

## VIETNAM COUNTRY REPORT

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### 1) Executive Summary

After 30 years of innovation since 1986, Vietnam has made great achievements with historical significance. From a poor, severely war-torn and centralized planning, subsidized, closed country, Vietnam has escaped from underdeveloped country to a middle-income country and an economy with dynamic market, powerful-sweeping integration into the global economic system. Vietnam's economic growth is high, continuous, steady and inclusive, that ensures people to get benefit from the development process. Vietnam has reduced the extreme poverty rate from nearly 60% in 1990 to less than 3% in 2016. Per capita GDP growth rate reached 5.5% per year since 1990, resulting in an average income increase of 3.5 times. Compared to the world, this result is just behind China. This is a very impressive success and pride of Vietnam, including the valuable cooperation and assistance of the international community.

However, Vietnam is still inferior in some areas. Labor productivity has been declining since the late 1990s in almost all areas of industrial production, as well as the mining sector, finance and real estate. Economic growth is largely achieved with environmental costs. Greenhouse gas emissions increased at the highest rates in the region, while the quality of air, land and water was severely reduced.

### 2) Macro Economic Review and Outlook

#### 2.1 Overview of National Economy

Duration 2011 – 2016, Economic growth maintained at reasonable level. Growth rate of GDP in 2011 reached 6.24%, went down by 5.25% in 2012, but went up to 5.42% in 2013, 5.98% in 2014 and preliminary figure for 2015 showed a rise by 6.68% and on reached 6.21%. On average, for 6 years 2011 – 2016, GDP increased by 5.96%; of which agriculture, forestry and fishing reached 2.83% per year, mining reached 2.10% per year, manufacturing was highest 10.04% per year, service reached 6.73% and construction reached 6.17%. Thus, the agriculture, forestry, fisheries sector and mining industry were low, unstable growth rates, even mining industry had negative growth rate in 2013 at -0.23% and 2016 at -4.0%. Manufacturing sector was high growth rate and service sector was stable pretty growth rate. Construction industry tends to increase gradually, 2-digit growth rate achieved in 2015 and 2016 with 10.82% and 10.00% respectively.

With higher economic growth rate than that of population, GDP per capita at current price increased from 1273 USD/person in 2010 to 2109 USD/person in 2015 and Per capita GDP in 2016 was estimated at USD 2,215, up USD106 compared to 2015.

The size of the economy expressed by GDP was expanding. In 2016 GDP at current prices reached 4502.7 trillion VND, more than 1.62 times in comparison with that in 2011. If calculating by constant price, GDP in 2016 was 1.33 times as much as in 2011.

The economic structure shifted based on the trends that decreasing in the agriculture, forestry and fishing and increasing the industrial and service sectors. Share of the agriculture, forestry and fishing decreased from 19.57% in 2011 to 16.32% in 2016; share of industry and construction increased from 32.24% to 32.72%; share of the service increased from 36.73% to 40.92%. After 5 years, share of agriculture, forestry and fishing decreased 3.25 percentage points; share of the industry and construction increased 0.48 percentage points; and share of the service increased 4.19 percentage points.

CPI was decreased from 2 digits in 2011 (18.58%) to 1 digit (9.21% in 2012; 6.60% in 2013; 4.09% in 2014; 0.63% in 2015 and 2.66% in 2016). Inflation decreased from 13.62% in 2011 to 8.19% in 2012; 4.77% in 2013; 3.31% in 2014; 2.05% in 2015 and 1.83% in 2016. Low inflation curb in the last years was one of important factors contributing to macroeconomics stability in Vietnam.

The national average population was 9.27 million person in 2016, an increase of 5.5% over 2011 (annual average increase of 1.07% per year); of which urban population increased 17.4% (annual average increase of 3.26% per year), rural population increased 0.25%. The national average life expectancy at birth went up from 73 years in 2011 to 75.6 years 2016, ranked 56 out of 138 countries in the world and ranked second, behind Singapore at 82.6 years in Southeast Asia<sup>1</sup>.

The labor force at 15 years of age and above in 2016 increased by 5.93% compared to that in 2011; there was strong shift of the employed from agricultural sector to the industrial and service sectors. The proportion of the agricultural employment decreased from 49.5% in 2010 to 41.9% in 2016, at the same time the repaired growth rate of industry and construction increased from 21.0% to 24.7%. Unemployment rate in 2016 reduced 0.47 percentage points over 2011. Percentage of trained employed workers at 15 years of age and above went up from 15.4% in 2011 to 20.56% in 2016.

