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The SBV has implemented a series of measures to curb the dollarization of the economy

The State Bank of Vietnam (SBV) has implemented a series of measures to curb the dollarization of the economy, most notably the zero per cent interest rate on US dollar deposits. According to economists and market experts, these efforts have been instrumental in stabilizing the exchange market, boosting foreign reserves, increasing remittance flows, and attracting foreign investments.

The zero per cent interest rate policy has played a crucial role in the SBV's strategy, leading to a significant reduction in foreign currency deposits by half over the past decade. Combating dollarization has been a top priority for the Vietnamese government as part of its broader efforts to control inflation, stabilize the macroeconomy, and strengthen the position of the Vietnamese dong (VND). These policies have been successful in bringing inflation down from double digits to a stable, low level.

The SBV has maintained a vigilant approach to monitoring the exchange market and interest rates, consistently signaling to the market that holding VND is more advantageous than holding US dollars. The gradual reduction of interest rates on US dollar deposits, culminating in the zero per cent rate at the end of 2015, has remained in place ever since.

SBV’s Deputy Governor Pham Thanh Ha emphasized that the zero interest rate policy has been one of the most effective tools in the government's de-dollarization strategy. The policy is a long-term objective and is implemented with strict standards to ensure its success.

Economist Le Xuan Nghia noted that the SBV is likely to remain committed to the zero per cent rate, given its positive impact on the macroeconomy. He also advised continued vigilance over the exchange market to maintain the policy's effectiveness.

Dr. Tran Tho Dat added that the exchange market has largely remained stable, suggesting that regulators should only intervene if issues arise. For now, maintaining the zero per cent interest rate policy remains a prudent course of action. VNS

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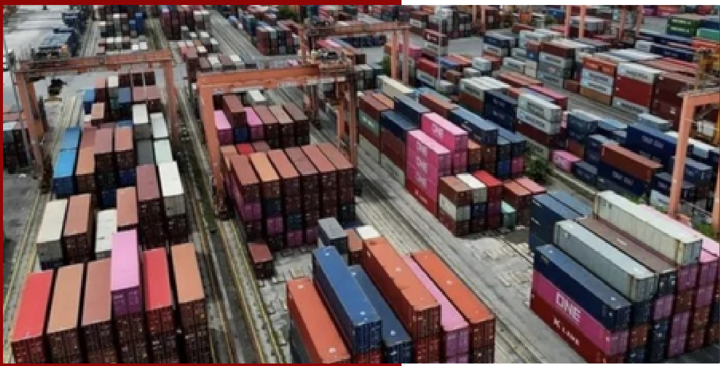

Sea freight rates in Vietnam have recently decreased by about 4%

Sea freight rates in Vietnam have recently decreased by about 4%, following a period of significant increases, according to the Vietnam Maritime Administration (VMA). Despite this, the volume of goods passing through Vietnamese seaports has surged, reaching a record high in the first seven months of 2024. An estimated 501.117 million tonnes of goods were processed, marking a 16% increase over the same period in 2023. Container cargo throughput also saw a substantial rise of 21%, totaling 16.902 million TEUs.

Notably, the Cai Mep - Thi Vai deepwater port experienced a 41% increase in container cargo, while the Lach Huyen port area saw an 87% rise. The drop in sea freight rates is attributed to increased shipping capacity and reduced pressure from the peak season. The most significant rate reduction occurred on the Asia-to-West Coast of the US route, where rates fell by 20% to 30%.

Despite the recent decrease, the VMA forecasts that this downward trend will persist. In the past, shipping rates had soared, with costs to Europe and the US reaching as high as $4,000-7,000 per container.

