

Doing Business in Vietnam: Key Market Drivers

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2012 Regional Economic Comparison



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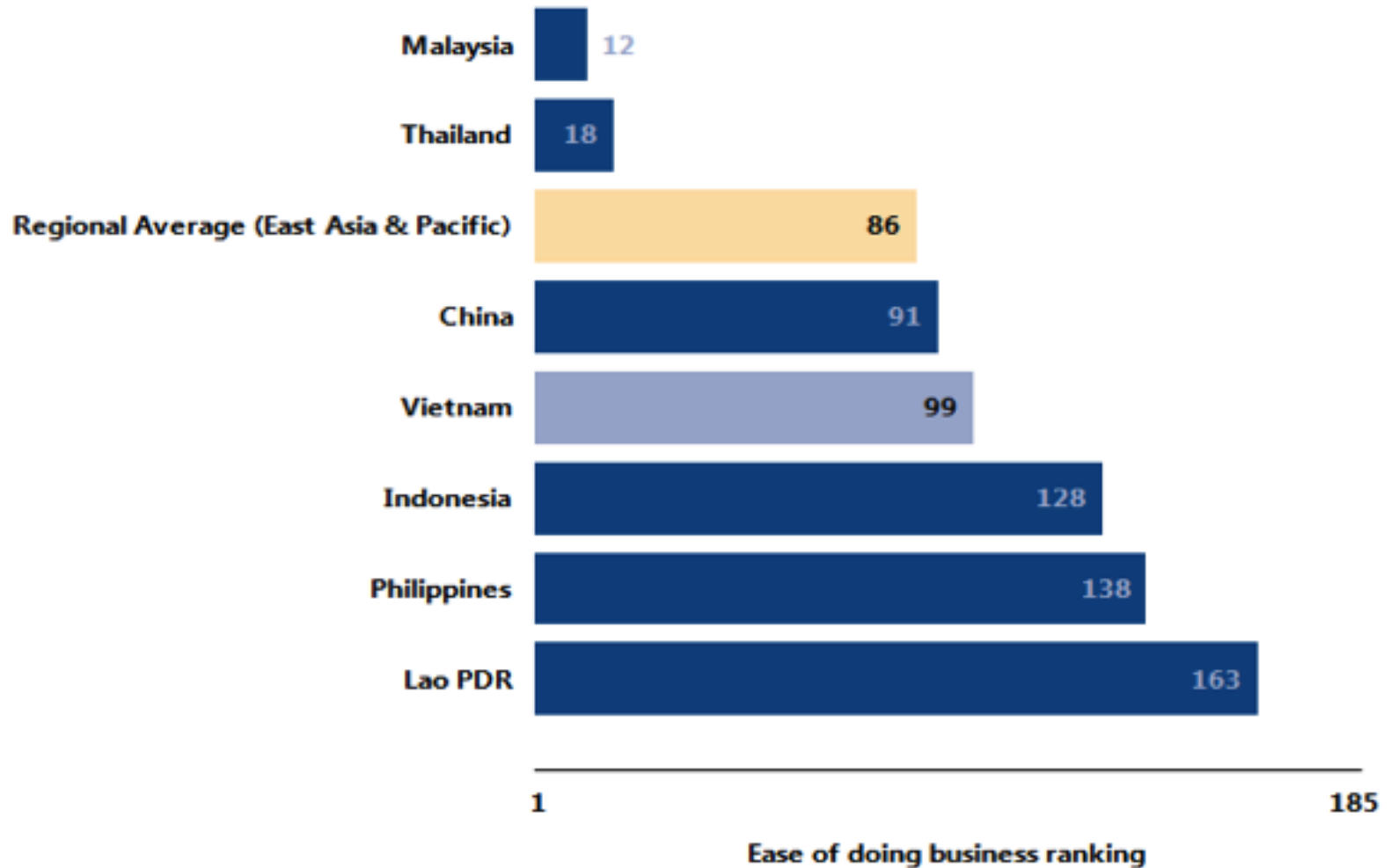
Series Title	Indonesia	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
GDP (% real change pa)	6.2	5.6	5.0	6.6	1.3	6.4	5.0
Nominal GDP (US\$ at PPP) - [Y]	1,218.8	499.3	183.6	425.1	256.1	653.0	321.5
Exchange rate LCU:US\$ (av) - [Y]	9,386.6	3.1	853.5	42.2	1.2	31.1	20,858.9
Budget balance (% of GDP) - [Y]	-2.5	-4.7	-4.8	-2.3	1.0	-4.4	-4.7
Lending interest rate (%) - [Y]	11.8	4.7	13.0	5.7	5.4	7.1	13.5
Consumer prices (% change pa; av)	4.3	1.7	1.5	3.1	4.6	3.0	9.1
Population	248.2	29.3	61.2	103.8	5.4	68.8	89.5
GDP per head (\$ at PPP) - [Y]	4,910.0	17,020.0	3,000.0	4,100.0	47,610.0	9,490.0	3,590.0
Total exports fob - [Y]	190.0	221.1	9.5	52.5	409.3	226.8	112.8
Total imports cif - [Y]	191.8	187.6	11.6	66.7	380.5	247.0	122.4

