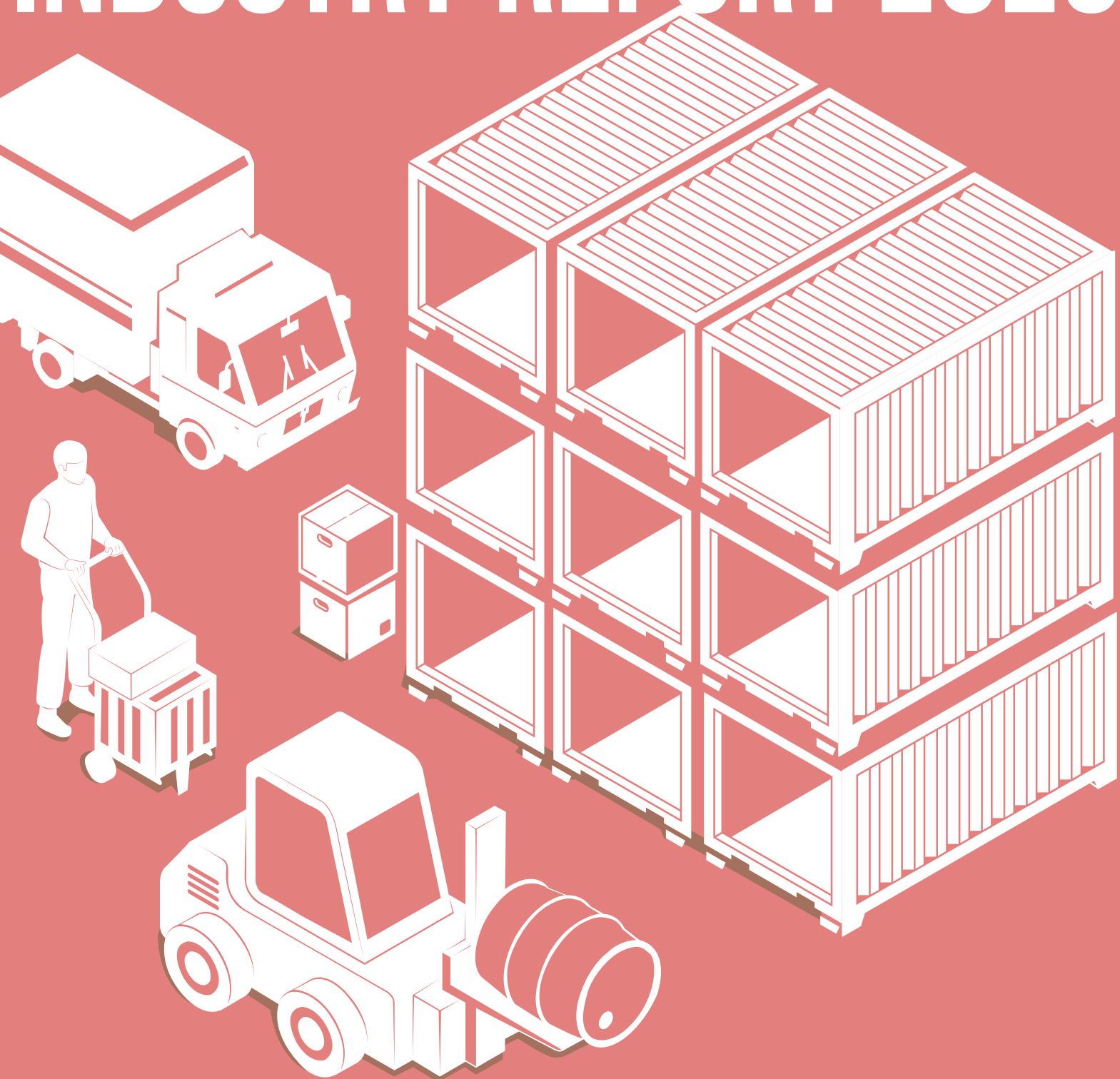


LOGISTICS

INDUSTRY REPORT 2020



EXECUTIVE SUMMARY

Logistics Industry Report prepared by VietnamCredit is released in July 2020, providing an overview of Vietnam's economic situation, the development of logistics industry and the list of 10 outstanding enterprises in the sector based on company's performance, company scale, and credit ratings in three consecutive years 2019, 2018 and 2017.

After the Commercial Law 2005 came into effect, logistics services were officially considered as commercial activities managed by the government although the concept of "freight forwarding" has emerged in Vietnam market since 1997. With a favorable geographical location for international shipping, Vietnam's logistics industry was booming, especially during 1997-2007, with the number of enterprises rising from 300 to 800. After participating in the WTO, the sector continued to develop with double-digit growth and is projected to grow at a CAGR of approximately 16.65% until 2023.

From 2016 to 2018, the Logistics Performance Index (LPI) of Vietnam had jumped by 25 places from 64th to 39th ranking out of 160 countries. In the Southeast Asia, Vietnam only lag behind the two major competitors, Singapore and Thailand. Regarding the emerging and low-income groups, Vietnam had achieved its leading position in terms of logistics performance. However, the industry is still considered to be fragmented and insufficient to meet the increasing market's demand since the majority are small and medium enterprises operating as first party and second party logistics providers.

Third party logistics (3PL) or contract logistics plays an important role to support business in the flow of goods and has currently a rising trend in Vietnam. There are several motives for the growing demand of 3PL including the rapid increase of e-commerce, the increasing manufactured good supply, the expanding consumption and the enhancing integration with other markets through FTAs. Despite that, the number of contract logistics enterprises remains low and are mainly dominant by foreign companies.



As the e-commerce sector is continuing to grow, the domestic forwarding companies are put under more pressures due to the high requirement of speedy express delivery from online retail businesses. Accordingly, the demand for high-quality warehouses will also increase. Leading logistics enterprises in the industry have currently invested heavily on the development of advanced order fulfilment centres, where goods will be classified and distributed automatically.

Despite the potential growth, the Vietnam's logistics industry has several challenges to overcome. A noticeable one is the logistics costs in Vietnam are relatively high, accounting for 20-25% while the revenue of logistics sector remain low, presenting only 4-5% of the total GDP. This is mainly resulted from the low-quality infrastructure, the lack of proper innovation and the insufficient integrations among logistics activities and transport modes.

Since the Covid-19 pandemic, the logistics industry will continue to be affected at least until the end of September. In short-term, the logistics costs will be increase due to the reduction of transport services and the longer time of inspection for import-export custom procedure. Despite that, the logistics sector is forecasted to gain from the favourable conditions of the US-China trade war, M&A trend and the stable growth of the economy in the long-term.



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ABBREVIATION

Abbreviation	Meaning
GDP	Gross Domestic Product
CPI	Consumer Price Index
USD	United States Dollar
VND	Vietnamese Dong
VNC	VietnamCredit
PPI	Producer Price Index
GSO	General Statistics Office of Vietnam
US	United States
EU	European Union
1PL	First Party Logistics
2PL	Second Party Logistics
3PL	Third Party Logistics
4PL	Fourth Party Logistics
CAGR	Compound Annual Growth Rate
FTA	Free Trade Agreement
M&A	Mergers and Acquisition
LPI	Logistics Performance Index

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