

Business Overview of Viet Nam and Water Environment Business

Hidehiko Kondo
Senior Investment Advisor
Japan External Trade Organization (JETRO)
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Lecturer Profile

Ho Chi Minh City Office Economic Partnership Promotion Advisor Hidehiko Kondo

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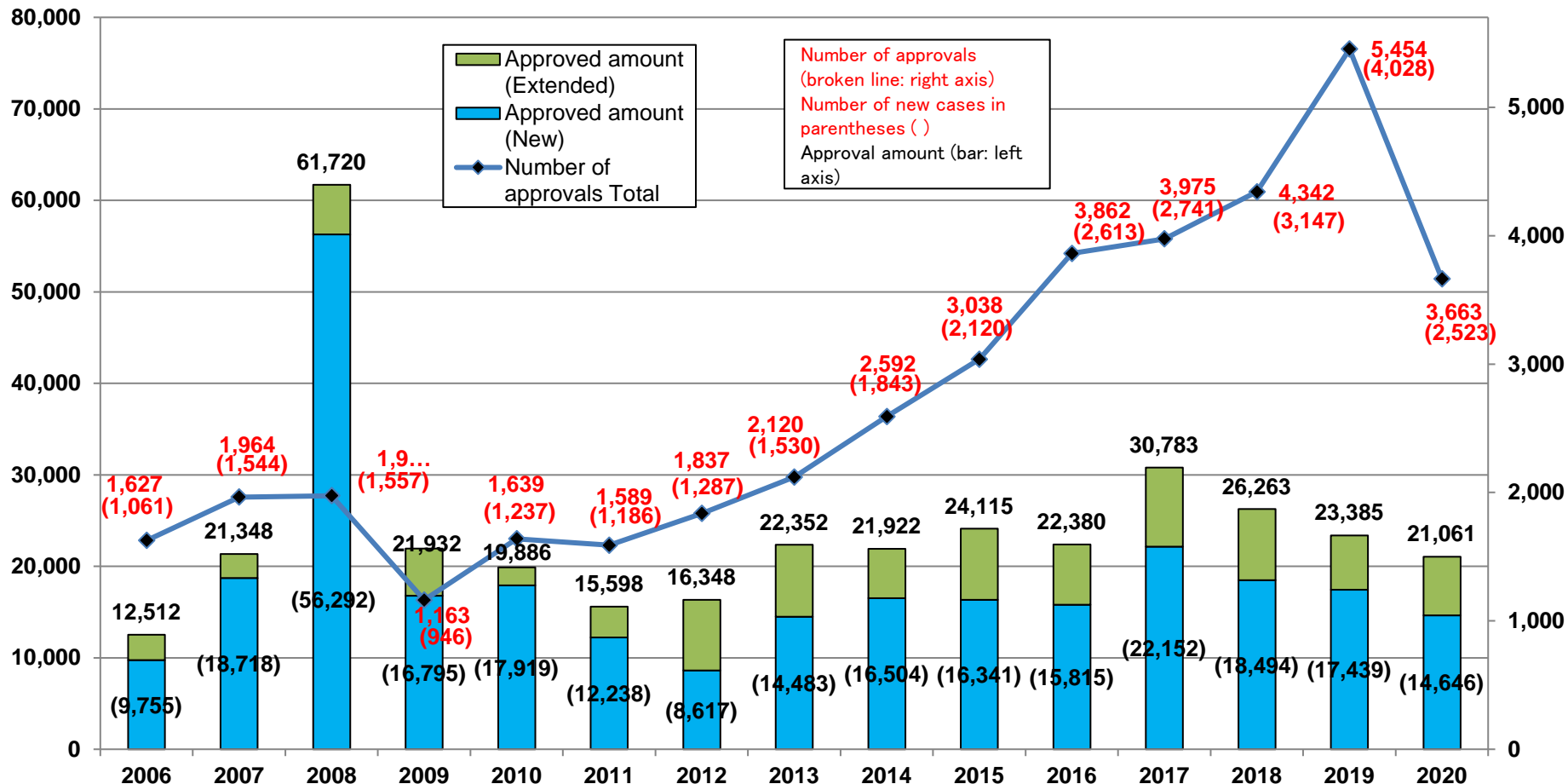
Worked for an electrical machinery manufacturer for 37 years. During that time, he was engaged in domestic sales and overseas sales positions. Stationed overseas for 14 years in Hanoi (1998-2000), Ho Chi Minh City (2000-2005), and Phnom Penh (2011-2017) as director. In addition to marketing, sales and promotional activities, he was involved in the establishment and launch of offices, sales companies and manufacturing companies, as well as business operations. In addition, on a long-term business trip basis (2007-2010), he was also involved in the development and operation of 100 of the company's franchise stores throughout India. He has been in his current position since April 2017.

Global Direct Investment in Viet Nam – Trends since 2006

In 2020, the number of approvals was 3,663 (down 32.8% from the previous year), and the amounts of approvals was about \$21.1 billion (down 9.9%)
 The number of cases fell below the previous year's level for the first time in nine years.

Unit: Million USD

Unit: Number



Source: Based on FIA, JETRO prepared including disapprovals. Note: Data of 2020 are Jan 1 to Dec 20.

