

Vietnam Manufacturing Outlook

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Prepared by Business Centre
British Chamber of Commerce Vietnam



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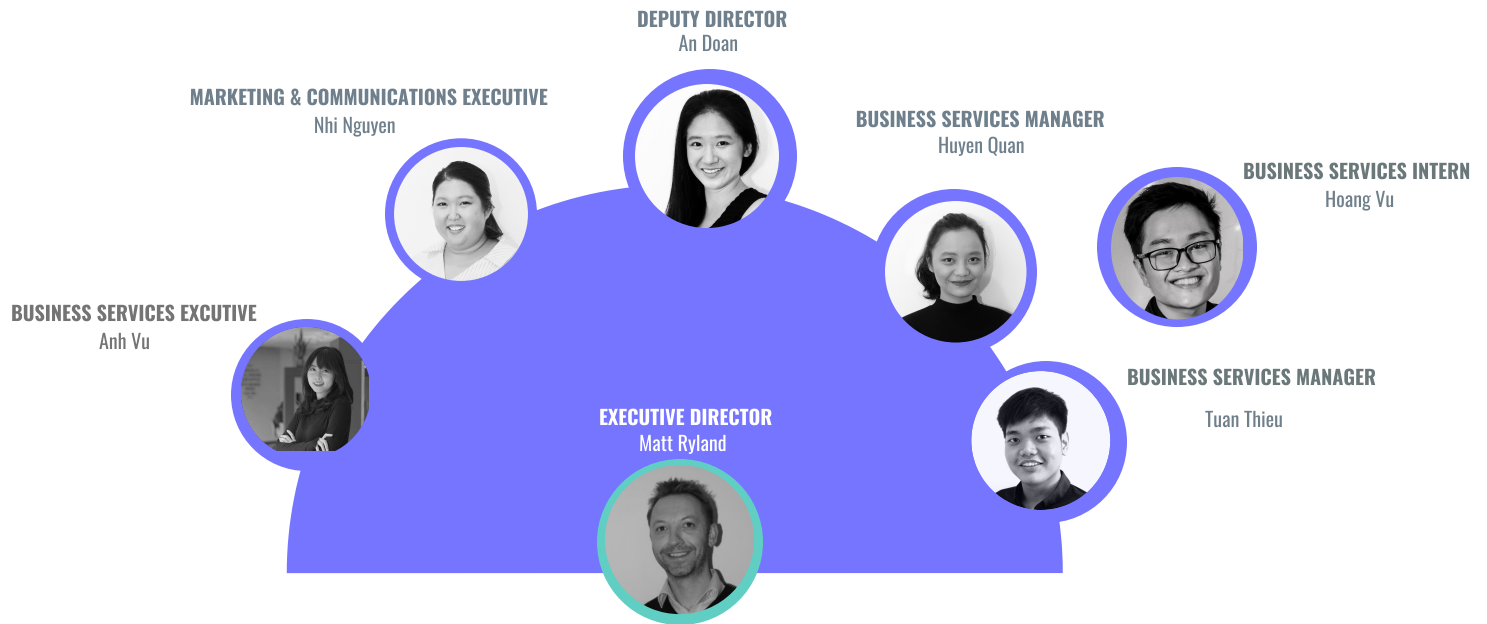
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What we do ?

The British Chamber of Commerce (BritCham) was officially established in Ho Chi Minh in 1998 with its Ha Noi office founded in 2007. BritCham Vietnam aims to support and develop Vietnam-UK business links while raising the profile of Vietnam in the British business community and vice versa. As an accredited British Chamber, Britcham in association with the Department for International Trade (DIT), is committed to promote strong business links between Vietnam and the UK.



BUSINESS MATCHING:

Partner search and one-to-one meetings with potential clients, agents/distributors or outsourcing partners



BUSINESS DEVELOPMENT REPRESENTATIVE:

Provide a professional business development representative to act locally on your behalf, strengthen existing engagements with the Vietnam market on a long term basis and develop further business relationships within the market.



INWARD INVESTMENT FACILITATION:

Business Registration, Site Selection, Factory/Office Set-up & Operations Support, HR & Financial Management



BUSINESS SERVICES EVENTS:

Organise trade missions, product launches and seminars/workshops



MARKET STUDIES:

Sector reports, competitor analysis and local prospect background research



EXPORT OPPORTUNITIES:

Explore your export opportunities to Vietnam through DIT's portal opportunities.export.great.gov.uk



WEBINARS:

Online dialogues with experts within industries to forecast new trends in doing business in Vietnam



BACK-OFFICE SUPPORTS:

Due Diligence, Marketing Materials & Company Documents Translation

CONTACT US



OUR ADVOCACY WORKS

BCAC

The BRITISH CORPORATE ADVOCACY COUNCIL, comprising of the Heads of some of the largest British companies operating in Vietnam, continue to provide support to BritCham Vietnam in its engagement of key business issues and was instrumental in the support to gain the full VBF membership.