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Ease of Doing Business

Economy	Rank	Starting a Bus.	Permits	Electricity	Getting Credit	Protecting Investors	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	1	2	2	3	1	1	2	1
Malaysia	12	8	17	6	1	3	3	6	6
Thailand	18	11	5	4	7	4	4	4	8
Vietnam	99	14	6	22	4	21	12	7	18
Indonesia	128	23	13	21	16	8	6	19	17
Cambodia	133	24	22	19	5	13	20	18	19
Philippines	138	22	18	12	16	18	8	16	20
Lao PDR	163	10	16	20	23	24	23	17	22

Ease of Doing Business





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Road Transport Network

2006

GMS Connectivity

Source AMCHAM HCM



TPP

(trade data 2012, GDP and population data 2011)



TPP

(source: CRS. Pop and GDP data from IMF)

	U.S. FTA	Population (millions)	GDP (\$billions)	U.S. Imports (\$billions)	U.S. Exports (\$billions)	Trade Balance (\$billions)	
Australia	✓	22.4	1,487	9.5	31.2	21.7	
Brunei		0.4	16	0.1	0.2	0.1	
Canada	✓	34.4	1,739	324.2	291.8	-32.5	
Chile	✓	17.2	248	9.4	18.9	9.5	
Malaysia		28.6	288	25.9	12.9	-13.1	
Mexico	✓	113.7	1,154	277.7	216.3	-61.3	
New Zealand		4.4	159	3.4	3.2	-0.2	
Peru	✓	30.0	177	6.4	9.4	2.9	
Singapore	✓	5.3	260	20.2	30.6	10.3	
Vietnam		89.3	123	20.3	4.6	-15.6	
<i>Japan potential TPP member</i>		127.9	5,867	146.4	70.0	-76.3	
United States		311.9	15,076	Total U.S. Imports from TPP Countries and Japan \$843.6		Total U.S. Exports to TPP Countries and Japan \$689.0	
				Total U.S. Trade Balance with TPP Countries and Japan -\$154.6			

