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Vietnam has an opportunity to become a "market economy"

The US Department of Commerce recently convened a hearing to explore the potential designation of Vietnam as a "market economy," Reuters reports. This move, backed by retailers and business groups, could lead to a reduction in anti-dumping duties imposed on Vietnamese imports.

Currently classified as a non-market economy due to substantial state influence, Vietnam's status is under review, with arguments presented during a virtual hearing in Washington. The review process, slated to conclude in late July, aims to assess Vietnam's adherence to market economy criteria.

Ted Osius, head of the US-ASEAN Business Council, asserted that Vietnam operates as a market economy, citing factors such as currency convertibility. Prime Minister Phạm Minh Chinh previously urged US Treasury Secretary Janet Yellen to remove the non-market label.

In September 2023, Vietnam and the US upgraded their relationship to a comprehensive strategic partnership during President Joe Biden's visit. Biden commended Vietnam's strides in implementing market-based economic reforms and expressed willingness to support its transition to a market economy.

The US also acknowledged Vietnam's efforts to modernize monetary policy, enhance exchange rate management transparency, promote macroeconomic stability, and bolster banking system soundness. VNS

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The mergers and acquisitions in the logistics industry remains subdued this year

The landscape for mergers and acquisitions (M&A) in the logistics industry remains subdued this year due to ongoing economic challenges.

Vietnam Maritime Corporation (VIMC), a major player in national shipping, is aiming to reduce its state stake from 99.46% to 65% as part of efforts to enhance operational efficiency. Deputy General Director Le Quang Trung outlined the company's intentions, emphasizing the search for an investor with aligned business interests, robust technological capabilities, financial strength, and market expertise. The anticipated funding, amounting to approximately \$1.32 billion, will fuel strategic investment projects, including the development of deep-water seaports and logistics infrastructure.

Despite VIMC's potential to catalyze deal activity in transport and logistics, experts anticipate a cautious approach from investors amid prevailing uncertainties. Trinh Luong Ngoc, a lawyer at Vilaf, anticipates limited M&A activity in the short term, citing investor hesitancy due to global economic challenges and currency devaluation concerns.

The logistics sector has grappled with disruptions stemming from escalating tensions and instability in the global supply chain, further dampening investor confidence. However, Trung Le, Vice Chairman of the Vietnam Logistics Business Association, observes a growing trend of resilience among logistics firms, driven by strategic adjustments and M&A activity to navigate the challenges.

The shift of production to Vietnam, buoyed by recent diplomatic engagements, has drawn the interest of international corporations seeking partnerships. This trend is expected to drive increased M&A activity in the future, bolstered by Vietnam's strategic positioning in manufacturing and high-tech sectors.

Despite the potential for growth, M&A transactions in the logistics sector face legal complexities. Concerns have been raised over regulatory hurdles, particularly regarding foreign ownership approvals and compliance with environmental, social, and governance (ESG) regulations. Efforts to streamline approval processes and enhance regulatory clarity are essential to foster a conducive environment for M&A activity and stimulate investment inflows into Vietnam's logistics industry. Vietnamnet

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MoIT partners with Alibaba to boost Vietnam's E-Pavilion presence

The Ministry of Industry and Trade (MoIT) has entered into a strategic partnership with Alibaba to expand Vietnam's E-Pavilion, aiming to onboard 300 prominent businesses. Vu Ba Phu, Director General of MoIT's Vietnam Trade Promotion Agency (Vietrade), sees this collaboration as a pivotal move towards embracing digital commerce and fostering sustainable economic growth.

Recent data from MoIT's Export and Import Department highlights the increasing significance of online platforms for small- and medium-sized enterprises (SMEs). Notably, 32% of SMEs have utilized digital avenues to forge lucrative business connections with international partners. This digital shift empowers SMEs to diversify their sales channels, engage directly with global buyers, and optimize supply chain operations while minimizing costs.

Cross-border e-commerce emerges as a critical enabler for businesses seeking to expand their global reach swiftly. The exponential growth in the revenue of business-to-consumer (B2C) e-commerce, reaching nearly \$21 billion in 2023 and projected to hit \$27 billion this year, underscores the vast opportunities presented by the digital landscape for Vietnam's economic expansion.

Under the leadership of Doan Quoc Tam, the Vietnam E-commerce Association has spearheaded initiatives to facilitate online exhibitions, fostering connections between SMEs and domestic as well as foreign markets. These efforts empower SMEs to leverage digital channels for market research and capitalize on new opportunities.

Moreover, MoIT has implemented targeted programs to bolster e-commerce development, resulting in significant increases in export values on platforms like Amazon. Nguyen Thi Minh Huyen, Deputy Director of MoIT's Department of E-commerce and Digital Economy, reaffirms the agency's commitment to supporting Vietnamese enterprises in navigating global e-commerce platforms, ensuring their competitiveness in the digital era.

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No new solar power plant licenses until 2030

Businesses in Vietnam are concerned about the potential hindrance to the development of the direct power purchase mechanism due to the absence of new solar power plant licenses until 2030.

