial land rental prices will rise by 4-8 per cent annually in the northern region and 3-7 per cent in the south. New industrial parks will mainly emerge in Hai Phong and Vinh Phuc in the north, Binh Duong and Dong Nai in the south, and Long An in the Mekong Delta. Meanwhile, the north-central provinces of Thanh Hoa, Nghe An, and Ha Tinh and central Quang Nam province will continue to see new industrial parks developed by professional investors.

"With the participation of major players and consistent positive market signals, industrial real estate is entering a dynamic growth phase. This is a golden opportunity for businesses and investors to ride the investment wave, build a competitive edge, and stay ahead of market trends."

**Mr. David Jackson**
CEO of Avison Young Vietnam

Rental rates for warehouses and ready-built factories may also experience a modest increase, of 0-4 per cent a year, as new supply remains high in key industrial areas. "2025 will be a year of challenges," Ms. An believes. "At the same time, the government is restructuring its administrative system and implementing new laws. Economic growth momentum, FDI inflows, and infrastructure investments are expected to form a solid foundation for Vietnam's next phase of development."

Mr. David Jackson, CEO of Avison Young Vietnam, sees industrial real estate as a bright spot, offering significant investment opportunities and the potential for high profitability. Supply in the segment is expected to increase as more industrial parks receive licenses and break ground nationwide. "With the participation of major players and consistent positive market signals, industrial real estate is entering a dynamic growth phase," he said. "This is a golden opportunity for businesses and investors to ride the investment wave, build a competitive edge, and stay ahead of market trends."

Meanwhile, Mr. Le Van Binh from the Ministry of Agriculture and Environment emphasized that if Vietnam maintains a skillful diplomatic approach in the ongoing trade wars and avoids certain tariffs, the country will remain an attractive destination for global investors in 2025. The expansion of industrial parks will not only fuel industrial real estate growth but also drive demand in related segments such as worker housing and residential developments. ■

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