Direct investment in Viet Nam by country/region (cumulative total)

- Until now, South Korea and Japan have had a large presence in both the number of cases and the amounts of approvals.
- Cumulative direct investment from China ranks third in terms of number and seventh in terms of authorized value.

(Unit: cases, millions of dollars)

Cumulative total of investment approvals (Jan. 1, 1988 - Dec. 20, 2020)					
Rank	Country / Region	Number	Ratio	Approved amount	Percentage
1	Korea	8,983	27.2	70,645	18.4 %
2	Japan	4,632	14.0	60,258	15.7 %
3	Singapore	2,629	7.9	56,551	14.7 %
4	Taiwan	2,792	8.4	33,707	8.8 %
	Hong Kong	1,944	5.9	25,662	6.7 %
	Virgin Islands, British	869	2.6	22,255	5.8 %
	China	3,123	9.4	18,460	4.8 %
8	Malaysia	644	1.9	12,901	3.4 %
9	Thailand	603	1.8%	12,874	3.4 %
10	The Netherlands	374	1.1%	10,418.	2.7 %
	Total (*)	33,070	100%.	384,044	100 %

Source: Prepared by JETRO based on data from the Foreign Investment Agency (FIA) Note: Total includes "Other."

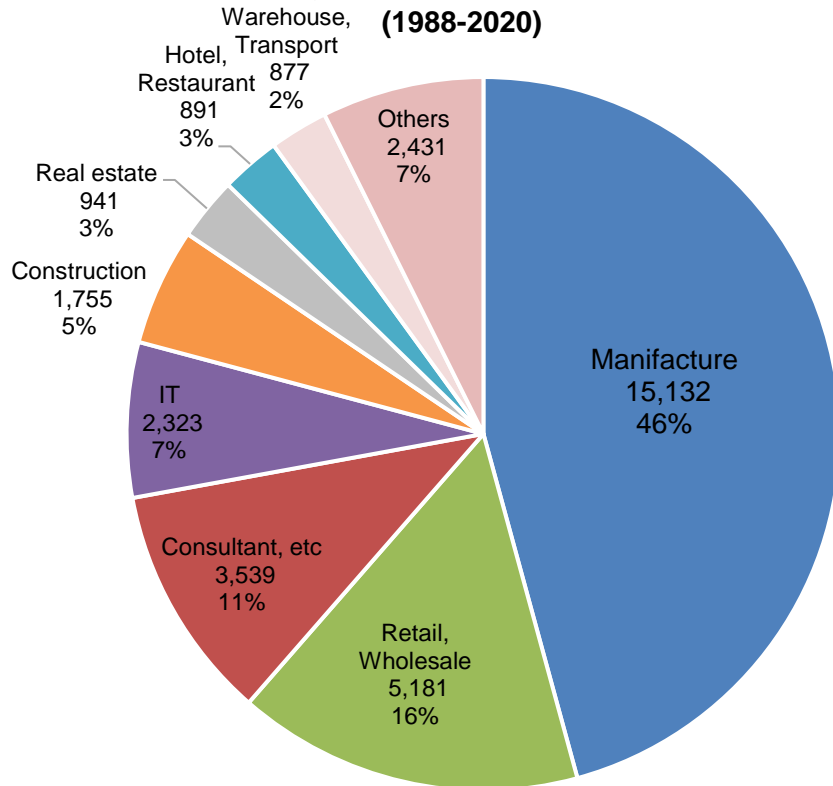
New direct investment in Viet Nam by industry

– Number of approvals (compared to total)

- Cumulatively, investment in the manufacturing sector is the largest, but in recent years, the number of cases in the non-manufacturing sector has increased. In particular, the percentage of retail and wholesale has grown significantly.

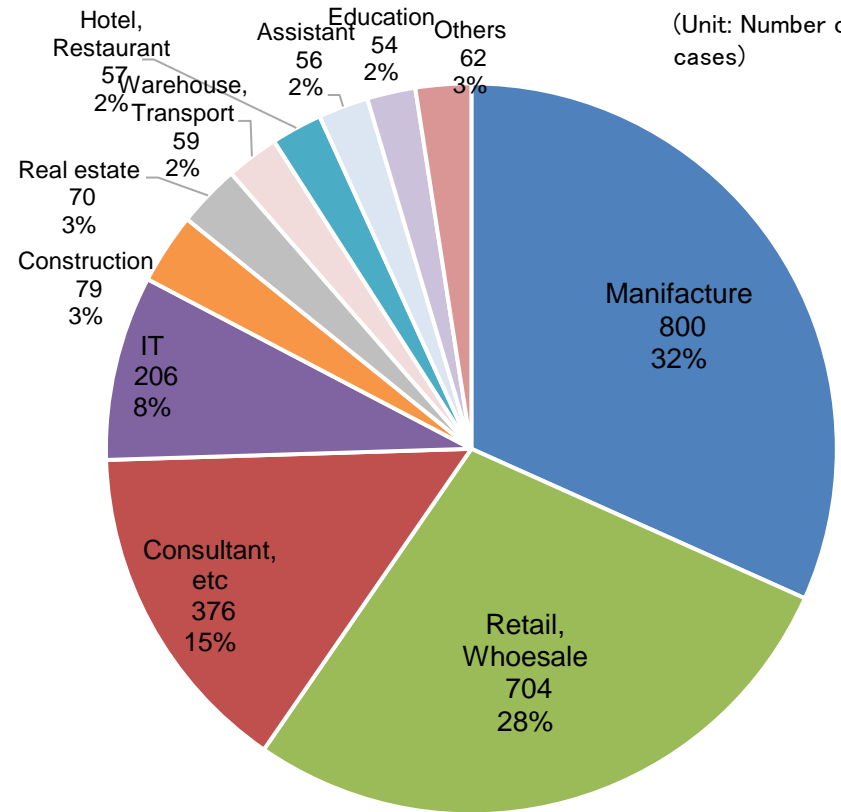
< Cumulative total:
33,070

(1988-2020)



