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Two economic growth trajectories of Vietnam for 2025

The Ministry of Planning and Investment recently presented to the Government two economic growth trajectories for 2025, with the highest rate forecast at 7.5 per cent.

In the first scenario, the country's gross domestic product (GDP) is predicted at 6.5-7 per cent, and inflation rate at 4-4.5 per cent, given the global situation staying complicated and unpredictable, the global economic growth remaining low, and the global macroeconomic environment facing numerous risks. As a result, the average economic expansion for the 2021-2025 period will be 5.8-6 per cent.

Meanwhile, in the second, the ministry eyes a GDP growth of around 7-7.5 per cent, and inflation rate at 4.5 per cent, which could be achieved if the global situation, economic powers, and major trading partners of Vietnam enjoy better improvements than expected, and industrial production, export and foreign investment attraction on a strong surge. In this scenario, the average GDP growth will be 5.9-6.1 per cent.

The ministry has been in favour of the first one since the domestic economy has been affected by adverse external developments, while several intrinsic problems could not be improved in a short term.

In its recent forecast, the Asian Development Bank (ADB) said the Vietnamese economy will grow 6 per cent this year, and 6.2 per cent in 2025. ADB Country Director for Viet Nam Shantanu Chakraborty held that robust rebound in trade, production, and foreign invest attraction have brought rosy signs to the Vietnamese economy.

The bank also gave a positive prospect for the economy, estimating the GDP to expand 6.1 per cent in 2024, and 6.5 per cent in 2025. It hailed the economy's resilience capacity amidst increasing challenges across the globe.

With a view to concretising the economic growth target of 6.5-7 per cent this year, and even higher in 2025, the ministry has proposed prioritising growth on the basis of stabilising the macroeconomy, curbing inflation, ensuring major balances, accelerating the disbursement of public investment, attracting foreign investment, and mobilising resources from state-owned corporations. VIR

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Many facilities in Vietnam's transport sector are facing challenges in meeting greenhouse gas inventory requirements

Many facilities in Vietnam's transport sector are facing challenges in meeting greenhouse gas (GHG) inventory requirements, primarily due to a lack of capital, human resources, and clear guidelines. In mid-August, Deputy Prime Minister Tran Hong Ha released a directive listing sectors and facilities required to conduct GHG inventories, which will be enforced starting October 1. This list now includes 2,166 facilities, 254 more than the previous year, across sectors like energy, transportation, construction, agriculture, and waste management.

In the transport sector, 75 businesses with annual energy consumption exceeding 1,000 tonnes of oil equivalent are required to submit GHG inventory reports by March next year. Many of these newly added businesses are struggling to meet the deadline due to insufficient data collection systems, limited understanding of GHG inventory processes, and a lack of skilled personnel. Typically, environmental or safety staff handle GHG tasks, resulting in a lack of expertise.

Duong Anh Dung, a technical expert at Energy and Environment Consultancy JSC, highlighted the financial strain on businesses, noting the high costs associated with hiring consultants and appraising inventory results. Furthermore, the absence of specific guidelines for GHG inventory and emission reduction adds to the complexity.

The Ministry of Transport reports that the sector accounts for 18% of Vietnam’s total GHG emissions, with road transport contributing 85% of the sector's emissions. Emissions are projected to rise to 64.3 million tonnes of CO_2 by 2025 and 88.1 million tonnes by 2030 without intervention.

To support businesses, it is crucial to enhance the capacity of their workforce and provide clear, sector-specific guidance. Until such guidelines are available, experts recommend adopting international standards from the Intergovernmental Panel on Climate Change to improve inventory processes. VIR

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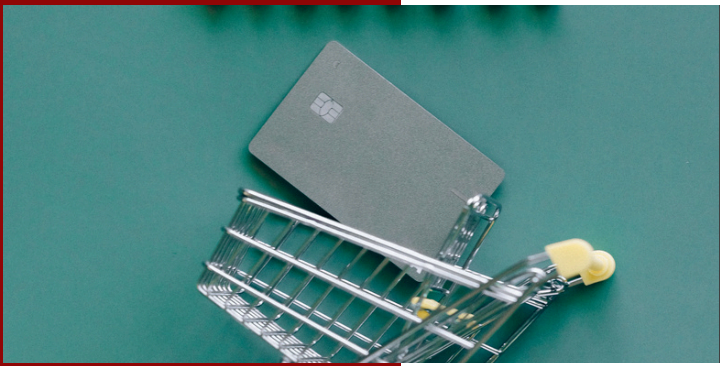

Vietnam is one of fastest growing e-commerce markets in Southeast Asia

Vietnam, along with Thailand, are the two fastest growing e-commerce markets in Southeast Asia, according to the recently released report '2024 E-commerce in Southeast Asia' by Momentum Works. Vietnam also surpassed the Philippines to become the third largest e-commerce market in the region.

The total merchandise value (GMV) of the top eight e-commerce platforms in Southeast Asia reached 114.6 billion USD in 2023, a year-on-year increase of 15%. The report showed although the macro economy still has many difficulties, the Southeast Asian e-commerce has grown continuously and this year's GMV is predicted to be double that of 2020.

Vietnam and Thailand are the two fastest growing e-commerce markets, with GMV increasing by 52.9% and 34.1% respectively over the same period last year. Vietnamese e-commerce has grown continuously with an average growth rate of 16-30% per year in the past four years, the highest growth rate in the world.