\$U.S. dollars

Trans Pacific Partnership

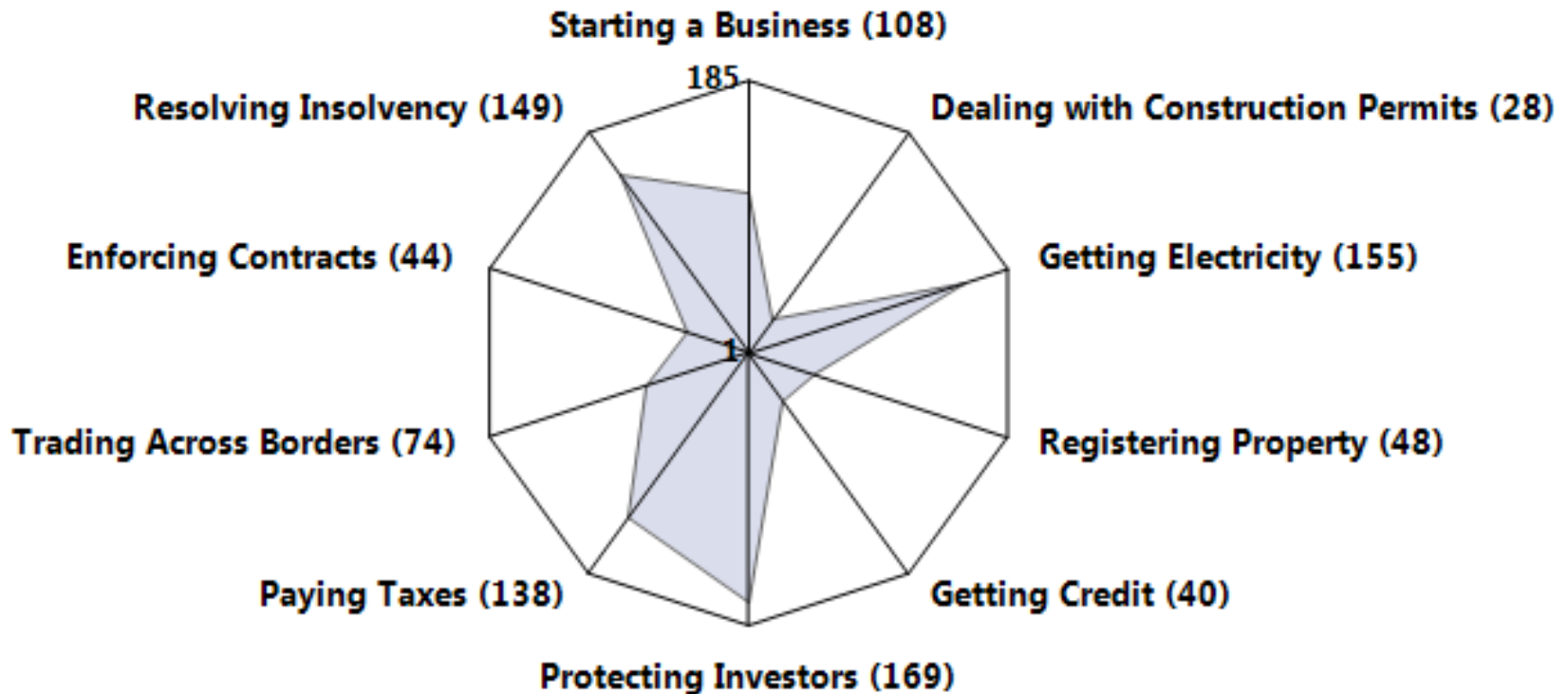
- Eleven countries. 2012 total U.S. trade with TPP countries - \$1.3 tn in merchandise; \$172 bn in services.
- Market access eliminate tariffs (11,000) Vietnam highest average tariff 8-9%.
- Regulatory coherence, competitiveness across sectors, support for SMEs.
- Facilitate development of production and supply chains; customs; e-commerce; environment; cross boarder services, financial services, IPR, government procurement, Investment, trade remedies.

The Themes in 2013 for Vietnam

- Stability / growth
 - *The Vietnamese Government*
- Days of easy money are over- efficiency/ productivity
 - *State owned enterprises (SOEs)*
- Position for the mid to long term
 - Foreign Invested Enterprises (FIEs)*
- Finding the niche/Pay me upfront
 - U.S. exporter*

Vietnam's Ranking 99

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The Good News



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- Strong and positive bilateral relations
- Real income has grown 7.2% annually
- **Average** income per capital GDP \$1,260 (PPP 3100)
- Reduction in poverty from 60% to 15%
- Stabilization measures (resolution 11) helped
- Exports remain strong – driven by FIEs

The Good News

- Inflation fell to 7%
- Foreign exchange reserves building
 - (\$21-26 bn, up from \$14 mn in 2011)
- Total trade surplus of \$500 mn (through March)
 - (up from a \$6 bn deficit in 2011)
 - US exports \$4.7 bn in 2012 --\$6.5 bn by 2015
 - US Imports \$20.2 bn in 2012



