

Vietnam Freight and Logistics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

Key Highlights

The Vietnam freight and logistics market is expected to register a CAGR of more than 5.5% during the forecast period. Vietnam is a fast-rising star in global manufacturing. With China experiencing fallout from its trade war with the United States, Vietnam has welcomed manufacturers keen to shift production away from China. It scored its biggest annual flow of foreign direct investment (FDI) in 2019 and gained more attention as an alternative hub when COVID-19 disrupted China's manufacturing systems and pummeled supply chains.

Despite the COVID-19 pandemic, the country has shown indications of restoring economic and manufacturing momentum. Although factories were briefly shut down due to lockdowns in mid-2021, overall merchandise exports increased by 21.8% in the first eight months of 2021 compared to the same period in 2020.

Apart from obstacles and constraints, the logistics business in Vietnam is benefiting from free trade agreements and the rapid growth of e-commerce. The Vietnamese freight and logistics market is driven by high economic growth, increased local production, rising consumption, and booming e-commerce. Market limitations include a lack of transportation infrastructure and expensive logistics costs. One of the most important trends in the Vietnamese freight and logistics business is contract logistics. The country's increasing e-commerce allows start-ups with breakthrough technologies that require more efficient logistics services, particularly in the last-mile delivery and value-added services categories. The logistics market in Vietnam is increasingly liberalized, allowing new businesses to profit from the rising demand. Vietnam has also signed the Regional Comprehensive Economic Partnership Agreement, which took effect on January 1, 2022. It broadens the scope of its trade agreements to almost all major economies across the world. As a result, Vietnam is ideally positioned to serve as a worldwide industrial and commerce center.

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High Economic Growth and Increased Consumption Leading to Rise in Trade

Vietnam's economy is one of the region's fastest expanding, and the country has become a hotspot for investments and trade. Vietnam is a member of the ASEAN Economic Community (AEC) and the ASEAN Free Trade Area (AFTA). ASEAN nations (Brunei, the Philippines, Indonesia, Laos, Myanmar, Malaysia, Singapore, Thailand, and Cambodia) are committed to making the region a competitive trading area as part of AFTA. The country's sectors are experiencing rapid growth and drawing foreign investment. Apart from that, the increase in consumption has necessitated an increase in the flow of commodities into the country.

The General Statistics Office released socio-economic data for 2021 on December 29, 2021. As a result, despite the rise in COVID cases, GDP in 2021 was expected to increase positively. Agriculture, forestry, and fisheries increased by 2.9%, accounting for a 13.97% growth rate of total added value; industry and construction increased by 4.05%, accounting for 63.8%; and the service sector grew by 1.22%, accounting for 22.23%. In the fourth quarter of 2021, industrial production increased by 6.52% compared to the previous year. Compared to 2020, the industry's added value rose by 4.82% in 2021, with the processing and manufacturing industry increasing by 6.37%.

According to a survey, Vietnam's e-commerce market would be the fastest-growing in Southeast Asia in the next few years, with a total value of e-commerce items reaching USD 56 billion, 4.5 times the predicted value in 2021. COVID-19 is a catalyst for e-commerce to grow more quickly and effectively. Despite being hampered by travel restrictions and social isolation during the outbreak, e-commerce grew by about 18%. By November 2021, the number of categories of goods purchased by Vietnamese online consumers had increased by 50% over 2020, while the number of online stores in Vietnam had expanded by 40% compared to the same period in 2020, resulting in a 1.5 times increase in total online retail sales nationally.

Healthcare Segment Demanding Logistics Facilities

With incomes rising among Vietnam's rapidly aging population, Vietnam is a booming market for pharmaceuticals. As life expectancy improves, a greater number of the Vietnamese population is likely to suffer from chronic diseases related to old age, which is estimated to increase the demand for pharmaceuticals. Despite the demand, the domestic production of needed drugs is still nascent. Vietnamese remain largely reliant on imported drugs, particularly when it comes to sophisticated, high technology products and active pharmaceutical ingredients. The rapid expansion of the middle-income urban class and the aging people ratio have dramatically pushed up the demand for healthcare goods, particularly in terms of pharmaceutical products.

Greater demand for healthcare services combined with strained government public resources provide opportunities for growing healthcare industry in Vietnam. The European Union-Vietnam Free Trade Agreement (EVFTA) and the amended Law on Investment will benefit foreign producers and suppliers wishing to enter the Vietnamese market, which still largely relies on imported medical equipment and medicines.

In the first six months of 2021, total pharmaceutical import turnover was roughly USD 1.48 billion, down 6.3% from the same period in 2020. As a result, compared to the same period in 2020, the volume of pharmaceutical products imported from Vietnam's main markets reduced. Pharmaceutical imports from France declined by 12.5% to USD 221.76 million; the German market decreased by 19.4% to USD 151.93 million; the Indian market fell by 9.7% to USD 116.9 million, and the US market decreased by 31.8% to USD 86.48 million. The decrease is due to the COVID-19 pandemic, which increased logistics costs and prices of pharmaceutical products. Therefore, Vietnamese pharmaceutical importers are switching to importing pharmaceutical products from other markets.

Vietnam Freight & Logistics Market Competitor Analysis

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The logistics market landscape of Vietnam is highly fragmented in nature, and most of the players are small- and medium-sized firms providing low-value-added logistics services. More than 3,000 logistics companies and 90% have a registered capital of less than VND 10 billion. Only 5% of these have a capital in VND 10-20 billion range, while the remaining have more than VND 20 billion.

The competition between the domestic logistic companies is fierce, and foreign companies dominate the Vietnamese freight and logistics market. Even though the foreign logistics firms account for less share of transportation volume, these take 70-80% of the revenue of the logistics market. This highly fragmented nature is also limiting the logistics potential of Vietnam to some extent.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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