< 2020: 2,523 cases

(Unit: Number of cases)



Consulting, etc.: Taxation, legal affairs, business consulting, architectural and design work, R&D, advertising and market research, etc.
Preliminary figures for 2020 are as of December 20, 2012.

Source: Compiled by JETRO based on FIA (Foreign Investment Agency) data.

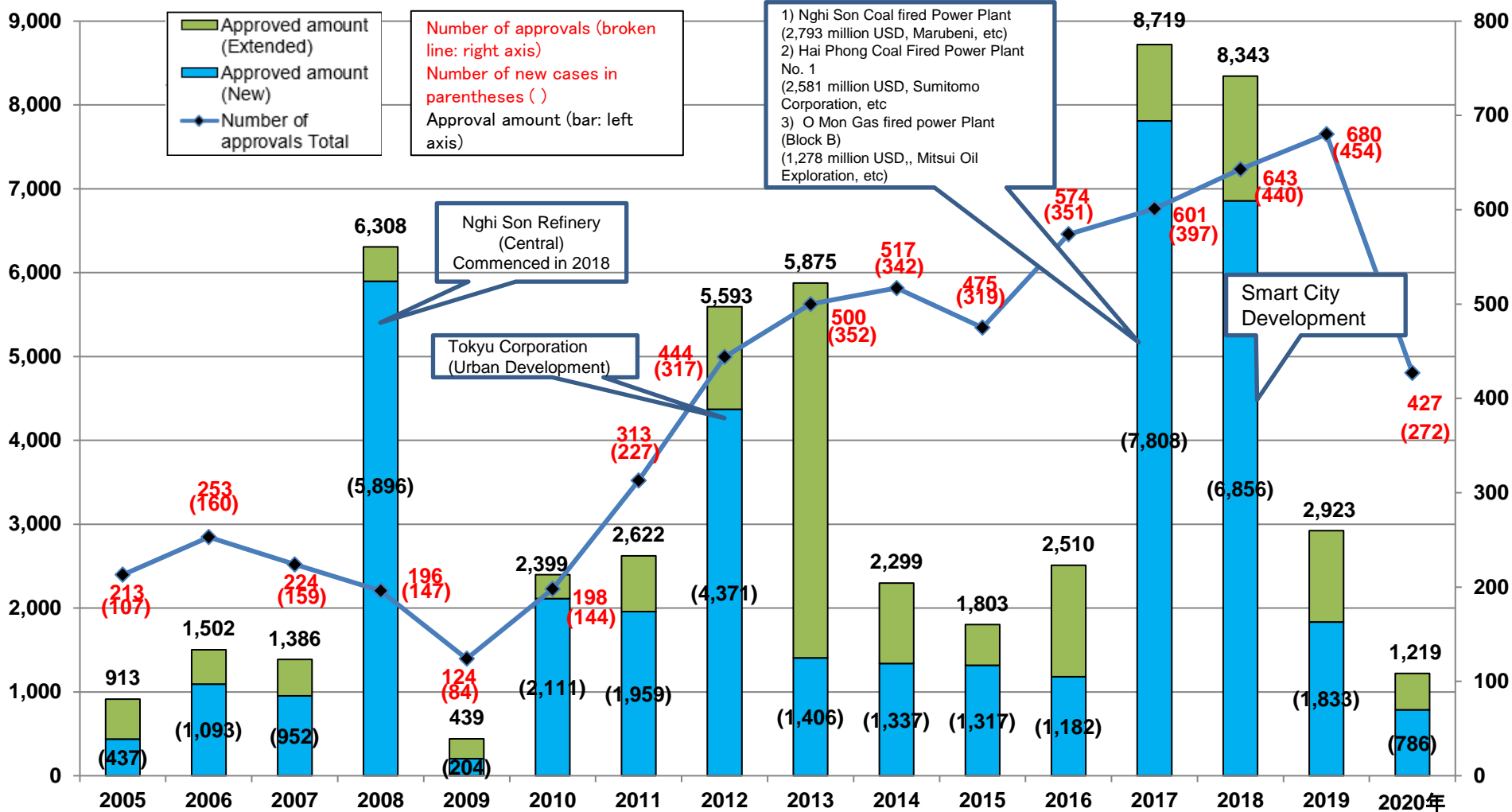
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Direct investment from Japan in Viet Nam

- In 2020, the number of approvals will be 427 (down 37.2% from the previous year), and the amount of approvals will be \$1.2 billion (down 58.3%)