## 2. 2. Main Economic Indicator

Table 2.1 Main Economic Indicators

*Unit: bill. dong*

|                    | 2011 | 2012 | 2013 | 2014 | 2015 | 2016<br>Prel. |
|--------------------|------|------|------|------|------|---------------|
| GDP and Components |      |      |      |      |      |               |

<sup>1</sup> World Economic Forum (WEF) survey 2016

|   |              |             |             |          |          |          |
|---|--------------|-------------|-------------|----------|----------|----------|
| GDP at real prices(thousand bill. dong)           | 2292.5       | 2412.8      | 2543.6      | 2695.7   | 2875.9   | 3054.5   |
| GDP at current market prices (thousand bill.dong) | 2779.9       | 3245.4      | 3584.3      | 3937.9   | 4192.9   | 4502.7   |
| Real GDP growth (%)                               | 6.24         | 5.25        | 5.42        | 5.98     | 6.68     | 6.21     |
| Agriculture, Forestry, and Fishery (%)            | 4.23         | 2.92        | 2.63        | 3.44     | 2.41     | 1.36     |
| Mining (%)  | 2.90         | 5.14        | -0.23       | 2.26     | 6.50     | -4.00    |
| Manufacturing (%)                                 | 14.08        | 9.05        | 7.22        | 7.41     | 10.60    | 11.90    |
| Services (%)                                      | 7.47         | 6.71        | 6.72        | 6.16     | 6.33     | 6.98     |
| Construction (%)                                  | -0.26        | 3.66        | 5.84        | 6.93     | 10.82    | 10.00    |
| <b>Demographic Indicators</b>                     |              |             |             |          |          |          |
| Population (thousand persons)                     | 87,860.4     | 88,809.3    | 89,9759.5   | 90728.9  | 91709.8  | 92695.1  |
| Population growth rate (%)                        | 1.05         | 1.08        | 1.07        | 1.08     | 1.08     | 1.07     |
| Total labor force (thousand persons)              | 51.398.4     | 52,348.0    | 53,245.6    | 53,748.0 | 53,984.2 | 54,445.3 |
| Labor force growth rate (%)                       | 2.0          | 1.85        | 1.72        | 0.94     | 0.44     | 0.85     |
| Unemployment rate (total)                         | 3.60         | 3.21        | 3.59        | 3.40     | 3.37     | 3.23     |
| CPI growth rate (%)                               | <b>18.58</b> | <b>9.21</b> | <b>6.60</b> | 4.09     | 0.63     | 2.66     |
| Inflation rate (%)                                | 13.62        | 8.19        | 4.77        | 3.31     | 2.05     | 1.83     |
| <b>Financial Indicators</b>                       |              |             |             |          |          |          |
| Interbank interest rate (%)                       | 13,5         | 10,6        | 8,23        | 6.50     | 6.50     | 7.80     |
| Short term interest rate (%)                      | 12           | 9           | 9.5         | 8        | 8.39     | 9.3      |
| Long term interest rate                           | 18           | 14          | 13          | 12       | 11       | 11       |

|                            |        |        |        |        |        |        |
|----------------------------|--------|--------|--------|--------|--------|--------|
| (%)                        |        |        |        |        |        |        |
| Exchange rate against US\$ | 21,034 | 20,840 | 21,095 | 21,388 | 22,485 | 22,750 |

Source: Statistical yearbook of Vietnam - General Statistical Office

### 3) Overview of the Construction Industry

#### 3.1. Construction Investment

Investment in construction industry at constant prices (2010) in 2011 was 36,502 billion VND, decreased 2.30%; in 2012 that got 37629 billion VND, grew 3.09%; that of 2013 was 47875 billion VND and increased 27.23%; investment in 2014 was 75748 and got highest increase of 58.22%; got down 60263 billion VND and decreased 20.44%; that of 2016 was estimated to reach 65495 billion VND, an increase of 8.68%.

Duration of 2011 – 2016 non-state investment in construction tends to increase in investment structure. Specially, share of non-state investment occupied 68.22% in 2014 and 60.58% in 2016.