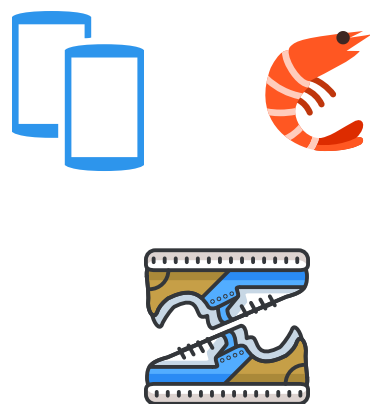
Members

DIAGEO



BRITISH EDUCATION BUSINESS GROUP – BEBG is a proposed working group of BritCham Vietnam and its British Corporate Advocacy Council, to work alongside the British Embassy, Department for International Trade and British Council.

Vietnam's Manufacturing Sector Overview



As global organizations strive to diversify, boost supply chain resiliency and connectedness, and reduce reliance on a single country, Vietnam stands out as a destination for industrial expansion, owing to its strategic position and competitive production cost. In addition to improving infrastructure in support of industrial development, welcoming incentive policies also play a substantial role in attracting inward investment.

58.2%

IN **TOTAL FDI FUND** IN 2020

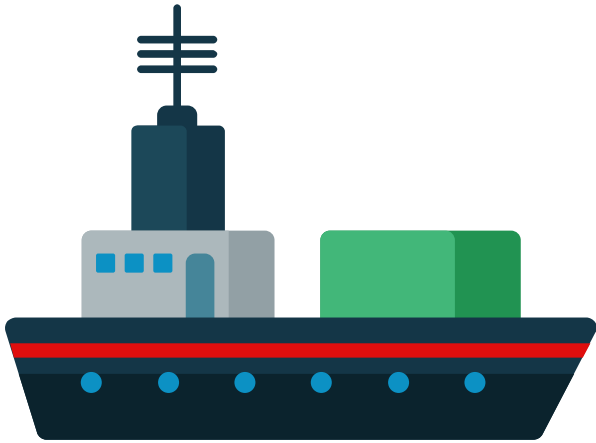
The manufacturing sector accounted up to **58.2%** of the **total Vietnam's FDI** fund in 2020, ranked **1st** in region of FDI sectors of the country.

25.1%
of **2021 GDP**

contributed by manufacturing sector. This is a tremendous increase compared to 13.7% in 2015

	Manufacturing sector's GDP share (in %)
2015	13.7
2018	16
2020	16.7
2021	25.1

Vietnam's Manufacturing Sector Outlook



95.1%

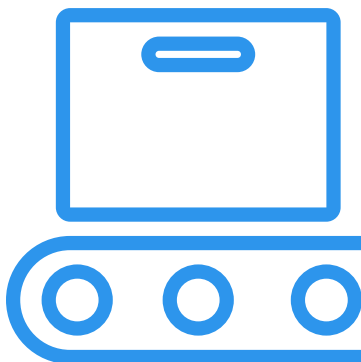
IN **TOTAL EXPORT VOLUME** IN 2020

The manufacturing industry contributed up to **95.1%** of the **total export volume of Vietnam** in the year 2020, a huge increase compared to 2011's **81.8%**.

21.1%

of **Vietnam's total labour**
in 2020

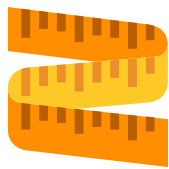
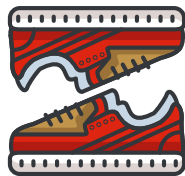
The manufacturing sector accounted up to **21.1%** of Vietnam's total labour used in the year 2020, an increase compared to 13.9% in 2011.



The manufacturing sector has become the industry with the highest increase in the labour force during the period of 2011-2020 with an **average increase of 4.8% annually** compared to the other economical sector of the country.

Vietnam's Manufacturing Key Industries

As the country aims to develop its manufacturing sector, some key industries have contributed to the sector's growth, examples include Apparel, Garment, Textile and Footwear as well as Electronics and Electrical Appliances.



