

EIC COUNTRY REPORT

VIETNAM

Executive summary

Vietnam is a country in South East Asia bordering the Gulf of Thailand, the Gulf of Tonkin, and the South China Sea. It occupies an area of 331,210 sq km, ranking it as the world's sixty-seventh largest country in terms of combined sea and land area. Neighbouring Cambodia, China, and Laos, Vietnam's terrain is low and flat in south and north, and hilly in far north and northwest.

Vietnam including its capital Hanoi has a population of 99 million, ranking it as the sixteenth most populated country in the world. Out of these, 62.7% of people live in the rural areas, with almost a million people living without access to electricity. In terms of demographics, 70 million people are aged between 15 and 64 years, of which 45.7% are in the working group of 25 to 54 years old, making Vietnam a great place to source labour. Only 7 million people are above 65 years old, while 22 million are below 15 years old.

As among ASEAN's fastest growing nation, Vietnam's growth in terms of Gross Domestic Product (GDP) was 7% in 2019, with 51.3% of its economy consists of service industry, while the rest are industrial and agricultural. Its exports list grows more than its imports, with items ranging from clothes, shoes, and electronics to food commodities like seafood, rice, coffee; and to crude oil, machinery, and wooden products. Vietnam import items are like

the above, with additions including steel products, plastics, automobiles, and clothing raw materials to name a few. In comparison to neighbouring developing economies like Indonesia and Malaysia, Vietnam's GDP growth is far higher, and it is also placed above the more mature UK economy and the global average. In 2020, Vietnam is also likely the top-performing Asian economy despite being weighed down by the COVID-19 pandemic. Its' economy grew 2.9% in 2020 from 2019, which is largely credited to its manufacturing sector, with production growing on the back of steady export demand.

Aside from GDP, Vietnam's Foreign Direct Investment (FDI) inflow is significantly higher than the countries mentioned above, and the global average. This shows the increasing number of foreign interests in the country, mainly in the domains of electricity production and distribution, manufacturing and processing, retail and wholesale, and science and technology.

Among the 125 countries investing in Vietnam, South Korea is Vietnam's largest foreign investor, accounting for almost a quarter of the country's total FDI. Japan came next, then Singapore, followed by Taiwan and Hong Kong. With the presence of the large-scale LNG-fired thermal power plant, the southern province of Bac Lieu now surpassed other localities to become the most attractive investment destination for foreign investors. On top of GDP and FDI, Vietnam in terms of ease of doing

business, scored 69.8 in 2019, which is slightly above Indonesia that has a 69.6 score (0=lowest performance, 100=perfect score). However, its neighbouring Malaysia fairs better at 81.5, while UK leads the pack at 83.5.

Moving into the oil and gas market, according to CIA Factbook, Vietnam has the largest proven oil reserves in Southeast Asia, standing at 4.4 billion bbl and its oil production in 2019 is estimated at 207,000 barrels per day, putting it fourth in ASEAN behind Indonesia, Malaysia and Thailand. As for natural gas, its proven reserves in 2020 stood third in ASEAN with 650 billion cubic metres, while its annual production is approximately 8.7 billion cubic metres, making it sixth in Southeast Asia. Vietnam refined petroleum products production also ranked sixth in ASEAN in 2017.

Scoring fourth in ASEAN in terms carbon dioxide emissions in 2017, Vietnam government has been seriously looking at diversifying its energy mix by increasing renewable energy sources. According to McKinsey, out of 55.94 GW of total installed capacity, renewable energy accounted nearly 10 percent in 2020. By 2030, it aims to further increase it to 15 percent to 20 percent. Specifically, Vietnam has set a goal to reach capacities of 6,000MW by 2030 for wind power and 12,000MW for solar power.



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