Table 2.2: Construction investment

Unit: Bill. Dongs

| Year   | 2011              | 2012              | 2013              | 2014              | 2015              | 2016<br>(Prel.)   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total investment at constant 2010 prices     | 36502             | 37629             | 47875             | 75748             | 60263             | 65495             |
| Index (previous year = 100)%                 | 97.70             | 103.09            | 127.23            | 158.22            | 79.56             | 108.68            |
| Total investment at current prices           | 43914             | 47273             | 59975             | 95216             | 78572             | 84650             |
| State investment at constant 2010 prices     | 15166<br>(41.55%) | 18838<br>(50.06%) | 28642<br>(59.83%) | 24074<br>(31.78%) | 24833<br>(41.21%) | 25815<br>(39.42%) |
| Index (previous year = 100)%                 | 93.29             | 124.21            | 152.04            | 84.05             | 103.15            | 103.95            |
| State investment at current prices           | 18273             | 23659             | 36151             | 31155             | 32492             | 33450             |
| Non-state investment at constant 2010 prices | 21336<br>(58.45%) | 18791<br>(49.94%) | 19233<br>(40.17%) | 51674<br>(68.22%) | 35430<br>(58.79%) | 39680<br>(60.58%) |

|  |        |       |        |        |       |        |
|--|--------|-------|--------|--------|-------|--------|
| Index<br>(previous year<br>= 100)%           | 101.10 | 88.07 | 102.25 | 268.67 | 68.56 | 111.20 |
| Non-state<br>investment at<br>current prices | 25641  | 23614 | 23824  | 64061  | 46080 | 51200  |

Source: Statistical yearbook of Vietnam - General Statistical Office

Foreign Direct Investment (FDI) in Vietnam has had progress. According to Statistical Yearbook of Vietnam, Vietnam had total 22594 FDI projects from 1988- 31/12/2016 with total registered capital of 293700.4 billion USD in which, the registered capital in construction had 1384 FDI projects and accounted 10568.7million USD and occupied 3.60%. The registered capital in Water supply, sewerage, waste management and remediation activities had 56 FDI projects and accounted 1451.1 million USD with modest share of 0.49%. Meanwhile, the proportion of investment in real estate is high 17.77% in the amount of US \$ 52203.7 million in 581 projects. So FDI projects related to environmental remediation has still been relatively small proportion of projects in other sectors in the economy.

The table 2.3 let us to know more about the proportion of FDI in the construction and real estate:

**Table 2.3: FDI projects licensed – accumulation of projects as of 2016**

Unit: Mill. USD

| No<br>Sl | Sector  | Project     | Registered Capital | Share (%)   |
|----------|---|-------------|--------------------|-------------|
| 1        | Agriculture, forestry and fishing                                   | 522         | 3573.8             | 1.22        |
| 2        | Mining and quarrying  | 104         | 3497.9             | 1.19        |
| 3        | Manufacturing   | 11716       | 172717.6           | 58.81       |
| 4        | Electricity, gas, steam and air conditioning supply                 | 108         | 12907.6            | 4.39        |
| 5        | Water supply, sewerage, waste management and remediation activities | 56          | 1451.1             | 0.49        |
| <b>6</b> | <b>Construction</b>   | <b>1384</b> | <b>10568.7</b>     | <b>3.60</b> |

|    |   |       |          |       |
|----|---|-------|----------|-------|
| 7  | Wholesale and retail trade; repair of moto vehicles and motorcycles | 2248  | 5433.2   | 1.85  |
| 8  | Transportation and storage  | 607   | 4280.9   | 1.46  |
| 9  | Accommodation and food service activities                           | 545   | 11494.7  | 3.91  |
| 10 | Information and communication                                       | 1477  | 4718.7   | 1.61  |
| 11 | Financial, banking and insurance activities                         | 87    | 1485.3   | 0.51  |
| 12 | Real estate activities  | 581   | 52203.7  | 17.77 |
| 13 | Professional, scientific and technical activities                   | 2193  | 2643.9   | 0.90  |
| 14 | Education and training  | 236   | 495.1    | 0.17  |
| 15 | Human health and social work activities                             | 122   | 1602.0   | 0.55  |
| 16 | Arts, entertainment and recreation                                  | 135   | 3029.7   | 1.03  |
| 17 | Other service activities  | 157   | 765.3    | 0.26  |
|    |   | 22594 | 293700.4 | 100   |

Source: Statistical yearbook of Vietnam - General Statistical Office

## 2. Construction Companies

In general, the enterprises of the construction industry has increased annually from 2011 to 2015. Number of acting enterprises in construction industry was 44183 as of 31 December 2011, in 2012: 48790, in 2013: 52147, in 2014: 55198 and reached 61264 in 2015. According to field activities, enterprises have increased annually.

