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Vietnam economy under growth and inflationary pressure

Vietnam's economy is grappling with challenges related to growth and inflation control, having maintained macroeconomic stability and kept inflation below 4% for years. However, the average Consumer Price Index (CPI) for the first five months of this year has exceeded the 4% threshold, reaching 4.03%, according to Dau Tu (Investment) newspaper.

Despite a modest month-on-month CPI increase of 0.05% in May, the annual rise is 4.44%, with further inflationary pressures expected from global supply fluctuations, increased electricity usage, and domestic transportation demands during the summer. Additional price adjustments in electricity, education, health services, and a new salary reform policy could exacerbate the situation.

National Assembly deputies have highlighted ongoing inflation risks due to global commodity price uncertainties, geopolitical conflicts, and an impending minimum wage hike from July 1. Rising global gasoline prices have also impacted domestic petrol costs, transportation, airfares, and housing rentals, coupled with significant fluctuations in the USD exchange rate and gold prices.

Experts urge the government to adopt cautious measures to contain inflation and manage market prices effectively. They stress that beyond meeting the CPI target, it's crucial to support business and production activities to safeguard economic growth. High input prices and exchange rate volatility are straining firms, with the US dollar index up 7.85% year-on-year in May, affecting import costs and lending rates, thereby impacting domestic inflation.

Insiders emphasize the need for comprehensive solutions addressing market prices, exchange rates, interest rates, and real estate issues to prevent long-term macroeconomic instability. The Ministry of Planning and Investment advocates prioritizing growth acceleration while maintaining macroeconomic stability and controlling inflation.

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Vietnam is well-positioned to become a regional logistics hub

Vietnam, with its annual logistics growth rate of 14% to 16%, is well-positioned to become a regional logistics hub, leveraging its geographical and natural advantages. Dr. Pham Hoai Chung, deputy director of the Transport Development Strategy Institute, noted at a recent event that the global logistics market is projected to grow from US\$7.98 trillion in 2022 to US\$18.23 trillion by 2030. Vietnam's logistics sector, valued at US\$40 billion to US\$42 billion, is one of the fastest-growing globally.

The nation's involvement in 17 Free Trade Agreements (FTAs), including the EU-Vietnam Free Trade Agreement (EVFTA), enhances its export capacity, providing significant growth opportunities for the logistics industry. Vietnam ranks 43rd in the Logistics Performance Index (LPI) and 11th among 50 emerging logistics markets, underscoring its potential for logistics development in Southeast Asia.

Vietnam's comprehensive transportation infrastructure includes roads, railways, inland waterways, seaways, and airways. The country boasts 34 seaports with over 100 km of wharves and a shipping fleet of 1,015 ships, ranking third in ASEAN. Coastal transport vehicles (VR-SB) effectively handle 100% of sea transport goods.

Human resource investment has also been pivotal, with significant efforts in training and developing a skilled workforce, enhancing service quality and professionalism in the logistics sector. Dr. Chung emphasized that Vietnam's advantages position it to become a key logistics center for regional and global transshipment.

However, challenges persist. The logistics sector faces incomplete connections between transport modes and infrastructure bottlenecks. Road transport dominates, while the potential of railways and inland waterways remains underutilized. Vietnamese logistics enterprises are generally small-scale, with limited service quality and value addition.

Dr. Chung advocates for substantial investment in transportation and warehouse infrastructure, particularly in urban areas and industrial zones. Businesses should innovate administrative procedures, improve service quality through professional training, and adopt modern technology to manage goods and enhance transportation processes. Proactively seeking new market opportunities is essential for expanding operations and increasing revenue. VOV

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Vietnam to enhance consumer protection for sustainable e-commerce development

The Ministry of Industry and Trade (MoIT) is prioritizing consumer protection to ensure sustainable e-commerce development, Minister Nguyen Hong Dien announced during the National Assembly's Q&A session on June 4. Dien emphasized that e-commerce is a crucial distribution channel, significantly contributing to the growth of financial services and modern payment systems.

According to MoIT statistics, Vietnam was among the top five countries globally with the highest e-commerce growth rates in 2023, achieving a 25% increase from 2022. The country's retail e-commerce market was valued at USD 20.5 billion in 2023.

However, Dien identified three major challenges amid the e-commerce boom: the risk of personal data breaches, rampant counterfeiting, and tax losses. In response, the ministry has taken action against violators, checking, removing, and locking out over 6,200 online stores and 23,359 violating products. Additionally, they investigated 834 cases, imposing fines totaling VND 12 billion (approximately USD 500,000).

One key issue highlighted by Dien was the insufficient sanctions for counterfeit products. The new Law on Protection of Consumer Rights 2023, effective from July, is expected to enhance consumer protection in the e-commerce sector. The MoIT is also collaborating with the Ministry of Public Security to develop a law on protecting personal data, requiring e-commerce platforms to publicly disclose their data protection policies.

To combat counterfeiting, the ministry plans to intensify inspections of product origins and quality. Dien urged local producers to improve product quality and strengthen campaigns promoting Vietnamese-made goods. Additionally, the MoIT is proposing a decree to manage products imported through e-commerce and foreign sellers on these platforms, including removing VAT and import tax exemptions on small-value imports.