Unit: million USD

Unit: Number



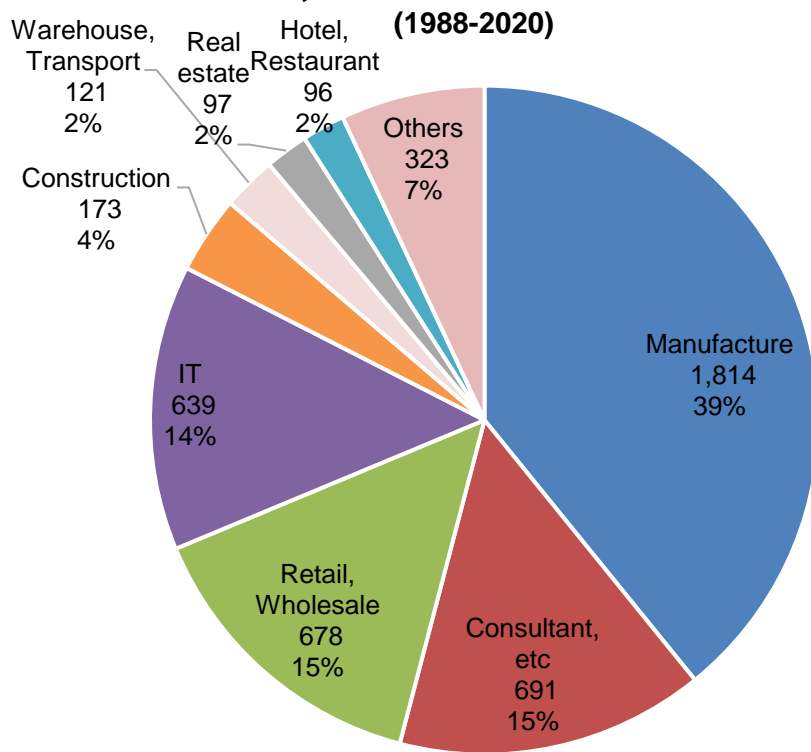
Source: Based on FIA, JETRO prepared including disapprovals. Note: Data of 2020 are Jan 1 to Dec 20.

New investment from Japan Comparison by industry

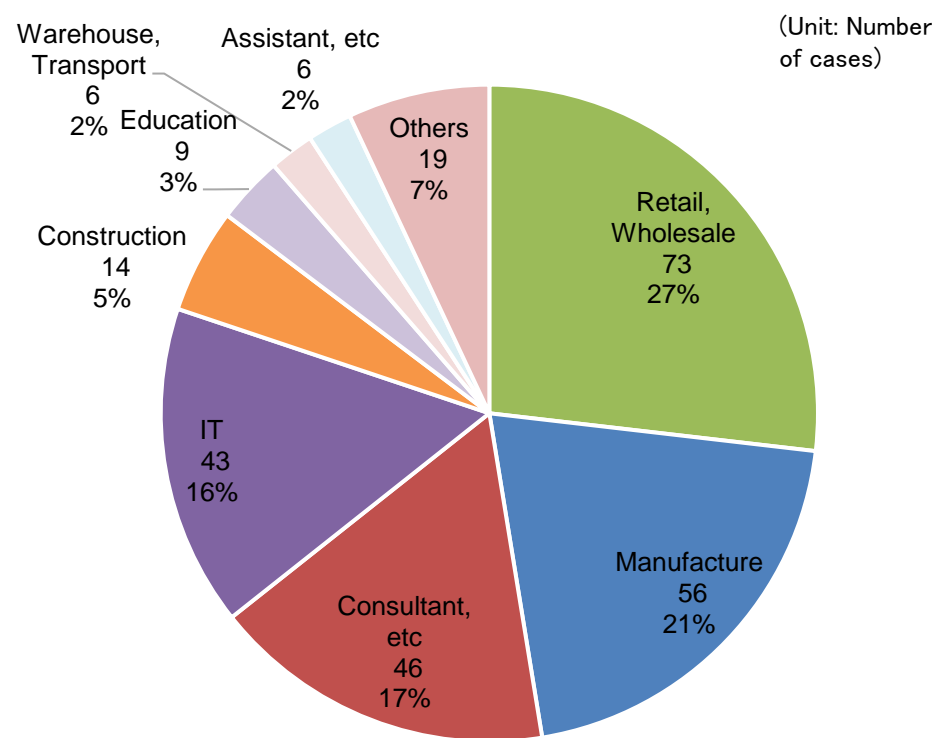
– Number of approvals (compared to total)

- Manufacturing, retail/wholesale, consulting etc. and IT are the top sectors for investment from Japan as well as investment from the world.
- In the past, investments were mainly in manufacturing, but in recent years, the number of retail/wholesale and consulting projects has been increasing.

**<Cumulative total:
4,632 cases**



<2020: 272 cases.



Consulting, etc.: Taxation, legal affairs, business consulting, architectural and design work, R&D, advertising and market research, etc.
Preliminary figures for 2020 are as of December 20, 2012.

Source: Compiled by JETRO based on FIA (Foreign Investment Agency) data.