2012 Economic Overview

	2008	2009	2010	2011	2012
GDP Growth Rate (y-o-y)	6.2%	5.3%	6.8%	5.8	5.0
Lending Rate	12%	12.75% <i>Down from 21% in Q3</i>	16%-17.0% <i>(Late 2010)</i>	22% - 25%²	13%
Inflation (Average, y-o-y)	22.9%	6.9%¹	9.2% <i>(Dec'10: 11.8%)</i>	18.58%¹	7%
Exports	US\$62.7 bil	US\$57.1 bil	US\$71.6 bil	US\$96.3 bil	US\$105.4
Imports	US\$80.7 bil	US\$69.9 bil	US\$84.0 bil	US\$105.8 bil	US\$113.3 ⁵
Gold Price (per Tael)	VND17.8 mil <i>(Dec. 31, 2008, up 7.2% y-o-y)</i>	VND26.7 mil <i>(Dec. 31, 2009, up 50% y-o-y)</i>	VND36.1 mil <i>(Dec. 31, 2010, up 35.2% y-o-y)</i>	VND41.8mil⁴ <i>(Dec. 30,2011. up 15.8% y-o-y)</i>	VND45.15mil <i>(Jan 30, 2013)</i>
US\$/VND (Commercial banks)	17,400 <i>(Dec. 31, 2008)</i>	18,497 <i>(Dec. 31, 2009)</i>	19,500 <i>(Dec. 31, 2010)</i> Devalued by 5.4% vs. Dec. 2009	21,036 <i>(Dec.31, 2011)</i> Devalued by 7.9% vs Dec. 2010)	20,828
US\$/VND (Unofficial market)	17,510 <i>(Dec. 31, 2008)</i>	19,470 <i>(Dec. 31, 2009)</i>	21,010 <i>(Dec. 31, 2010)</i>	21,275 <i>(Dec. 31, 2011)</i>	N/A
Committed FDI	US\$71.7 bil	US\$22.6 bil ¹	US\$18.6 bil <i>(US\$6.8 bil real estate)</i>	US\$14.7 bil ¹ <i>(US\$845.6 mil real estate)</i>	US\$16.3 Bil
Implemented FDI	US\$11.7 bil	US\$10 bil	US\$11 bil	US\$11 bil¹	N/A
Source: CRBE Vietnam					



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Market Drivers: Foreign Investment



Market Drivers: Population: Young and Big

(in 1000s)

• 1	China	1,321,851
• 2	India	1,129,866
• 3	European Union	490,426
• 4	United States	301,139
• 5	Indonesia	234,693
• 6	Brazil	190,010
• 7	Pakistan	164,741
• 8	Bangladesh	150,448
• 9	Russia	141,377
• 10	Nigeria	135,031
• 11	Japan	127,433
• 12	Mexico	108,700
• 13	Philippines	91,077

✓ 14 Vietnam 88,576

26 % = 14 and under
70 % = born after 1975

Market Drivers: Industrialization



**Government
Desire for:**

**Higher-tech
industries +**

**More Onshore
Value-Added**



Market Drivers: Urbanization



“1 million new people move into cities every year – 40-50% of the population will be urban by 2020”



Market Drivers: Emerging Middle Class





Pent-up Demand for Infrastructure



The Bad News

- Real GDP 5% (13 year low)
- Drop in rankings
- Drop in FDI- pledged down 35% (Japan 51% of new pledged)
- Inventories increased 21% yoy
- Lower credit growth
- Slower growth in public spending
- Banking sector challenges - NPLs, ratings

The Bad News

- SOE- 40% of GDP- inefficient use of capital but loss of market share
- Ratings to junk citing NPLs
 - ‘BB-’ long-term and ‘B’ short-term sovereign credit ratings
- Stabilization measures (resolution 11) helped but definite slowdown
- Need for governance, uneven implementation of rules

