

MARCH 2024

VIETNAM MANUFACTURING REPORT



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ABOUT US

Established in 1991, the British Chamber of Commerce serves as a crucial platform for driving and enhancing business relationships between the United Kingdom and Vietnam. Focusing operations on the 2 key areas of supporting and acting as a focal point for British business in Vietnam as well as ones looking to enter it. Member activity at the Chamber includes networking, business focused, and charity events, sector working groups, advocacy and online updates/sector reports and much more. The Chamber also offers business services to companies looking to investigate or set up in Vietnam. A range of services from market research to partner finding to company registration can be facilitated through this service.

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QUARTERLY SECTOR REPORT INTRODUCTION

INTRODUCTION

The BritCham Quarterly Sector Report is a comprehensive analytical publication dedicated to providing insightful perspectives on diverse industries. Our reports aim to deliver a thorough understanding of market dynamics, trends, and strategic insights.

PURPOSE

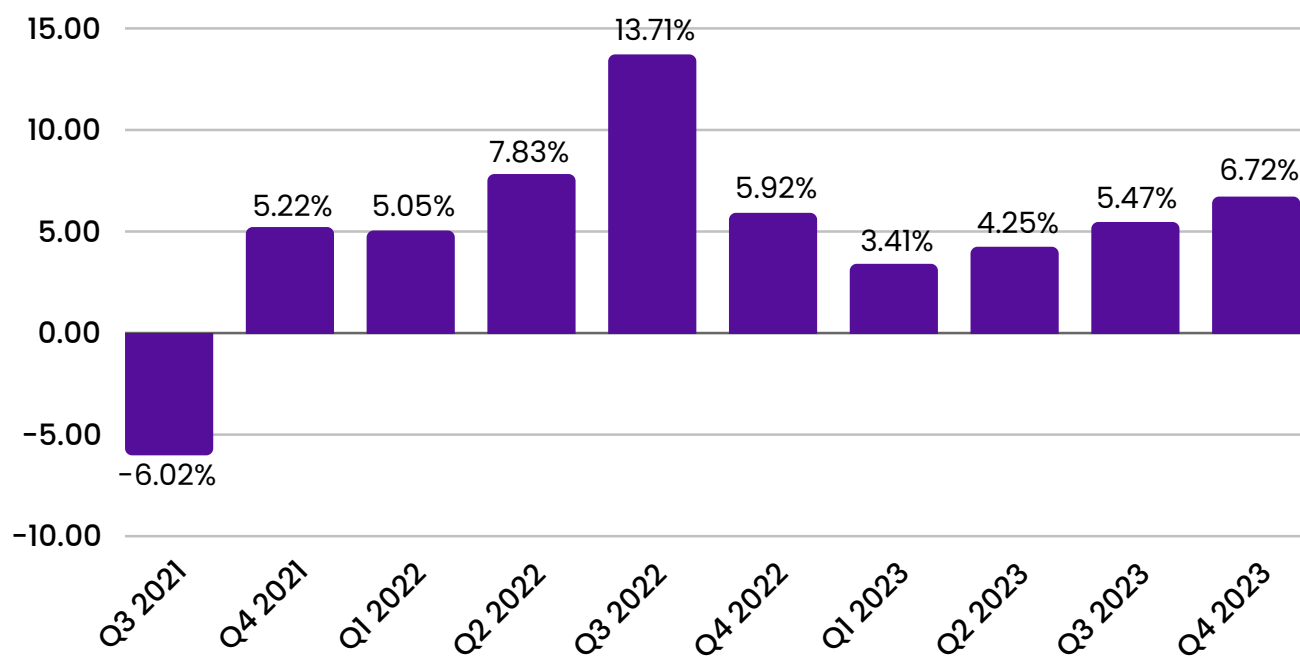
This report series serves to:

- **Offer Insightful Analysis:** Delve into key industry metrics, market trends, challenges, and growth opportunities.
- **Provide Actionable Insights:** Support informed decision-making, strategic planning, and investment considerations.
- **Furnish Timely Information:** Offer up-to-date references on sector landscapes and potential trajectories.

DISCLAIMER

The information in this report is accurate at the time of publishing . As market conditions evolve, readers are advised to contextualize the insights accordingly. We believe our Quarterly Sector Reports will serve as essential resources for navigating the diverse landscapes of various industries.

SNAPSHOT OF VIETNAM'S ECONOMY



Vietnam GDP Annual Growth Rate (Until Q4 2023) – TRADING ECONOMICS

Vietnam's economic growth accelerated in the last quarter of 2023 (Q4), reaching 6.72% year-on-year. This marks a significant improvement from the previous quarter's revised growth of 5.47% and extends the economic expansion streak to nine quarters. The service sector, which makes up nearly half of Vietnam's GDP, fueled this impressive growth with a 7.29% increase. Construction and agriculture also saw positive growth, expanding by 7.35% and 4.13% respectively. However, Vietnam's overall growth for 2023 fell short of the government's target of 6.5%, coming in at 5.05%. This shortfall can be attributed to global economic challenges, a slowdown in government spending, and the government's anti-corruption campaign.

\$420.04 billion

**Vietnam's gross GDP (2023)
– Official data – World Bank**

\$3,760

**Vietnam's GDP per capita
(2023) – World Bank**

Standard Chartered Bank's latest global research report, titled "Vietnam – Q1 GDP to moderate amid rising inflation," maintains its optimistic outlook for Vietnam's economy in 2024. They predict a robust overall growth of 6.7% for the year, with a projected acceleration from 6.2% in the first half to 6.9% in the second half.