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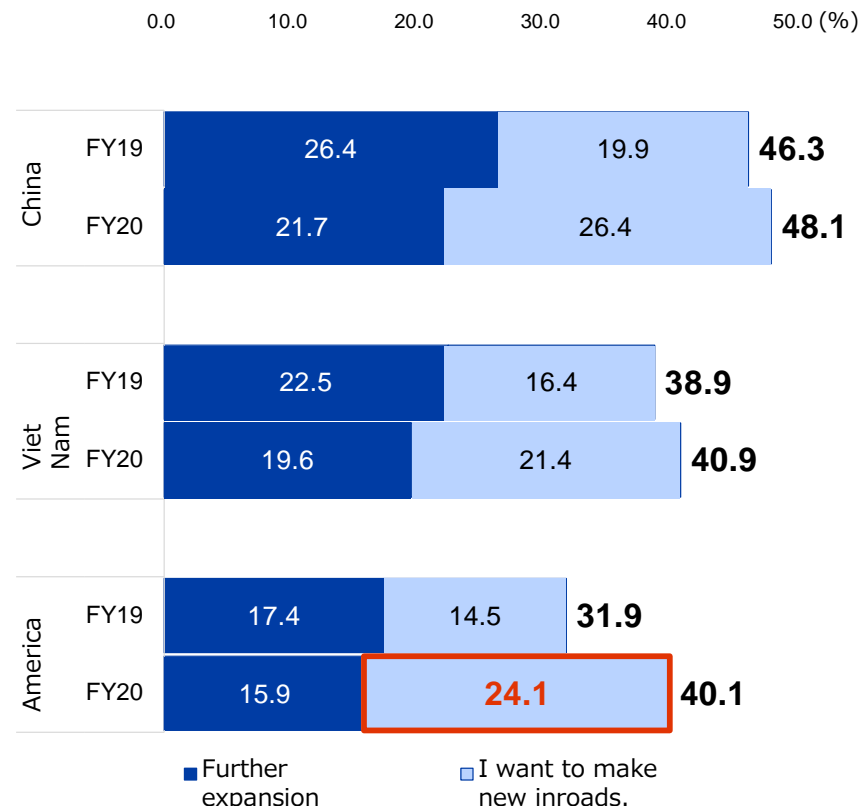
Countries in which we plan to expand overseas (contents of JETRO 2020 overseas business development questionnaire survey)

- Among the 2,700 companies (from all industries) that responded to the question about countries and regions where they plan to expand their business overseas in the future, China continued to top the list with 48.1% of the total. Viet Nam (40.9%) and the U.S. (40.1%), which came in second, increased their percentages from the previous year and exceeded 40% for the first time.

Countries and regions where we plan to expand our business overseas (top 15 countries/regions)

Country/Region	FY2020 (n=1,156)		Fiscal Year 2019 (n=1,871)	Fiscal Year 2018 (n=1,800)
		Rank		
China	48.1	(1)	46.3	49.9
Viet Nam	40.9	(2)	38.9	34.0
America	40.1	(3)	31.9	30.2
Thailand	36.7	(4)	32.7	31.8
Taiwan	33.3	(5)	26.8	24.7
Western Europe	30.4	(6)	25.3	21.4
Indonesia	25.8	(7)	22.3	20.8
Singapore	25.1	(8)	20.0	18.2
Malaysia	23.1	(9)	15.3	14.2
Hong Kong	20.2	(10)	17.2	17.1
Philippines	17.8	(11)	12.0	9.9
India	17.5	(12)	15.7	16.1
Korea	15.5	(13)	10.7	12.9
Canada	12.5	(14)	5.1	3.2
Myanmar	11.1	(15)	10.0	8.1
ASEAN 6	65.4		69.4	65.7

Business expansion in China, Viet Nam, and the U.S. (by overseas expansion policy)



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Note: 1) "n" is the number of companies that answered "currently have overseas offices and plan to expand further" or "currently do not have overseas offices but would like to expand in the future" and also answered the function to expand. 2) ASEAN 6 is the number of companies that answered "currently have overseas offices and plan to expand further" or "currently have no overseas offices but would like to expand in the future" and also answered the function they would like to expand to Singapore, Thailand, Malaysia, Indonesia, Philippines, or Viet Nam. In Western Europe, companies selected either the UK or Western Europe (other than the UK). 3) The ratio of companies that expand one or more functions in each country/region. Even if multiple functions are expanded in a single country/region, they are counted as one company.

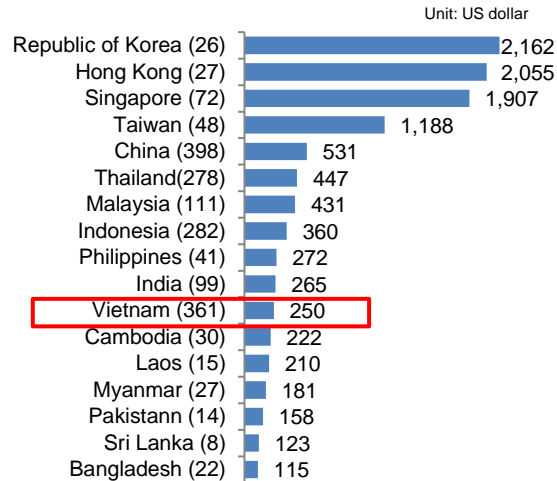
Why so much foreign investment in Viet Nam?