The draft decree by the Ministry of Industry and Trade stipulates that only plants listed in the 2021–2030 National Power Development Plan can sell directly to buyers. The American Chamber of Commerce in Vietnam (AmCham Vietnam) has raised concerns over limited consumer choices and proposed licensing new solar farms if they are part of a direct power purchase agreement. While the ministry has indicated willingness to consider this request, industry insiders anticipate few new plants being built before 2030 due to exceeding capacity installed in 2010–20.

Minister of Industry and Trade Nguyen Hong Dien has cautioned against approving proposals for additional renewable power plants exceeding the national plan to prevent future oversupply. Businesses advocate for including all transmission from plans under the direct power purchase mechanism in the national grid, simplifying development and ensuring stability. The European Chamber of Commerce in Vietnam advises against installing new transmission systems for direct power purchase.

Currently, Vietnam Electricity is the sole energy distributor in the country, conducting operations through the national grid. A trade ministry survey reveals that around 20 large enterprises desire to directly purchase a total of 1,000 megawatts, with major foreign companies like Samsung, Heineken, and Nike among them, consuming significant monthly kilowatt-hour amounts. Vnexpress

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Retail giants have seen remarkable profits in first quarter of 2024

Vietnamese retail giants have seen remarkable profits in Q1/2024, with substantial year-on-year increases or a shift from losses to profit, driven by a significant recovery in purchasing power during the Tet holiday, as noted by market analysts.

Mobile World Investment (MWG) witnessed a 16% year-on-year revenue increase to VND31,486 billion (\$1.24 billion) in Q1. The Mobile World and Dien May Xanh chains experienced a 7% income rise, particularly boosted by the electronics sector, notably air conditioner sales, which surged by 50%. Additionally, the Bach Hoa Xanh retail grocery chain saw a remarkable 44% revenue increase year-on-year, reaching VND9,100 billion (\$358.7 million).

MWG's gross profit margin rose to 21.2%, resulting in a net profit surge of 43 times year-on-year to VND902 billion (\$35.6 million), meeting 37.6% of the annual target. This outstanding performance was attributed to a thorough restructuring process initiated in Q4/2023.

Similarly, FPT Retail returned to profitability after four consecutive quarters of losses, with Q1 revenue growing by 17% year-on-year to VND9,042 billion (\$356.5 million). The net profit amounted to VND39 billion (\$1.5 million), contrasting with a loss of VND5 billion (\$197,128) in the same period last year. The Long Chau pharmacy chain was the primary driver of FPT Retail's success.

Phu Nhuan Jewelry JSC (PNJ) reported "historic high" Q1 revenues of VND12,594 billion (\$496.5 million), a 29% increase from the previous year, propelled by a significant rise in gold prices. Profit after tax reached VND737 billion (\$29 million), driven by increased purchases of gold bars.

According to SSI Research, retail companies experienced a gradual recovery in profits after hitting a low point in the second half of 2023. Favorable factors such as lower interest rates and an export revival have boosted people's disposable income, leading to increased demand for non-essential goods. SSI Research forecasts a substantial profit growth of about 140% year-on-year for retail companies in the first half of this year and 118% for the whole year. The investor

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Vietnam's investment landscape showcased several notable trends

Vietnam's investment landscape in 2023 showcased several notable trends, including a significant surge in investment from China, comprehensive collaboration with Japan, and a landmark Comprehensive Strategic Partnership with the United States.

Last year witnessed an unprecedented influx of investment from China, particularly in northern provinces and economic zones. This trend is expected to persist amid global economic tensions and the need for diversified supply chains, coupled with rising labor costs in China.

On the occasion of the 50th anniversary of Vietnam-Japan relations, the two nations elevated their bilateral ties to a Comprehensive Strategic Partnership, signaling a deepening commitment to collaboration across various sectors.

Similarly, Vietnam and the United States solidified their long-awaited Comprehensive Strategic Partnership, unlocking opportunities for enhanced cooperation, notably in high-tech fields like semiconductors and renewable energy.

Despite uncertain economic conditions, foreign-invested enterprises (FIEs) displayed cautious optimism, with a modest increase in investment and employment activities. Profitability improved, with fewer firms reporting losses, indicating a sustained recovery from the pandemic's impact.

However, business confidence among FIEs showed a decline in expansion expectations, reflecting ongoing global economic uncertainties. This cautious sentiment was evident across both non-exporting and exporting firms, highlighting lingering concerns in the business climate.

Challenges persist for FIEs in navigating Vietnam's regulatory landscape. US firms cited policy and regulatory hurdles, while Japanese enterprises faced tax-related complexities. Chinese investors demonstrated adeptness in regulatory compliance but encountered market-related challenges such as volatility and customer acquisition.

Despite these challenges, Vietnam attracted investment from 111 countries and territories in 2023, with Singapore emerging as the top investor. Japan and Hong Kong also made significant contributions, underscoring the strong presence of East Asian investors in the Vietnamese market. Key projects, including liquefied natural gas thermal power plants and technology complexes, highlighted the diverse investment landscape and the nation's attractiveness to foreign investors across various sectors. VIR

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