Meanwhile, Indonesia is still the largest e-commerce market in ASEAN, contributing 46.9% to the region's GMV. In the Southeast Asian market, Shopee will achieve total GMV revenue of 55.1 billion USD last year, accounting for 48% of the market share. TikTok Shop has become the second largest e-commerce platform in Southeast Asia, after acquiring Tokopedia. The commerce platform's GMV nearly quadrupled over 2022 to reach 16.3 billion USD in the past year. In Vietnam alone, TikTok Shop is currently the second largest e-commerce platform with 24% market share. The report also identified some main drivers in the e-commerce industry in the region.

Firstly, KOLs (influencers) selling online are able to navigate the e-commerce market in three markets of Vietnam, Thailand and Indonesia. Even just one livestream session with a KOL can generate millions of dollars in revenue. Secondly, platforms in the region have begun to adopt innovative AI applications, especially in user experience and operational efficiency. Thirdly, sellers are also facing pressure from parcel delivery service sourcing platforms. VNA

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Nuclear energy is considered as a potential solution of Vietnam to bolster its energy supply

Vietnam is reconsidering nuclear energy as a potential solution to bolster its energy supply and support the transition to cleaner energy. In a recent directive, the government instructed the Ministry of Industry and Trade (MoIT) to study nuclear energy practices from other countries and develop a proposal for its integration into the nation's future energy mix. This move comes as part of Vietnam's efforts to ensure energy security while reducing its reliance on coal and expanding its renewable energy capacity.

Nuclear energy, though not currently included in the Power Development Plan VIII (PDP8), is being explored through the lens of small modular reactors (SMRs), which are considered a more flexible and cost-effective option compared to traditional nuclear reactors. With a capacity of around 300MW per unit, SMRs offer advantages such as lower carbon emissions and shorter construction times, making them suitable for supporting renewable energy sources in Vietnam's clean energy transition.

Vietnam's prior experience with nuclear energy dates back to a planned project in Ninh Thuan province, which was suspended in 2016. However, with the global resurgence of interest in nuclear energy as a low-carbon option, Vietnam is reassessing its nuclear potential, particularly as part of its net-zero emissions target by 2050.

The MoIT has also suggested studying the feasibility of floating nuclear power plants and other innovative nuclear technologies. This initiative aligns with Vietnam's broader energy strategy, as the country seeks to diversify its energy sources, ensure base load electricity supply, and enhance environmental sustainability.

However, the government remains cautious about nuclear energy development. The National Assembly (NA) Standing Committee emphasizes that any plans for nuclear energy must be based on thorough political, scientific, and technical justifications, and that the legal framework must align with existing regulations under the Atomic Energy Law. The state will maintain a monopoly over nuclear power investments, reflecting the sensitive nature of this energy source.

With these considerations, nuclear energy could play a significant role in Vietnam's future energy landscape, complementing renewable energy and helping the country meet its sustainability goals. VIR

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Vietnam is emerging as a key market for luxury brands

Vietnam is emerging as a key market for luxury brands, driven by robust economic growth, an expanding middle class, and a rising number of ultra-wealthy individuals.

World Data Lab estimates that among nine Asian countries expected to see the largest increase in the middle class in 2024, Vietnam ranks fifth, with 4 million people. The middle class currently accounts for about 17 per cent of the population, with the Ministry of Labour, Invalids, and Social Affairs projecting this proportion to rise to 26 per cent by 2026.

Knight Frank reports that by the end of 2022, the number of individuals in Vietnam with a net worth exceeding $30 million reached around 1,060, and are expected to grow to 1,300 by 2027. The number of people with assets over $1 million is also projected to rise by 173 per cent between 2017 and 2027.

According to Statista, Vietnam's luxury goods market in 2023 was dominated by high-end products such as perfumes, cosmetics, fashion, leather goods, as well as luxury watches and jewellery. The market is expected to generate $992.2 million in 2024, with a steady annual growth rate of 3.1 per cent. The expanding middle class and rising disposable income in Vietnam have significantly boosted demand for luxury items.

However, Kevin Coppel, managing director of Knight Frank Asia-Pacific, advises that luxury brands in Vietnam should not rely solely on wealthy and ultra-wealthy individuals if they seek rapid market expansion.

"The younger middle-class, especially the near-rich with monthly incomes between $900 and $2,400, may not have the same financial clout as the upper class, but they are more numerous and eager to spend," he said.

Ahmed Yeganeh, country head of Corporate Banking Services at HSBC Vietnam added, "A growing number of young Vietnamese are accumulating assets exceeding $250,000. By 2030, Vietnam is poised to become one of the top 10 largest consumer markets globally, driven by its rapidly expanding middle class." VIR

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Streamlined investment procedures proposed for high-tech projects

Vietnam is considering streamlining investment procedures for high-tech projects, particularly in research and development, semiconductors, chip-making, and new technology batteries. The draft amendments to the laws on planning and investment, recently released by the Ministry of Planning and Investment, propose these changes to attract strategic investors.

Currently, such projects follow standard procedures, which can take up to 350 days due to regulations on investment, bidding, land use, construction, and environmental compliance. These delays could hinder the country's ability to compete for strategic investments in priority sectors.

Several provinces and cities like Ho Chi Minh City, Khanh Hoa, and Da Nang have already applied policies to attract strategic investors. However, the ministry stressed that without expedited procedures, Vietnam risks losing its competitive edge, especially as many investors are currently exploring large-scale opportunities in the country.

The proposed streamlined procedures aim to make the process faster while ensuring investors remain fully compliant with regulations. This approach mirrors policies adopted globally, where competitive investment environments are actively cultivated to attract high-tech industries. VNS

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