VIETNAM MANUFACTURING OVERVIEW

Manufacturing market size

The sector contributed

>20%
of Vietnam's
GDP

Expected compound
annual growth rate of

8.78%
CAGR 2024–2028

In 2024, value added in the
Manufacturing market is
projected to amount to

\$109.90
billion in
2024

≈ 18,816

Newly established
businesses in the
manufacturing sector (2023)

A survey conducted by S&P Global in February 2024 revealed positive signs for Vietnam's manufacturing sector at the beginning of the year. The survey indicated a return to growth, with manufacturers experiencing renewed increases in new orders and output due to tentative improvements in demand. However, it's important to note that employment and purchasing activity remained slightly lower, and business confidence also showed a decline (Vy, 2024).

VIETNAM MANUFACTURING MARKET STRUCTURE OVERVIEW



Consumer Goods

In 2024, Value added in the market is projected to amount to

\$62.27bn

With an expected compound annual growth rate to be

8.78%

CAGR 2024–2028



Material Products

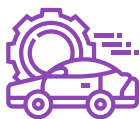
In 2024, Value added in the market is projected to amount to

\$38.35bn

With an expected compound annual growth rate to be

8.73%

CAGR 2024–2028



Automotive Products

In 2024, Value added in the market is projected to amount to

\$5.84bn

With an expected compound annual growth rate to be

8.89%

CAGR 2024–2028



Industrial Products & Services

In 2024, Value added in the market is projected to amount to

\$2.03bn

With an expected compound annual growth rate to be

9.14%

CAGR 2024–2028



Medical Devices & Products

In 2024, Value added in the market is projected to amount to

\$1.42bn

With an expected compound annual growth rate to be

9.61%

CAGR 2024–2028

THE UNITED KINGDOM IN VIETNAM MANUFACTURING



According to VietnamPlus, the UK holds a significant position among foreign investors in Vietnam, boasting 542 projects valued at 4.29 billion USD as of August 2023. This places them 15th out of 143 countries directly investing in Vietnam.

Relating to the UK's contribution to Vietnam manufacturing sector, Sai Gon Giai Phong states that the UK mainly exports raw materials and equipment needed for Vietnam's manufacturing industries, such as leather, footwear, and textiles. These materials are crucial for Vietnamese companies to take advantage of the UKVFTA and re-export finished products back to the UK.

According to VietnamNews, the UK's investment in Vietnam heavily favored the processing and manufacturing industry, pouring in 38.1% of their total capital. This translates to 117 projects valued at \$1.59 billion. One of the biggest names from the UK can be mentioned here is the cosmetics producer Unilever.



FAVORABLE CONDITIONS FOR MANUFACTURING IN VIETNAM

Campbell (n.d.) states that Vietnam has emerged as a significant player in the global manufacturing landscape due to a confluence of advantageous factors. These factors make it an attractive location for businesses seeking to establish or expand their manufacturing operations.



1. Cost-Competitiveness

Vietnam offers a compelling advantage in terms of production costs. This stems from a combination of relatively low labor costs and manageable overhead expenses. Furthermore, the Vietnamese government actively implements policies to entice foreign direct investment, creating an even more favorable financial environment.



2. Skilled and Young Workforce

Vietnam boasts a vibrant and well-educated young workforce. A significant portion of this workforce falls within the prime working age range of 25 to 54 years old. This demographic provides a rich pool of talent with the skills and energy necessary to drive manufacturing excellence.



3. Enhanced Infrastructure

Vietnam has undertaken substantial investments in upgrading its infrastructure, particularly focusing on transportation and logistics networks. These advancements have demonstrably streamlined business processes and contributed significantly to Vietnam's competitiveness in the global market.



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4. Enhanced Market Access

Vietnam's strategic trade agreements with key economic partners such as the US, the EU, and ASEAN nations have facilitated expanded export opportunities for manufacturers. These agreements also simplify business operations by reducing trade barriers.



5. Supportive Government Policies

The Vietnamese government has implemented a suite of business-friendly economic policies. These policies have fostered a stable and supportive environment that allows companies to flourish. This focus on economic development has demonstrably contributed to Vietnam's impressive economic growth, creating a mutually beneficial situation for both the government and foreign investors.



VIETNAM MANUFACTURING FUTURE OUTLOOK

Vietnam's manufacturing sector boasts a remarkable growth trajectory and is on course for sustained success. Several factors contribute to this promising outlook is listed by Campbell (n.d.).

Strategic Advantages

Vietnam's strategic location, coupled with its skilled workforce and favorable economic policies, makes it a highly attractive destination for foreign manufacturers. This combination creates a compelling environment for establishing or expanding operations.

Adaptability and Innovation

The global manufacturing landscape is experiencing a significant transformation driven by advancements in automation, robotics, and artificial intelligence (AI). Recognizing this trend, Vietnam's manufacturing sector is actively embracing these technologies. By integrating these innovations, Vietnamese manufacturers are enhancing their efficiency and competitiveness on a global scale.

Embracing Industry 4.0

The confluence of emerging technologies and Vietnam's strong global integration through trade agreements positions the country as a key player in the evolving landscape of global manufacturing. This strategic approach ensures Vietnam remains at the forefront of the industry's transformation.

Strong Export Performance

Vietnam's robust export activity, particularly to major markets like the US, China, and Japan, is a significant contributor to the nation's economic growth. This export strength further reinforces the positive outlook for Vietnam's manufacturing sector.



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