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Tech innovation and green initiatives propel Vietnam's economic outlook

Vietnam is projected to excel in economic growth compared to its regional peers in 2024, driven by substantial foreign investment, particularly in manufacturing and exports. The Asia House Annual Outlook 2024 indicates that Vietnam received \$18 billion in foreign direct investment (FDI) for manufacturing projects in the first ten months of 2023, constituting 73% of total FDI during the period. The country is increasingly attractive to investors looking to diversify supply chains away from China.

Vietnam's digital transformation initiatives, supported by a thriving tech startup environment and significant AI investments, position its tech firms globally. AI is expected to reshape various sectors in 2024, fostering positive economic spill-overs.

The agricultural sector stands to benefit from precision agriculture and AI applications, optimizing yields and fertilization. Vietnam's green finance ecosystem is also promising, with regulatory incentives driving the issuance of green bonds, signaling a shift towards environmentally focused projects.

However, careful calibration of climate finance mechanisms is crucial, especially when supporting smallholder farmers and enterprises. The Asia House Annual Outlook emphasizes the importance of scaling green bond issuance for broader environmental impact.

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Vietnam's freight and logistics market is projected to reach US\$ 65.34 billion by 2029

The World Bank's Logistics Performance Index (LPI) reported Vietnam's rank dropped by four places to 43rd in 2023, reflecting the pandemic's impact on the logistics sector. Despite the decline, Vietnam's LPI score rose to 3.3 points, showcasing gradual improvements, particularly in customs efficiency and infrastructure quality since 2018. Trucking, vital to Vietnam's economy, handles 77% of the country's freight, facing challenges such as high logistics costs (21% of GDP), environmental impacts, and operational inefficiencies.

A CEL Consulting survey revealed critical issues in trucking businesses, emphasizing route optimization inefficiencies and rising operational costs due to fuel prices, driver shortages, and regulatory compliance. To address these challenges, policy recommendations include fleet modernization, enhanced driver training, and infrastructure improvements, with digital technology integration as a key solution. Despite obstacles, Vietnam's freight and logistics market is projected to reach \$45.19 billion in 2023, with a CAGR of 6.34% expected to reach \$65.34 billion by 2029.

The trucking sector experienced significant growth in 2023, indicating resilience. Future plans involve diversifying transportation methods and reducing reliance on road transport, aligning with broader trends in the Asia-Pacific logistics market. Companies are adopting innovative strategies and efficient planning to navigate challenges and seize growth opportunities in the evolving industry landscape. VIR

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Vietnam entered the list of top-10 nations worldwide with the highest e-commerce growth rate

The Ministry of Industry and Trade has reported that the e-commerce sector in Vietnam effectively leveraged market purchasing power last year, resulting in a substantial increase compared to the overall economic growth rate. The burgeoning e-commerce landscape in Vietnam saw the total retail sales and services revenue surpass the industry's targeted growth range of 8-9% in 2023.

Abundant domestic merchandise supplies adequately met community demands, contributing to price stability and playing a pivotal role in inflation control. E-commerce has emerged as a significant distribution channel in Vietnam, alongside traditional avenues such as markets, supermarkets, department stores, and convenience stores. Notably, it played a crucial role in boosting the consumption of agricultural produce and food, especially during harvest periods.

The Ministry of Industry and Trade emphasized that various businesses experienced remarkable growth, thanks to the thriving e-commerce sector. In 2023, Vietnam's retail e-commerce market generated approximately US\$20.5 billion, constituting 8% of the country's revenues from consumer goods and services. Achieving a remarkable growth rate of 25%, Vietnam entered the list of top-10 nations worldwide with the highest e-commerce growth rates. SGGP



Obstacles in LNG import costs and electricity selling prices challenge Vietnam's gas power capacity

Vietnam faces challenges in achieving its gas power capacity targets due to obstacles in liquefied natural gas (LNG) import costs and electricity selling prices. The Thi Vai LNG terminal, operational since October 2023, is Vietnam's first complex for LNG imports, with a storage capacity of one million tonnes per year. Despite progress in LNG infrastructure investment, power plant funding is slow, posing risks to the planned test runs in early 2024.