The VMA emphasized that Vietnamese import-export businesses often rely on foreign partners to handle logistics, which leaves them vulnerable to market price fluctuations. To mitigate these risks, the VMA recommends that businesses establish long-term shipping contracts and that industry associations assist in negotiating stable contracts to protect smaller enterprises from price volatility. VNS

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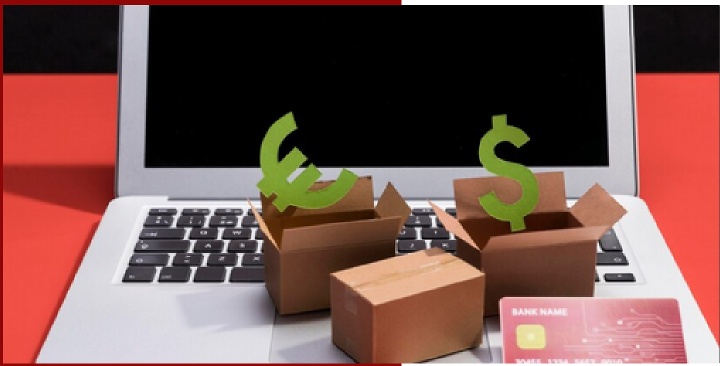

Cross-border e-commerce is poised for significant growth

Vietnam's e-commerce sector is poised for significant growth, especially in cross-border trade. According to Lai Viet Anh, Deputy Director General of the Vietnam E-commerce and Digital Economy Agency under the Ministry of Industry and Trade (MoIT), cross-border e-commerce already accounts for 20-25% of global e-commerce value. Given Vietnam's strong export orientation, particularly in textiles, footwear, rice, and agricultural products, the potential for cross-border e-commerce is vast.

In 2022, Vietnam's export revenue through cross-border e-commerce platforms reached approximately $3.3 billion. This figure is expected to surge to over $11 billion by 2027. However, achieving this ambitious goal will require coordinated efforts from government agencies, businesses, and local stakeholders to enhance the export of goods via e-commerce platforms.

The MoIT is preparing to submit a five-year e-commerce development master plan to the government. This plan emphasizes leveraging e-commerce to expand the global presence of Vietnamese export items, particularly for small- and medium-sized enterprises (SMEs). Digital technology and transformation are key to this strategy, ensuring product traceability, adherence to environmental standards, and competitiveness in global markets.

Tran Minh Tuan, Director General of Digital Economy and Digital Society under the Ministry of Information and Communications, highlighted the significant potential for transboundary e-commerce. Vietnamese tech firms have developed various business-to-business (B2B) platforms to connect with global e-commerce giants like Amazon, Alibaba, and Timo, facilitating the global expansion of Vietnamese products.

The MoIT is actively collaborating with major domestic and international e-commerce platforms to boost the sales of locally made products, particularly agricultural goods. Shopee Vietnam's Managing Director, Tran Tuan Anh, announced plans to help local firms expand into Southeast Asian markets, with a goal of bringing products from thousands of Vietnamese businesses to these markets by the end of 2024. VIR

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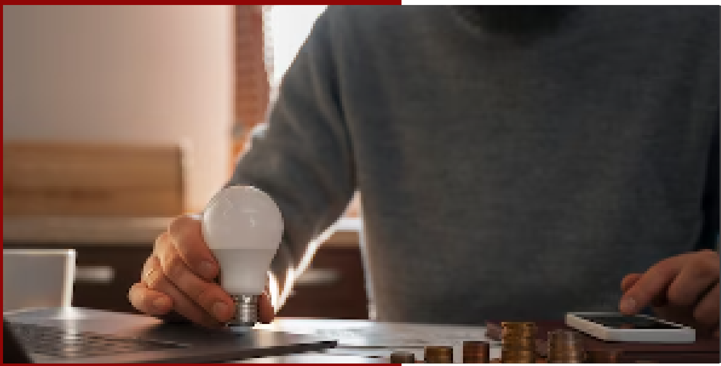

New mechanism for competitive electricity retail market

In July 2024, the Vietnamese Government introduced Decree 80/2024/ND-CP, establishing a Direct Power Purchase Agreement (DPPA) mechanism. This allows large electricity consumers with an average usage of 200,000 kWh/month to purchase electricity directly from renewable energy producers, marking a significant step towards a competitive electricity market in Vietnam.