- **Abundant, industrious, young, and inexpensive labor force + High quality: smart, dexterous, ambitious**
- **A consumer market of just under 100 million people that can be expected in the future
(Ranked third in ASEAN after Indonesia and the Philippines)**
- **Stable politics (Communist Party, but with a democratic and collective leadership system.)**
- **Increase in production transfer from China, multipolarization of supply chain**
- **Energy self-sufficiency rate is almost 100%.**
- **There are no religious issues.
(80% Mahayana Buddhists, a nation that does not wage war on religion)**
- **Geopolitical advantage
(Midway between Hong Kong and Singapore, connecting China and ASEAN)**
- **Fewer large-scale natural disasters**
- **(Pro-Japanese)**

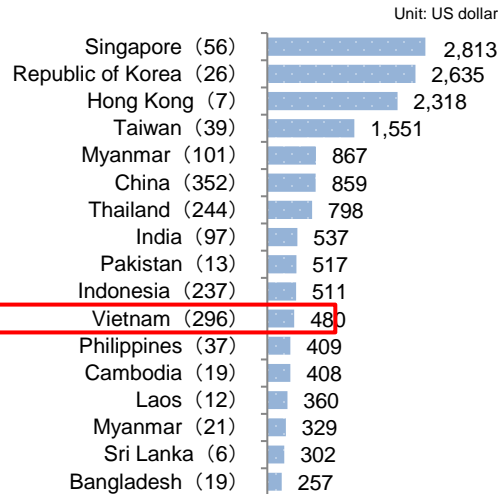


2020 Base salary, monthly

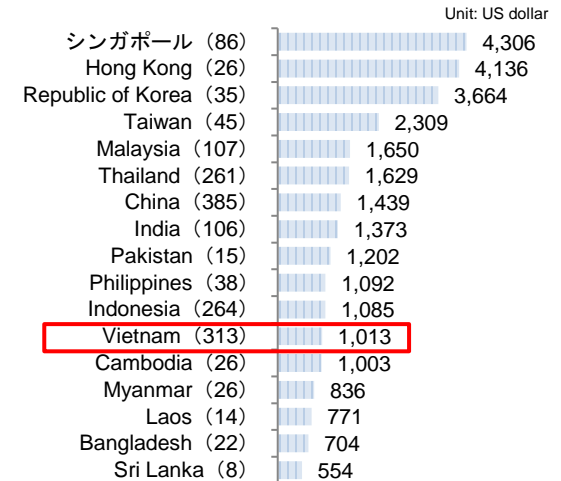
Manufacturing and workers



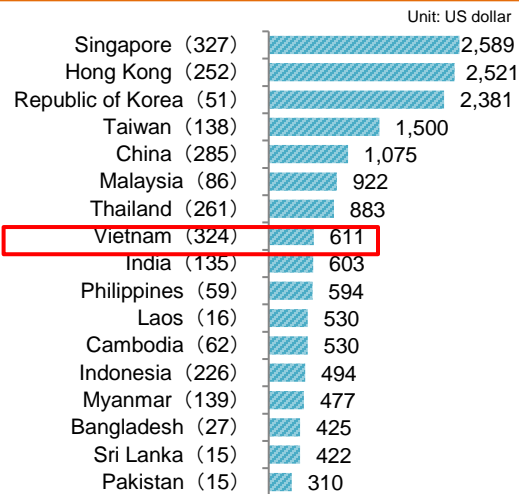
Manufacturing and engineering



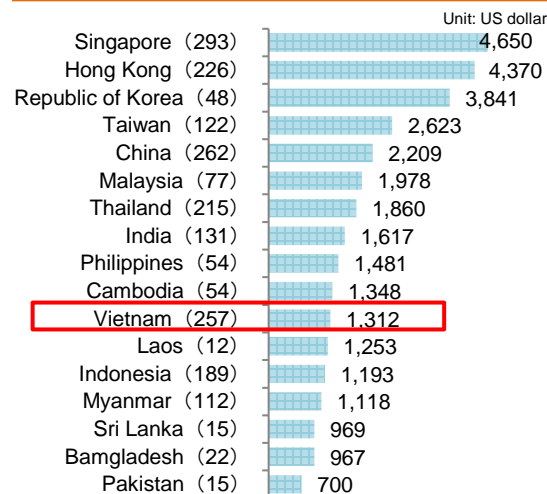
Manager, Manufacturing



Non-manufacturing, staff



Non-manufacturing, Manager



Household Income Distribution/Durable Goods Penetration Rate (2020)

Average monthly income per household in Viet Nam

(Unit: USD)

Area/income group	2010	2012	2014	2016	2018	2020
whole country	209	301	397	466	583	640
urban areas	320	450	596	685	846	838
farming area	161	238	307	365	449	527
Group 5 (Top 20%)	513	720	965	1135	1402	1378

Average monthly income per household in Ho Chi Minh

(Unit: USD)

City/Hanoi	Ho Chi Minh City			Hanoi City		
	2016	2018	2020	2016	2018	2020
income decile						
average	769	955	989	733	888	905
Group 1 (bottom 20%)	275	298	515	209	228	350
Group 2	451	631	714	394	517	552
Group 3	568	782	855	538	686	780
Group 4	749	1020	1067	731	924	1022
Group 5 (Top 20%)	1803	2052	1796	1796	2086	1825

Source: Prepared by JETRO HCM Office based on "Viet Nam Household Living Standards Survey" by the General Department of Statistics of Viet Nam and other sources.