**Table 2.4: Construction companies in Vietnam as of annual 31 December**

*Unit: Enterprise*

| Year                   | 2011  | 2012  | 2013  | 2014  | 2015  |
|------------------------|-------|-------|-------|-------|-------|
| Construction buildings | 21531 | 24687 | 26638 | 27373 | 30292 |
| Civil engineering      | 13503 | 14050 | 14726 | 16158 | 17728 |

|                                     |              |              |              |              |              |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Specialized construction activities | 9149         | 10053        | 10783        | 11667        | 13244        |
| <b>Total</b>                        | <b>44183</b> | <b>48790</b> | <b>52147</b> | <b>55198</b> | <b>61264</b> |

Source: Statistical yearbook of Vietnam - General Statistical Office

In 2015, total enterprises were 61264, in which enterprises with less than 5 persons was 20724, firms with 5-9 people was 13206, enterprises with 10-49 persons was 19951, enterprises with number of persons between 50 - 199 was 5972, enterprises with persons from 200-299 was 620, enterprises with number from 300-499 persons was 418, enterprises with 500-999 persons was 256, enterprises with 1000-4999 persons was 112 and firms with 5000 or more was 5. Such proportion of small and medium enterprises in the construction industry is major proportion.

### 3. Employees and Construction Labor

Vietnam manpower construction industry today is the fifth large number of labor structure. Share of labor was 6.4 percent in 2011, 6.4 percent in 2012; 6.3 percent in 2013 and 2014; 6.5% in 2015, but reached 7.1% in 2016 (preliminary). Labor of construction industry increased every year. Growth rate of employed population in construction industry in 2011 got 3.6% percent, in 2014 growth rate of employed population in construction industry had lowest figure 0.1%, but in 2016 growth rate of employed population in construction reached 11.1% (preliminary). Table 2.5 shows clearly data as follows.

**Table 2.5: Manpower in construction industry 2010 – 2016**

*Unit: thousand persons*

| Year   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016 Prel. |
|--|--------|--------|--------|--------|--------|------------|
| Employed population at 15 years of age and above as of annual 1 <sup>st</sup> July in construction industry              | 3221.1 | 3271.5 | 3308.7 | 3313.4 | 3431.8 | 3800.1     |
| Structure of employed population at 15 years of age and above as of annual 1 <sup>st</sup> July in construction industry | 6.4%   | 6.4%   | 6.3%   | 6.3%   | 6.5%   | 7.1%       |
| Growth rate of employed population in construction industry  | 3.6%   | 1.6%   | 1.1%   | 0.1%   | 3.6%   | 11.1%      |

Source: Statistical yearbook of Vietnam - General Statistical Office

### 4. Productivity

Labor productivity in the construction sector is increasing almost years. This is due to technical improvements of construction companies. It does show that the contribution of each employee's construction industry has raised from 2011 to 2015 and construction labor productivity was sustainable in 2016. The table 2.6 shows results.

**Table 2.6. Productivity of construction industry**

*Unit: Mill.dongs/persons*

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 Prel. |
|------|------|------|------|------|------|------------|
|------|------|------|------|------|------|------------|

|              |      |      |      |      |      |      |
|--------------|------|------|------|------|------|------|
| Productivity | 48.3 | 53.4 | 55.6 | 60.7 | 66.5 | 66.5 |
|--------------|------|------|------|------|------|------|

Source: Statistical yearbook of Vietnam - General Statistical Office

## 5. Construction Cost

### - Average Construction Material Prices

The housing and construction materials of prices has decreased from 2010 to 2015 and grew up 2016. Housing and construction materials CPI increased highly in 2011 and 2012: 19.66 percent and 10.64 percent respectively and decreased lowest in 2015: 1.62% and increased at 2.50% in 2016. As such, the CPI of housing and construction materials have had fluctuations to be similar to the CPI in general. Unlike the housing and building materials price index rose for the first 3 years of gold, fell three years later. The level reduction is 2014: 11.49%, 2nd year reduction is 2013: 11.26% and continued decreasing 4.73% in 2015 and grew up at 5.95% in 2016. US dollar price index was not dropped 6 year, but increase was slight in 2012, 2013 2014 with 0.18%, 0.66% and 0.56% respectively and by 2015 and 2016, the level of increase was higher than previous year except 2011 namely 2015: 3.16% and 2016: 2.23%.