Apparel, Garment,
Textile and
Footwear
manufacturing
industry

2.8%

is Vietnam's share in
the worldwide clothing
export

6th

largest apparel export
country

Vietnam's Manufacturing Key Industries



\$39 billion

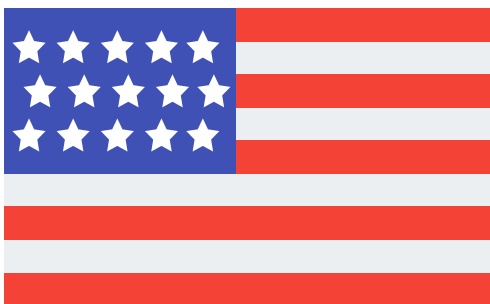
IN **EXPORT VALUE** IN 2021

As in 2021, Vietnam's apparel, garment, textile and footwear industry has exported the value of goods worth up to \$39 billion, an increase of **11.2%** compared to 2020.

#1

EXPORTED TEXTILE
MARKET

USA is the number one market in terms of
textile products export.



#1

IMPORTED FABRIC
MATERIAL MARKET

China is the leading suppliers of fabric
material for Vietnamese companies.

Vietnam's Manufacturing Key Industries

Moreover, Vietnam is becoming a production hub for global garment and footwear market and especially for global brands.



Nike has around 200 manufacturing plants in Vietnam, and made up to 50% of the brand's total footwear goods in 2020. The brand has a plan to make further investment in Vietnam as to boost the production capacity in the near future.



Adidas has around 76 factories in Vietnam and produces up to 44% of its production in the country.



In 2020, Vietnam has overcome China to become the leading manufacturing location globally for Nike and Adidas.

Vietnam's Manufacturing Key Industries



Electronic and
electrical
appliances
industry

\$96.9 billion

IN ELECTRONIC PRODUCT EXPORT
VALUE IN 2019

A yearly increase of \$12 billion from 2015
through 2019

	Electronic product export value (in \$ billion)
2015	\$47.3
2019	\$96.9

12TH
GLOBALLY

In terms of exporting key electronics
products in 2019

2ND
GLOBALLY

In terms of exporting mobile phone products
in 2019, with the exporting value up to \$50
billion

Vietnam's Manufacturing Key Industries

36%

IN **TOTAL EXPORT VOLUME** IN 2019

The Electronic and electrical appliance industry accounted for **36%** of the Vietnam's total export volume in the year 2019, an increase of **1.15%** compared to 2018.



The top 3 export destinations for Vietnam electronic and electrical appliance products in the year 2019 are China, the USA and the South Korean, with respectively, 19.3%, 18.2% and 9.1%.



Transmission apparatus, mobile phones, TVs, cameras (41%), electrical apparatus (18.2%), and electronic integrated circuits and micro-assemblies are the top export items (11.9 %).

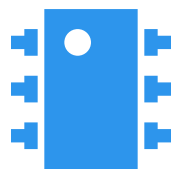
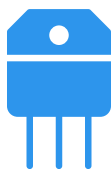
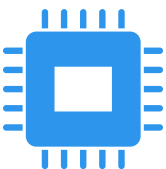
30%

IN **TOTAL IMPORT VOLUME** IN 2019

The Electronic and electrical appliance industry has accounted up to **30%** of the Vietnam's total import volume in the year 2019, an increase of **2.01%** compared to 2018.



The top 3 import destinations for Vietnam electronic and electrical appliance products in the year 2019 are China, the South Korean and the Japan, with respectively, 33%, 31% and 7.9%.



Electronic integrated circuits and micro-assemblies accounted for 40% of imported items, electrical equipment accounted for 17%, and semiconductor devices accounted for 6%.