Dien highlighted that major foreign e-commerce platforms are transacting around USD 1 billion worth of imported products monthly, leading to significant tax losses. Tax revenues from e-commerce were nearly VND 100 trillion (around USD 4 billion) in 2021, on a revenue of nearly USD 21 billion. Dien stressed the necessity of enhancing data connection and information sharing to improve tax management in the e-commerce market.

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Denmark co-hosted a workshop to share knowledge of offshore wind power development in Vietnam

Addressing the workshop, Nguyen Cong Vinh, vice chairman of the provincial administration, emphasized that the development of renewable energy, including offshore wind power, is considered one of the key breakthrough solutions for energy conversion whilst also ensuring national energy security.

It is also one of the major goals in the province's plan for the 2021 – 2030 period with a vision towards 2050, as approved by the Prime Minister, he said.

According to the official, the southern province of Ba Ria-Vung Tau has a lot of potential to develop offshore wind power and form an inter-regional renewable energy industrial and service center. Therefore, developing renewable energy is one of the key tasks to ensure socio-economic development, defense and security of the province and the entire Southeast region in the coming years.

At the workshop, Danish and Vietnamese experts analyzed challenges faced in offshore wind power development, shared experiences and examined key issues regarding the development of offshore wind power projects.

Furthermore, they also discussed support policies, feasibility, and the efficiency of energy projects in order to ensure the competitiveness and sustainability of offshore wind power projects.

Stuart Livesey, general director of Copenhagen Offshore Partners Vietnam, shared that seaports represent an important sphere of investment to serve the assembly of various equipment and components on a large scale.

It is expected to create a wealth of opportunities to upgrade port infrastructure, not only serving the offshore wind power industry, but also for other types of marine energy industries, he noted.

At the workshop, business representatives and investors also recommended that relevant ministries and agencies move to swiftly issue policies to create favorable conditions for them to develop this industry. VOV

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Heatmap of Vietnamese \$350 billion retail market.

Vietnam's leading consumer goods retailers, WinCommerce and Bach Hoa Xanh, are pursuing distinct growth strategies to capture a larger share of the \$350 billion retail market.

WinCommerce, a subsidiary of Masan Group, operates 3,667 Winmart stores and focuses on nationwide expansion and increasing membership rates. Dominating the northern and central regions, WinCommerce is developing its logistics system, Supra, to manage 16 storage centers and distribute 60% of its goods, which has helped reduce costs and boost its gross profit margin by 2 percentage points in the first quarter. The company plans to open 400-700 new stores this year, surpassing 4,000 outlets, and is also developing a new brand, WIN, which combines groceries, medicines, financial services, and telecommunications.

Bach Hoa Xanh, a subsidiary of Mobile World, concentrates on fresh foods and the southern region, operating 1,696 stores. Last year, it outperformed WinCommerce in revenues by 5%. The company offers daily discounts on soon-to-expire fresh foods to minimize waste and aims to reduce logistics costs from 4.5% to 3.5% of sales by year-end. Bach Hoa Xanh plans to open 100 new outlets this year, primarily in Ho Chi Minh City.

Masan CEO Danny Le acknowledged Bach Hoa Xanh's competitive edge in fresh foods, stating that WinCommerce would develop its own strategies but not necessarily compete directly in that segment. Bach Hoa Xanh's leaders emphasize customer needs and affordability over competitor concerns.

Both companies are set to dominate Vietnam's retail market, akin to Walmart and Costco in the U.S. or Alfamart and Indomaret in Indonesia. Danny Le believes there is ample space for both WinCommerce and Bach Hoa Xanh to thrive in the growing market.

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Foreign investment in Vietnam's real estate reached US\$ 1.68 billion in first four months of 2023

Foreign investment in Vietnam's real estate sector surged in the first four months of this year, reaching \$1.68 billion, a staggering four-fold increase compared to the same period in 2023. Despite this influx of foreign capital, the domestic real estate market has yet to fully rebound.

A recent analysis by Bloomberg highlighted the shifting focus of investors towards emerging markets like Vietnam, as China's real estate market faces challenges. With China experiencing deflationary pressure and declining real estate values, investors are seeking alternative opportunities in Asia, including Vietnam. This trend is further fueled by the diversification strategies of businesses, particularly the China+1 approach, which favors Vietnam due to its stable economy and growth potential.

The Vietnamese real estate market's appeal is also evident in its rental price trends. While major Chinese cities are witnessing price declines, Ho Chi Minh City saw a significant increase in prices during the first quarter of 2024. This favorable market dynamic has attracted attention from investors across Asia and the Middle East, as well as large investment funds.

Moreover, Vietnam's demographic advantage, with a population of nearly 100 million and a growing economy, further enhances its attractiveness to investors. Unlike Thailand, where development is primarily concentrated in Bangkok, Vietnam offers numerous cities ripe for development. This, coupled with relatively affordable real estate prices compared to regional counterparts, presents lucrative opportunities for investors.

Recent developments by prominent foreign developers like Capitaland and Central Pattana Public Company underscore the growing interest in Vietnam's real estate market. Additionally, the housing segment remains particularly attractive for both domestic and foreign investors due to its favorable profit margins.

In the past three and a half decades, foreign investment totaling \$66.4 billion has poured into approximately 1,100 real estate projects in Vietnam, with Singapore, South Korea, Japan, and Taiwan emerging as key investors with long-term strategies. As Vietnam continues to attract foreign capital and its real estate market evolves, it presents a promising landscape for savvy investors seeking growth opportunities in Asia.

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