**Table 2.7: CPI Performance, 2010-2015**

(% increase compared to previous year)

| Year                                | 2011          | 2012          | 2013          | 2014   | 2015   | 2016   |
|-------------------------------------|---------------|---------------|---------------|--------|--------|--------|
| <b>General consumer price index</b> | <b>118.58</b> | <b>109.21</b> | <b>106.60</b> | 104.09 | 100.63 | 102.66 |
| Housing and construction materials  | 119.66        | 110.64        | 104.72        | 103.74 | 98.38  | 102.50 |
| <b>Gold price index</b>             | <b>139.00</b> | <b>107.83</b> | <b>88.74</b>  | 88.51  | 95.27  | 105.95 |
| <b>USD price index</b>              | <b>108.47</b> | <b>100.18</b> | <b>100.66</b> | 100.56 | 103.16 | 102.23 |

Source: Statistical yearbook of Vietnam - General Statistical Office

### -Construction Industry Salaries and Wages

Table 2.8 shows general wages average in society and construction industry wages average. In 2011, construction industry wages took over general society wages 158,500 dong. The remaining years, gap between construction industry wages and general society wages is large namely 2012: 158.5 VND, 2013: 984.7 VND, 2014: 1080.3 VND and 2016: 2.559.3 VND.

**Table 2.8: Construction Industry Salaries and Wages**

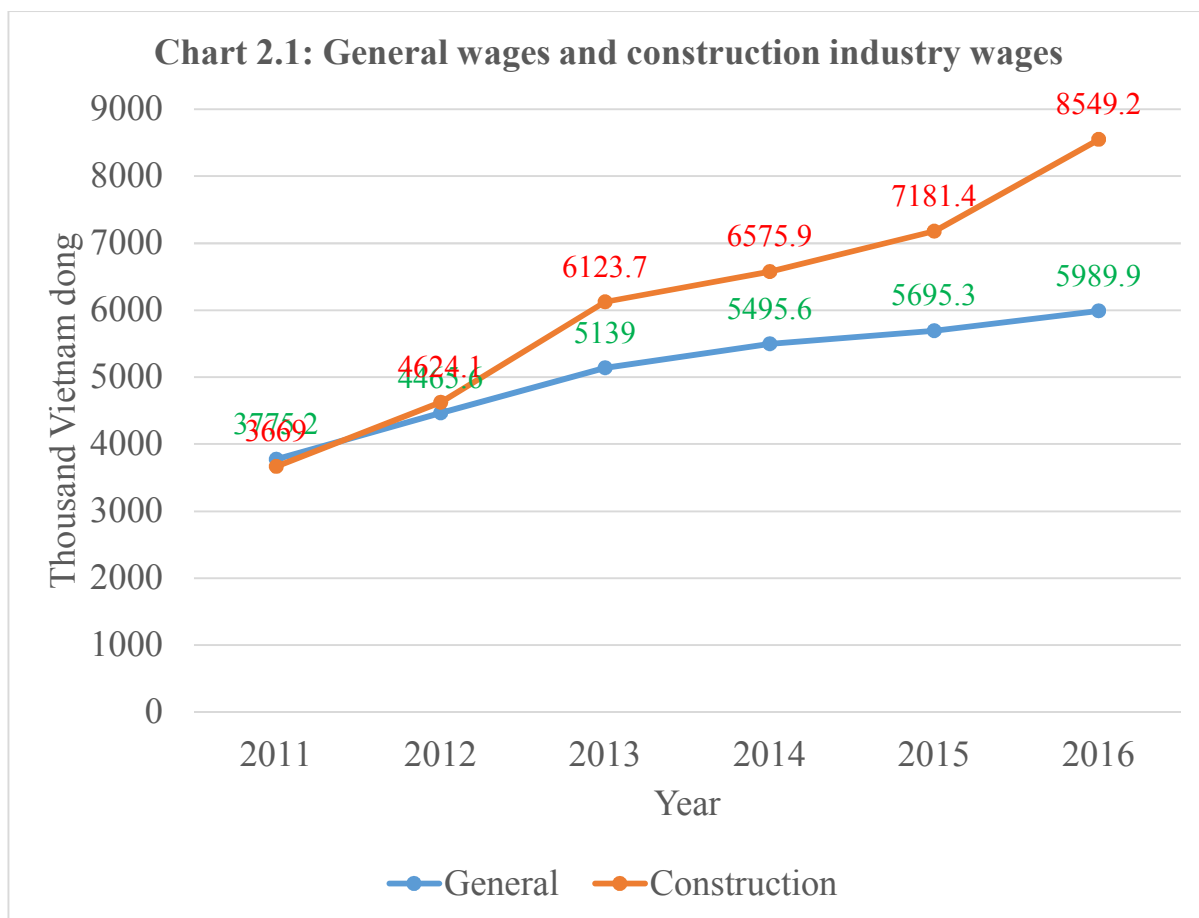
Unit: Thousand VND

| Year             | 2011   | 2012   | 2013   | 2014    | 2015      | 2016     |
|------------------|--------|--------|--------|---------|-----------|----------|
| General (a)      | 3775.2 | 4465.6 | 5139.0 | 5495.6  | 5695.3    | 5989.9   |
| Construction (b) | 3669.0 | 4624.1 | 6123.7 | 6575.9  | 7181.4    | 8549.2   |
| Gap (a) – (b)    | 106.0  | -158.5 | -984.7 | -1080.3 | - 1.486.1 | -2.559.3 |

Source: Statistical yearbook of Vietnam - General Statistical Office



Chart 2.1 illustrates improvement of construction industry wages in comparison to general society wages as follows.



## 6. Import and Export of Construction Services

### - Annual Import/Export of Construction Services

In the construction sector, wood and wood products is one of 5 groups of valued largest exports in recent years. In addition, the pottery and glassware are also bring greater export value of Vietnam. Table 2.9 displays figures from 2011 to 2016.