Vietnam's Manufacturing Key Drivers

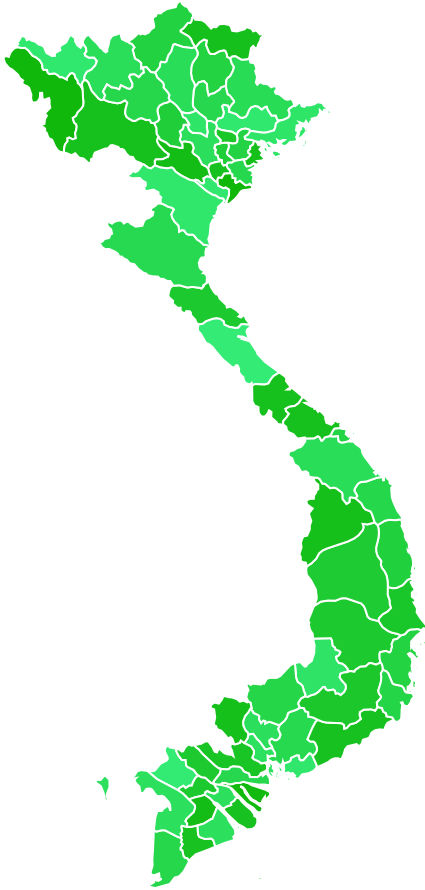


In compared to other nations in the area, Vietnam has a competitive advantage in terms of labor costs, with an average hourly income of a factory worker of around **\$3**, which is half that of China (**\$6.5**/hour). This has had a tremendous impact on the growth of Vietnam's industrial industry.

Furthermore, with various **FTAs** in effect, most recently the UKVFTA, EVFTA, and CPTPP, have allowed domestic and foreign-based enterprises operating in Vietnam to benefit from preferential tariff and lowered operational costs, which helped the Vietnam manufacturing industry develop.



Vietnam's Manufacturing Key Locations



On Vietnam, manufacturing is centered in four key economic regions (KERs), namely the **Northern, Central, Southern, and Mekong Delta** sectors. These locations attract a variety of manufacturing industries and vary in terms of labor pools, industrial mix, and infrastructure.



Northern region

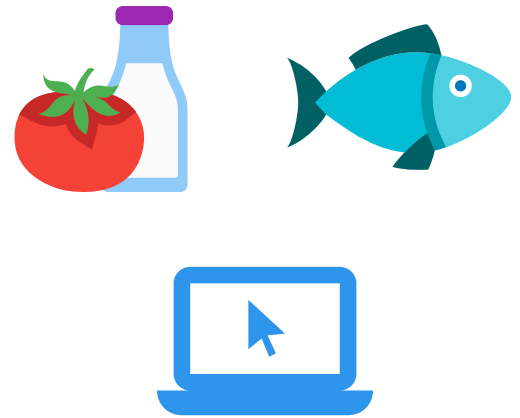
Northern KER is made up of seven cities and provinces: **Hanoi, Hai Phong, Quang Ninh, Vinh Phuc, Bac Ninh, Hai Duong, and Hung Yen**. Northern KER FDI enterprises represent for more than **80%** of the **region's overall exports**. The region is well-known for its **heavy manufacturing, oil and gas, and high-tech businesses including vehicle production**. Electronics production is concentrated in the north, particularly in the Red River Delta region. For example, Samsung has plants in the northern part of Vietnam and plans to shift its major R&D activities to the west of Hanoi, making Vietnam the largest R&D hub in Southeast Asia.



Vietnam's Manufacturing Key Locations

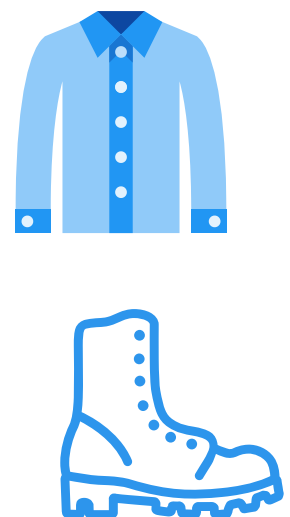
Central region

The Central KER, which includes **Da Nang City, Thua Thien-Hue, Quang Nam, Quang Ngai, and Binh Dinh**, is appealing to the **maritime economy and agricultural**. This region is more concentrated in **food, beverage, and feed processing** than in the north and south. Indeed, in recent years, Da Nang has evolved as a center for seafood, food processing, information technology, and manufacturing.



Southern region

Southern KER has a wider range of manufacturing and services than the North. The region consists of **Binh Duong, Tay Ninh, Long An, Dong Nai, Ba Ria – Vinh Tau, and Ho Chi Minh City**. **Garments and textile industries** are clustered in the South with Ho Chi Minh City being one of the country's largest garment manufacturers. Out of **6,000 factories** nationwide, over **70 %** are located in or near Hanoi and Ho Chi Minh City.



Key Market Players

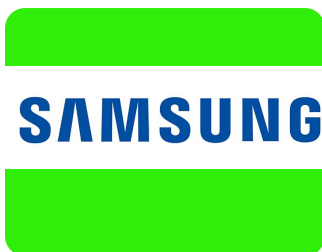
The following is a list of firms that are dominant in Vietnam's manufacturing industry, having considerable competence in making clothes, footwear, electrical, and food items.



