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Vietnam's economic growth is anticipated to accelerate to 6% in 2024

Vietnam's economic growth is anticipated to accelerate to 6% in 2024, a notable uptick from the 5.1% recorded in 2023, as outlined in a report by the ASEAN+3 Macroeconomic Research Office (AMRO). This positive trajectory is underpinned by improving external and domestic demand, robust foreign direct investment (FDI) inflows, and a surge in tourist arrivals.

The forecasted growth is bolstered by anticipated increases in external demand, driven by heightened US retail demand, a rebound in the global semiconductor market, and increased economic activities within the EU. Additionally, an expected rise in tourist arrivals is poised to stimulate consumption levels further.

Inflationary pressures are projected to remain manageable, thanks to subdued domestic demand, declining oil prices, and ample food production. The government's fiscal policy stance, characterized by stimulus measures, has been instrumental in supporting growth.

However, risks to the growth outlook persist, primarily stemming from external factors such as potential recessions in the EU or US and a slower-than-expected economic rebound in China. Moreover, Vietnam faces longer-term structural challenges, including a sluggish manufacturing ecosystem, labor shortages, and rapid population aging, which could hinder sustained growth.

Addressing these challenges necessitates a policy mix that prioritizes growth while ensuring financial stability. Fiscal measures should be recalibrated to target vulnerable groups effectively, while accommodative monetary policy and robust macroprudential regulations are vital for managing risks in the financial sector, particularly in the housing market.

Regulatory reforms in the financial system, improvements in real estate sector transparency, and investments in vocational training and education are crucial for sustainable development. Enhancing climate resilience through mitigation and adaptation strategies is also imperative for Vietnam's economic sustainability. VIR

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Vietnam plans to finalize the blueprints for 30 airports

The Ministry of Transport is swiftly advancing with its plans to finalize the blueprints for 30 airports, a mix of international and domestic facilities, by the year 2025, as part of the overarching master plan for airport development spanning 2021 to 2030, with a visionary outlook towards 2050.

Proposed for approval by the Prime Minister, these plans are geared towards strategic projects that hold paramount importance for the socio-economic progress and global integration of key regions, notably the Hanoi capital area with a focus on Noi Bai International Airport, and the Ho Chi Minh City vicinity encompassing Tan Son Nhat and Long Thanh International Airports.

Of the 30 earmarked airports, 14 are designated as international gateways, including Van Don, Cat Bi, Noi Bai, Tho Xuan, Vinh, Phu Bai, Sa Nang, Chu Lai, Cam Ranh, Lien Khuong, Long Thanh, Tan Son Nhat, Can Tho, and Phu Quoc.

Further planning for airports such as Cao Bang and Hai Phong International Airport is slated for completion between 2026 and 2030.

The estimated investment needed for airport infrastructure, excluding projects managed by the Vietnam Air Traffic Management Corporation (VATM), totals approximately 420.5 trillion VND (16.7 billion USD) for the period spanning 2021 to 2030.

To mobilize these funds, the ministry advocates for phased allocation of state budget resources, alongside enhanced coordination among relevant stakeholders. Additionally, the utilization of public-private partnership (PPP) models is encouraged to maximize social capital participation.

In addition to fostering policies for investment and technological advancement, emphasis is placed on social welfare, environmental conservation, and national security, underscoring a holistic approach to sustainable airport development. VNA

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B2C revenues expected to hit US$ 26.31 billion by 2024

Vietnam's E-Commerce and Digital Economy Agency foresees a substantial uptick in online business-to-consumer (B2C) transactions, with revenues expected to hit 650 trillion VND ($26.31 billion USD) by 2024. This marks a significant progression from previous years, where B2C revenues climbed steadily from $10.8 billion USD in 2018 to $20.5 billion USD in 2023, accounting for a notable portion of the nation's retail sales.

The exponential growth is further underscored by a surge in successful deliveries through key e-commerce platforms like Shopee, Lazada, and Tiki. Projections by the e-Conomy SEA 2022 report indicate continued momentum, with B2C revenue forecasted to grow by 35% in 2024, totaling 310 trillion VND.

However, amid this boom, challenges loom large. Do Huu Hung, CEO of Accesstrade Vietnam, highlights critical areas for improvement, including logistics infrastructure, product origin transparency, and data privacy safeguards. Establishing a sustainable ecosystem is pivotal for sustained growth and consumer trust.

Collaborative efforts between ministries and sectors are deemed essential to address these challenges and capitalize on the sector's potential. Strategies must prioritize consumer protection, promote sustainability, and bridge regional disparities through digital platforms.