Note: Per capita income (in dong) X average number of persons per household (3.5 persons: 2018) / dong/dollar exchange rate for the year. (1US\$=23,131VND)

Groups 1 to 5 are grouped by 20% in order from lowest to highest income.

© Household income in Viet Nam is low on average nationwide. On the other hand, the upper class in Hanoi and Ho Chi Minh City has a certain level of purchasing power.

Consumer durables penetration by income group (2018) (Number of units per 100 households)

Income decile	automobile	vehicle (bicycle, motorcycle, etc.)	two wheeled refrigerator	washing machine (laundry)	air-conditioning	TV
whole country	3.3	151	79	45	36	101
G1	0.2	92	43	10	3	78
G2	0.7	131	73	29	13	96
G3	1.6	159	86	43	24	101
G4	3.2	180	93	64	52	109
G5	10.3	185	96	75	87	120

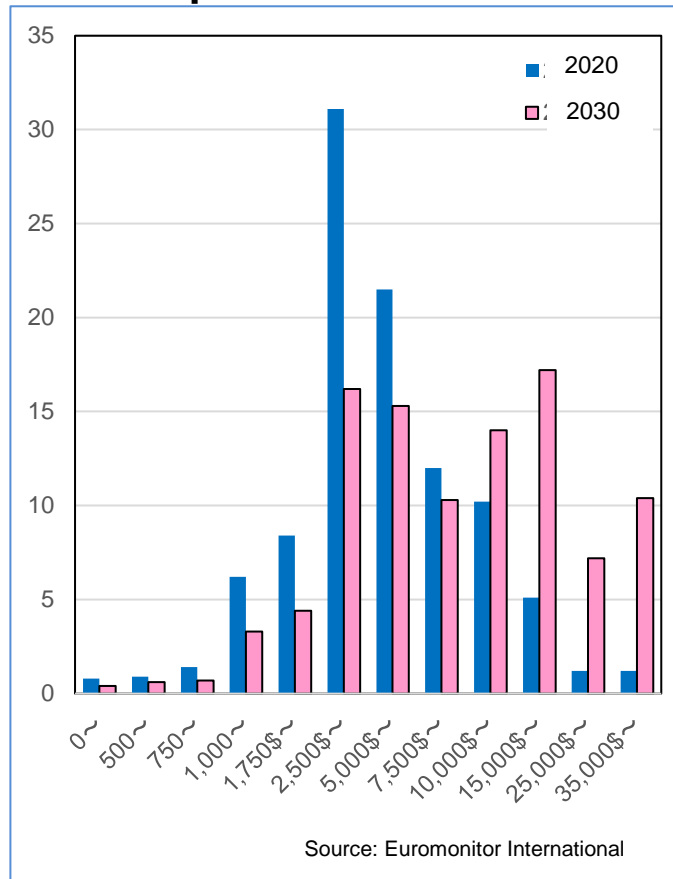
Source: Viet Nam General Statistics Office, "Viet Nam Household Living Standards Survey," 2018/2020.

Note: The definition of the group is the same as on the left.

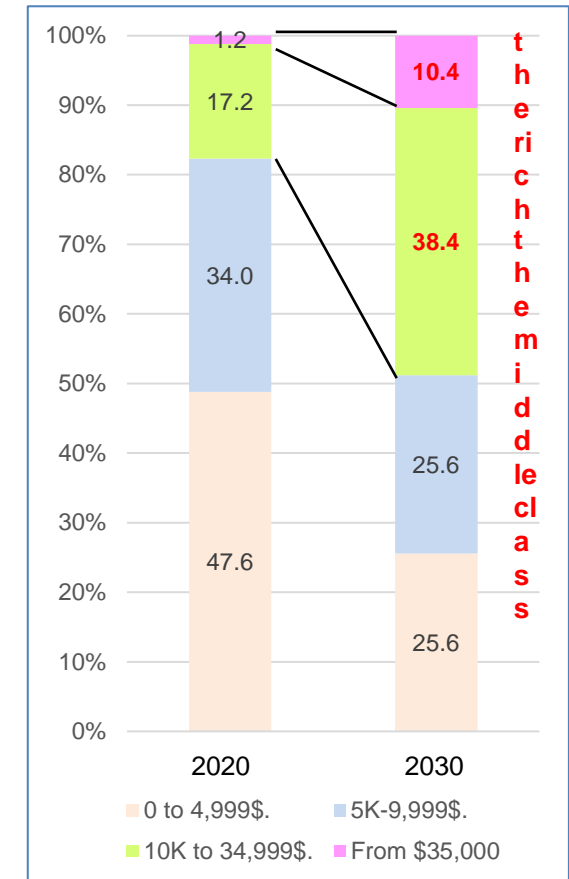
Projected percentage change by income group 2020/2030 (households/year)

◎ 10 years from now, the number of wealthy people (over \$35,000) will increase tenfold (from 1.2% to 10.4%). The middle class (\$10,000~\$34,999) has also doubled (from 17.2% to 38.4%), and the percentage of rich and middle class households is now half (48.8%) of all households.