PouYuen Vietnam Co., Ltd., a subsidiary of the Pou Chen International Group (Pou Chen Group - PCG), is one of Vietnam's leading shoe manufacturers. The firm manufactures shoes for major brands such as Nike, Adidas, and Puma, and employs over 63,000 people.



Tae Kwang Vina Industrial Joint Stock Company is entirely controlled by foreign investors (Korea). The firm is now a third-party off-shoring provider for Nike.

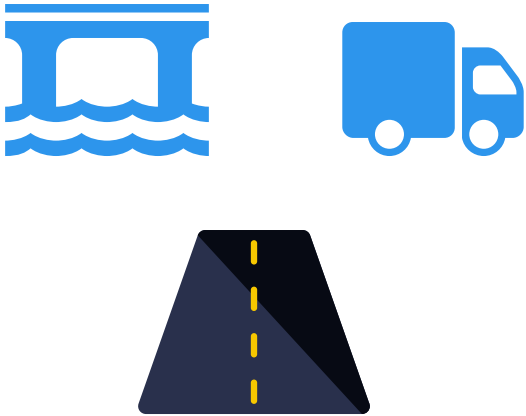


Samsung Vietnam has become the number one manufacturer of smart phones for the Korean giant, with nearly 50% of the brand's total smart phones volume are now producing in Vietnam.



Minh Phu Seafood JSC was founded in 1992 as a private enterprise. As of 31 Mar 2020, the company had 14 subsidiaries which participate in processing and trading seafood products, farming seafood, manufacturing biological fertilizer and feed ingredients, trading machinery and equipment for aquaculture, and seafood processing sector.

Challenges and Opportunities



One challenge that Vietnam's manufacturing industry is currently facing is that, while the country has spent significant funds on developing the country's infrastructure to connect factories and suppliers, the effort is still insufficient, with many companies still having difficulty transporting goods and materials due to **insufficient infrastructure**, particularly from neighboring countries like China, thus increasing expense in transportation spending and as the result, diminishing competitiveness.



The majority of labour in Vietnam's manufacturing sector is still relatively **low-skill workforce**, resulting in the nation's participation in low-value activities of global value chains. It is an urgent need to alleviate the skill mismatch to redirect the labour force to more revenue-generating activities such as R&D or Design.

Government Incentive for Manufacturing Companies

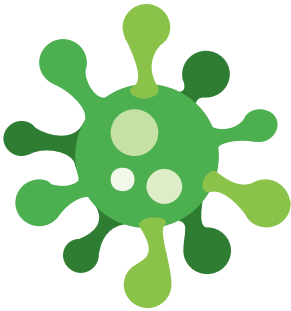


The government recently issued **Decree No. 57/2021/ND-CP (Decree 57)**, which supports industries related to the supply of raw materials, spare parts, and components to manufacturing industries such as electronics and mechanical engineering, garment and textile, leather, and footwear, hi-tech industries, and the automotive industry.

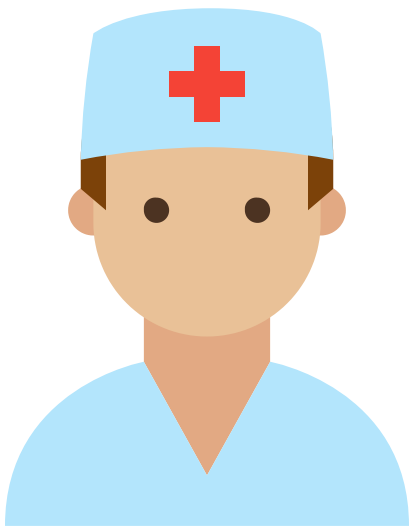


Furthermore, Vietnam has issued several **tax incentives and tax holidays** for manufacturing projects in the form of corporate income tax (CIT), for large investment projects with capital of more than VND 6 trillion (US\$264 million), and for incentives in high-tech zones, certain industrial zones, and difficult socioeconomic areas.

Vietnam's Manufacturing Outlook for 2022



As the COVID-19 pandemic has spread since 2020, it has destabilized the growth of Vietnam's manufacturing sector, with Vietnam's Manufacturing Purchasing Managers' Index (PMI) falling below 50 for the first time in a four-year period in 2020, and recently the Vietnam's PMI for June 2021 was 44.1, indicating that the pandemic has caused severe damages to the Vietnam's manufacturing industry.



However, with the rapid development of vaccination for the mass population of Vietnam, the country has been able to return to a 'new-normal' state of society, allowing workers to return to factories and with an increase in demand from both domestic and international markets, potentially creating growth opportunities for Vietnamese manufacturers companies.

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