**Table 2.9: Some main goods for exportation and importation**

*Unit: Mill. USD*

| Year                  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016<br>Prel. |
|-----------------------|-------|-------|-------|-------|-------|---------------|
| Exportation           |       |       |       |       |       |               |
| Pottery and glassware | 359.2 | 440.5 | 472.3 | 514.3 | 477.0 | 430.6         |

|  |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|
| Wood and wooden products                               | 3960.5 | 4665.5 | 5591.8 | 6145.3 | 6797.5 | 6964.5 |
| Importation  |        |        |        |        |        |        |
| Machinery, apparatus and parts for construction        | 639.1  | 433.0  | 483.3  | 602.7  | 715.0  | N/A    |
| Machinery, apparatus and parts for cement construction | 161.2  | 108.4  | 150.7  | 111.4  | 318.5  | N/A    |
| Iron, steel  | 6442.3 | 6019.9 | 6701.2 | 7732.1 | 7491.7 | 8051.8 |
| Of which: blank  | 627.1  | 325.2  | 234.9  | 342.1  | 687.7  | 328.4  |
| Aluminum   | 1055.3 | 1105.7 | 1209.1 | 1402.8 | 2150.2 | N/A    |
| Glass  | 99.1   | 200.0  | 164.3  | 148.90 | 158.5  | N/A    |
| Clinkers   | 45.1   | 23.8   | 7.9    | 9.4    | 8.2    | N/A    |

*Source: Statistical yearbook of Vietnam - General Statistical Office*

Top 5 Countries for Construction Import/Export: in the top 5 countries of import and export with Vietnam which is China PR, Korea, Japan, Taiwan and United States.

Although the industrial and construction sectors are facing many difficulties and challenges, especially the decline of the mining industry continues as the bottleneck of overall economic growth, the mining industry will be boosted with plans to increase production of coal and oil. In addition, the service sector is expected to record faster growth rate due to better consumption and better tourism services, the agriculture, forestry and fisheries will continue to recover by promoting solutions to solve problems for the production output. As a result, overall economic growth may be satisfactory as all three of the key drivers of growth are improved agriculture, industry-construction and services.

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