The DPPA mechanism offers two options for direct electricity trading: via exclusive connection lines or through the national electricity grid. Renewable energy-generating units, including those using solar, wind, and other green energy sources, can now engage in direct trading with large consumers under mutually agreed contracts.

For transactions using exclusive connection lines, electricity prices will be determined by the parties involved, with the option to sell surplus energy back to Vietnam Electricity (EVN). The alternative method involves trading electricity through the national grid, where market prices will be set according to the competitive electricity wholesale market.

The introduction of Decree 80 is seen as a crucial move to attract private investment in renewable energy and enhance Vietnam’s transition towards a green economy. By enabling direct power purchases, the government aims to reduce pressure on the national grid and provide businesses with opportunities to secure carbon credits for exports, further boosting green initiatives in industrial zones. This policy is expected to foster significant growth in the renewable energy sector and contribute to Vietnam's long-term sustainability goals. vietnamlawmagazine

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The demand for organic products in Vietnam has increased by 20-40%

The demand for organic products in Vietnam has surged significantly in recent years, with annual sales increasing by 20-40%, according to industry reports. Consumers like from Ho Chi Minh City (HCMC) are turning to organic stores, despite higher prices, due to the superior quality and longer shelf life of these products. For example, organic vegetables can remain fresh for up to a week, unlike their counterparts from traditional markets.

Some parents are also opting for organic milk for their children, citing the natural creaminess and flavor as worth the premium price. The market for organic foods in Vietnam has grown by 20% since 2020, reaching a value of $100 million in 2023, according to Euromonitor.

Retailers are noticing the trend too. Le Thanh Trung of Central Retail Vietnam highlights that organic vegetables, such as those grown by the Churu ethnic group, are in high demand, often selling out quickly despite being 25-35% more expensive than regular produce. Similarly, Co.opmart's Nguyen Van Hiep reports double-digit growth in organic and green food sales this year.

The organic trend extends beyond food. Organic cosmetics are also gaining popularity, with brands like the U.K.'s Proto-col seeing higher sales in Vietnam than in countries like France and Italy. The number of pre-orders for Proto-col's new organic line, set to launch soon, indicates strong consumer interest.

As the Vietnamese government continues to promote organic farming and the EU–Vietnam Free Trade Agreement makes European organic products more accessible, businesses expect the market for organic products to continue expanding. Market research firm Mordor Intelligence projects the global organic products market will grow at a rate of 6.02% annually, with the Asia-Pacific region leading the charge. Vnexpress

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Chinese investments in Vietnam are increasingly gravitating towards high-tech sectors

Chinese investments in Vietnam are increasingly gravitating towards high-tech sectors, signaling a shift from traditional industries like furniture, steel, and textiles. Minister of Planning and Investment Nguyen Chi Dung emphasized this trend, highlighting the involvement of major Chinese corporations in electronics, manufacturing, infrastructure, renewable energy, and electric vehicles.

One significant recent investment is a $277.5 million plant by BOE Technology Group in Phu My 3 Industrial Park, Ba Ria-Vung Tau Province. This facility, set to begin operations in 2026, will produce screens for computers and televisions, along with circuit boards. BOE's expansion follows their earlier venture in Dong Nai Province, where they opened a factory in 2019.

Data from the Ministry of Planning and Investment shows that in the first seven months of 2024, investors from 91 countries and territories invested in Vietnam. Singapore led with nearly $6.52 billion, accounting for 36.2% of the total and marking a 79.1% year-on-year increase. Hong Kong followed with over $2.19 billion, while Japan, China, and South Korea also ranked among the top investors.

Although Singapore led in total capital, China topped the list in the number of new investment projects, accounting for 29.7% of all new ventures. South Korea was prominent in capital adjustments and contributions, with 24.5% and 26%, respectively.

Key destinations for foreign direct investment (FDI) include Haiphong City and Binh Duong Province. Binh Duong, which hosts over 4,322 active FDI projects valued at more than $40.9 billion, is notably attracting significant Chinese investment, particularly in industrial zones focused on manufacturing. VNS

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