As Vietnam's e-commerce landscape evolves, navigating these challenges collectively will be crucial in unlocking the sector's full potential and fostering inclusive growth nationwide. VNA

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An expansion of the direct power purchase agreement mechanism is required

The Ministry of Industry and Trade is pushing for an expansion of the direct power purchase agreement mechanism (DPPA) beyond its initial scope of manufacturing customers. At a recent meeting, officials highlighted the importance of broadening the DPPA to include various energy sources beyond wind and solar power plants and to encompass non-manufacturing customers interested in participating.

Minister Nguyen Hong Dien emphasized the potential inclusion of diverse entities in the DPPA mechanism beyond just producers, depending on demand. He advocated for an unlimited approach to capacity while prioritizing clean and renewable energy sources for sustainability.

Dien urged the drafting committee to swiftly finalize the draft decree by April 15 for public feedback, aiming for submission to the Government by the end of April or early May. The decree aims to establish pricing mechanisms for transactions within the national power grid system.

The ministry has been developing the DPPA mechanism since 2019, with input from domestic and international consultations. Currently, the draft decree specifies that buyers must be industrial production organizations or individuals, while suppliers are limited to wind and solar plants with grid-connected capacities exceeding 30 MW. Household consumers are not yet eligible for direct power purchase, but the proposed expansion seeks to address this limitation. The Saigontimes

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F&B market in Vietnam is on the brink of substantial growth

The food and beverage (F&B) market in Vietnam is on the brink of substantial growth, fueled by a burgeoning middle class and a surge of new entrants eyeing the market's lucrative prospects. According to a recent analysis by iPOS.vn, the F&B industry recorded impressive revenue of approximately $23.65 billion in 2023, marking an 11.47% increase from the previous year, with dine-in services accounting for the majority of sales.

Despite the challenges encountered in 2023, over 79% of F&B establishments reported positive business trends, with more than half expressing intentions for future expansion. Projections by iPOS.vn indicate further growth, with the industry expected to reach a revenue of approximately $28.9 billion this year.

Additionally, estimates by Mordor Intelligence forecast the F&B market to expand significantly to approximately $36.29 billion by 2029, driven by a compound annual growth rate of 9.82% between 2024-2029.

Factors contributing to this growth include a large domestic market, post-pandemic tourism resurgence, and the burgeoning popularity of online food delivery services, which reached approximately $2.22 billion in revenue in 2023.

However, amidst this promising outlook, increasing competition is anticipated in 2024, particularly among small and medium-sized F&B establishments. This trend underscores the importance of focusing on product quality, competitiveness, and adapting to market trends, including the optimization of online ordering services.

As Vietnam's middle class is expected to double by 2026 and GDP per capita surpassing $5,000, the F&B market is poised for sustained growth, driven by the evolving preferences of Gen Z consumers. This growth not only benefits Vietnamese diners but also accelerates the global popularity of Vietnamese cuisine. Vnexpress

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Korean investors in Vietnam face growing competition from China

According to a recent article by Japan's Nikkei Asia, leading companies from South Korea operating in Vietnam are encountering stiff competition from their Chinese counterparts.

South Korean firms, including Samsung Electronics and LG, have historically been significant investors in Vietnam, making the country a crucial manufacturing hub in global supply chains, as noted by a representative from the Korea Chamber of Commerce and Industry (KCCI) in Vietnam, Kim Hyong-mo.

Despite South Korea ranking first in cumulative investment in Vietnam since 1988, recent years have seen intensified competition with China. Last year, South Korea fell to fourth place in terms of foreign direct investment in Vietnam, trailing behind Hong Kong (China), China, and Singapore.

Challenges such as rising labor costs and increased presence of Chinese companies have led many South Korean firms to adopt a cautious approach towards new investments in Vietnam, amidst a global economic slowdown.

However, Vietnam's open trade and investment environment, along with geopolitical advantages and domestic political stability, continue to make it an attractive investment destination. Despite challenges like rising minimum wages and a shortage of skilled workers, Vietnam remains appealing.

The implementation of a global minimum corporate tax of 15% could potentially impact Vietnam's attractiveness for investment. South Korean companies are expected to bear a significant portion of this tax burden, with reports suggesting an increase in tax revenue by more than VND14.6 trillion, largely from South Korean firms.

While some South Korean companies may consider exploring alternative investment destinations like India due to rising labor costs in Vietnam, Kim emphasized that withdrawing or reducing investments in Vietnam is not a prevailing sentiment among KCCI member companies. Instead, they are focused on maintaining their presence and continuing production activities in Vietnam, leveraging established trade and investment relationships. VOV

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