Business Challenges

- Bureaucracy/ Administrative measures (Central vs. Provincial)
- Lack of transparency/ corruption
- Education and skill mismatch
- Energy
- Labor

Business Challenges

- Infrastructure + financing (ports, airports, roads, power, logistics, cold chain)
- Legal system still new
- ODA- Financing an issue

Exports Break-out

	Product	Value (\$)	Percent
	334--COMPUTER & ELECTRONIC	\$908,386,525	19.6 %
	111--AG	\$840,498,054	18.2 %
	311--FOOD MANUFACTURES	\$672,969,255	14.6 %
	325--CHEMICALS	\$446,336,487	9.7 %
	333--MACHINERY, EXCEPT ELECTRICAL	\$348,800,244	7.5 %
	910--WASTE AND SCRAP	\$242,085,005	5.2 %
	All Others	\$1,164,266,927	25.2 %
	Grand Total	\$4,623,342,497	100 %

Best Prospects

Current:

- ICT and High Tech
- Infrastructure
- Education and Training
- Consumer Products/Franchising

Growing:

- Defense
- Health Care
- Environmental Tech
- Industrial Machinery

Healthcare

- Growth rate of 15% -17%.
- US\$2.5 billion to build/ upgrade hospitals .
- 12,100 health clinics, 1,300 hospitals. Number of private hospitals is about 120.
- In 2012 MOH managed \$1.45 bil. ODA-
 - 50% for medical equipment mainly imported (90.7%).
- Pharmaceutical. market is \$2.4 billion. Medicine and active ingredients are imported (\$1.4 bil.)

Healthcare

- 2009 health insurance compulsory
- 61.3% of healthcare expenditure is private
- 34.7 health workers per 10,000 people, 6.5 doctors, 1.2 pharmacists 8.3 nurses
- US\$599 million (US\$7 per capita) 15.2% growth

Defense



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- Relationship: just in start up mode, but developing.
- Equipment and solutions in demand: naval and land-based aviation, maritime security, search & rescue, disaster response, cargo and personnel transportation.
- Potential sales channel: Government military sales and Direct Commercial Sales
- ACWG's events with MOD in Aviation/Defense cooperation

Water & Wastewater

- **Major Contributors to Pollution:**
 - water supply only meets approx. 70% of demand;
 - water loss rate ~ 32%;
 - combined sewerage system of storm water; no centralized wastewater treatment plants;
 - 75% of industrial wastewater is untreated; weak environment law enforcement.
- **Financing for Water Projects** comes mainly from WB and ADB

Water & Wastewater (cont)

- October 2012, WB funds US\$50 million to support the enforcement of wastewater treatment regulations for IZs in the four most industrialized provinces: Nam Dinh, Ha Nam, Dong Nai and Ba Ria Vung Tau.
- Vietnamese government plans to invest US\$2.78 billion in the water sector by 2020. ADB approved a Multi-tranche Financing Facility (MFF) of up to US\$1 billion for 2011-2020 to help finance water supply and sanitation projects in Danang, Haiphong, HCMC, & Hue, and the National Nonrevenue Water (NRW) Program.

Water & Wastewater (cont)

- **Best Prospects:** pumps & valves, water treatment chemicals, water filtration systems, water control & monitoring equipment, sludge treatment, energy saving treatment system, wastewater treatment equipment and technologies, etc.
- **Potential Buyers:** ODA projects
- **Vietwater Expo & Forum 2013**, October 16-18, Vietnam's largest water event with U.S. Pavilion

ICT

Software :15% growth yoy, 60% imported (24% U.S.)

Hardware: 17% growth yoy, 95% imported (38% U.S.)

- 82% software piracy
- In 2012, ICT revenue reached \$18.7B
- Best prospects:
 - Hardware: wireless, telecom, network, information security equipment
 - Software: security, database, cloud computing, application for SME's

Education

- 70% of population under 35
- only 600,000 seats for the 1.8 million candidates
- 2X students - number of teachers unchanged
- 14% growth yoy
- Vietnam currently ranks 8th, 5th for community colleges- 15,572 students are currently in the US
- 1/2 are located in Texas, Washington, and California



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