Experts highlight the importance of gas thermal power for regulating the national power system, given the intermittency of renewable energy sources. However, issues such as the high production cost of LNG, low purchasing power of electricity, and lack of a pricing framework hinder progress. The Power Development Plan VIII targets 15% of total power capacity from imported LNG by 2030, but challenges, including a lack of pricing clarity, could impede this goal.

Key concerns include the high production cost of LNG power plants, uncertainty in pricing frameworks, and the dependence on imported fuel. Without timely resolution of these challenges, the transition goals and national energy security could be compromised. Experts propose government support in managing LNG prices, ensuring stable long-term prices, and establishing regulations on gas-electricity consumption outputs to attract investment and enhance project feasibility. Additionally, complex LNG projects with larger capacities are deemed more economically effective, emphasizing the need for supportive government mechanisms to facilitate progress. VIR

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The retail and consumer industry to robust recovery in 2024

The retail and consumer industry is on track for a robust recovery in 2024, fueled by positive business conditions and promising macroeconomic indicators, as noted by leading securities companies.

Despite a drop in Vietnam's Logistics Performance Index, the retail sector is witnessing a surge in end-of-year consumer spending, signaling positive growth. The Ministry of Industry and Trade reports vibrant service trade activities in December 2023, contributing to a 2.6% month-on-month increase and a substantial 9.3% rise from the same period in 2022, with total retail sales projected at approximately \$23.57 million USD. KB Securities Vietnam (KBSV) and VNDirect Securities highlight positive signs of recovery, citing improved macroeconomic indicators, export rebound, and declining inflation. Electronic, consumer distribution, and retail companies are expected to experience strong net profit growth, particularly in the fourth quarter of 2023.

FPT Retail's iPhone 15 series launch and Long Chau pharmacy chain's expansion contribute to improving business outlooks. SSI Research predicts a 22% revenue increase for Long Chau in 2024, while Masan Group and Phu Nhuan Jewelry (PNJ) showcase positive financial performances in 2023, with Masan Group reporting a 3.5% YoY revenue increase, equivalent to around \$2.40 billion USD, and PNJ maintaining revenue and profit levels compared to the previous year, earning approximately \$973.75 million USD in net revenue and \$55.42 million USD in profit after tax in the first nine months of 2023.

Despite external challenges, these insights suggest a promising outlook for Vietnam's retail and consumer industry, with companies focusing on efficiency, expansion, and innovation to drive future growth. VNS

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South Korean industrial machinery manufacturer Hyosung to invest USD 2 billion in Vietnam this year

South Korean industrial machinery manufacturer Hyosung is planning to boost its investment in Vietnam by an additional \$2 billion this year. The company's deputy chairman, Cho Hyun-sang, conveyed this intention to Prime Minister Pham Minh Chinh during a meeting in Davos, Switzerland. Hyosung has found its investments in Vietnam to be highly profitable, thanks to the effective leadership of the central government, support from local authorities, and the dedicated work ethic of the Vietnamese people.

Having already invested \$3.5 billion in establishing factories across Hanoi, Ho Chi Minh City, Dong Nai, and Ba Ria – Vung Tau, employing over 9,000 workers, Hyosung recognizes Vietnam's potential as a lucrative investment destination.

During the meeting, various investors, including Claudio Cisullo of Switzerland-based bank UBS, expressed confidence in Vietnam's capability to evolve into a regional financial hub, especially through the strategic use of technology. Chairman Phan Van Mai of Ho Chi Minh City shared the city's ambition to establish itself as a regional financial hub by 2030, with plans to present the proposal to the National Assembly later this year.

Prime Minister Chinh called upon investors to actively contribute to the development of the financial hub, participate in the restructuring of struggling banks, and collaborate in nurturing a pool of high-quality talent for the financial sector. Assuring foreign investors, he pledged Vietnam's commitment to creating a business-friendly environment and facilitating their endeavors in the country. vnexpress

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