<Distribution by disposable income>



<Distribution by level>



US dollar	2020	2030
0~	0.7	0.4
500~	0.9	0.6
750~	1.3	0.7
1,000~	5.9	3.3
From 1,750 USD	8.2	4.4
From \$2,500	30.6	16.2
From \$5,000	21.7	15.3
From \$7,500	12.2	10.3
From \$10,000	10.6	14.0
From \$15,000	5.4	17.2
From \$25,000	1.2	7.2
From \$35,000	1.2	10.4

US dollar	2020	2030
0 to 4,999\$.	47.6	25.6
5K-9,999\$.	34.0	25.6
10K to 34,999\$.	17.2	38.4
From \$35,000	1.2	10.4

Life of the upper middle class in Ho Chi Minh City

お宅訪問 一軒家 中々中々 タンビン区の一戸建てに住む ユンさん一家のお宅



中古物件をリフォームし、お家はオーダーメイド

家族紹介/
 ・ユンさん(40歳) 製造会社勤務
 ・奥さんのスエンさん(31歳) 銀行員
 ・長男のニョットちゃん(5歳)
 ・長女のアンちゃん(1歳)
 1ヶ月の家庭の収入 / 2500USD



テレビ: SONY:1200万VND(約5万5200円)、エアコン: Mitsubishi:1500万VND(約6万9000円)、ソファ:約1500万VND(約6万9000円)



オーダーメイドキッチン / 5000万VND(約23万円)



冷蔵庫 / TOSHIBA:1500万VND(約6万9000円)



空気清浄器 HITACHI:1500万VND(約6万9000円)



「タイリスト」のゴルフクラブは贈り物



LEGOコレクション



iPhone 6S / 2100万VND(約9万6800円)、iPhone 5S / 1600万VND(約7万3600円)



海外旅行の記念品コレクション



バイク: HONDAリード 3500万VND(約16万1000円)



ホームベーカリー Panasonic:7万円(日本で購入)

お宅訪問 アパート 中々中々 タンブー区の外資アパート に住むホアンさんのお宅



広くて清潔、車庫向けの敷地が充実

家族紹介/
 ・ホアンさん(34歳) 建設会社勤務
 ・奥さんのゼンさん(31歳) 営業職
 ・長男のカットちゃん(4歳)
 1ヶ月の家庭の収入 / 2000USD



テレビ: Panasonic:600万VND(約2万7600円)、エアコン: SHARP:800万VND(約3万6800円)



冷蔵庫 / SANYO:800万VND(約3万6800円)



洗濯機 / SANYO:600万VND(約2万7600円)

In 2014, I bought a 3 bedrooms apartment (85m2) in Celadon City for about 9 million yen. The neighborhood is quiet and safe, and security is excellent. There is the AEON mall next door, and my son goes to Kumon math school in the mall. On weekends, the family often goes to the beach.



スマートフォン: HTC:1000万VND(約4万6000円)



バイク: Air Blade:4000万(約18万4000円)、Piaggio:8000万VND(約36万8000円)

Viet Nam GDP/Capita Future Forecast

- When GDP per capita exceeds \$3,000, economic growth accelerates and sales of consumer goods surge.
- Population of 100 million (in 2016, second only to Indonesia and the Philippines in ASEAN)

Japan/China GDP per capita performance (2000\$-5000\$)

GDP/Capita	1,967	2,179	2,843	3,809	4,174	4,481	4,984
Growth rate		111%	130%	134%	110%	107%	111%
China	2005	2006	2007	2008	2009	2010	2011
GDP/Capita	1,765	2,110	2,703	3,467	3,838	4,527	5,582
Growth rate		120%	128%	128%	111%	118%	123%

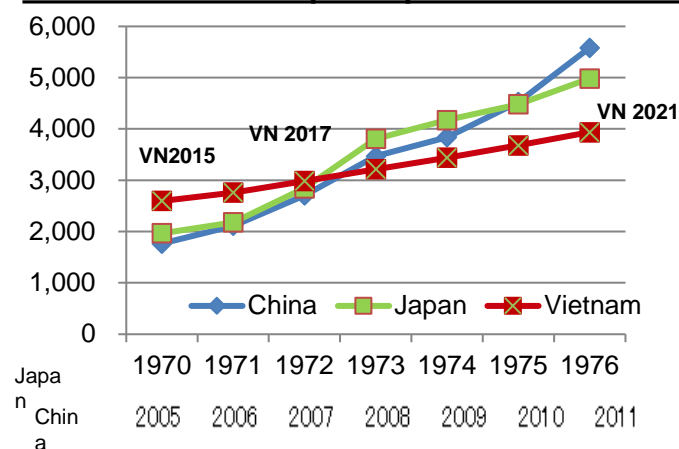
GDP per capita in Viet Nam

Year	GDP (Trillion Dong)	GDP Growth (%)	GDP per Capita (USD)	Official Debt against GDP (%)
2010	2,740	-	1,690	40.7
2011	3,540	6.4	1,958	39.3
2012	4,074	5.5	2,194	40.4
2013	4,474	5.6	2,370	43.6
2014	4,937	6.4	2,561	46.3
2015	5,191	7.0	2,597	49.2
2016	5,639	6.7	2,759	50.9
2017	6,294	6.9	2,985	48.8
2018	6,998	7.1	3,214	-
2019	7,654	7.0	3,426	-

2010-2017: Prepared by JETRO, based on data released by the General Statistics Office of Viet Nam on December 13, 2019.

2018-2019: Prepared by JETRO based on the 2019 Statistical Yearbook of the General Department of Statistics of Viet Nam (published in June 2020).

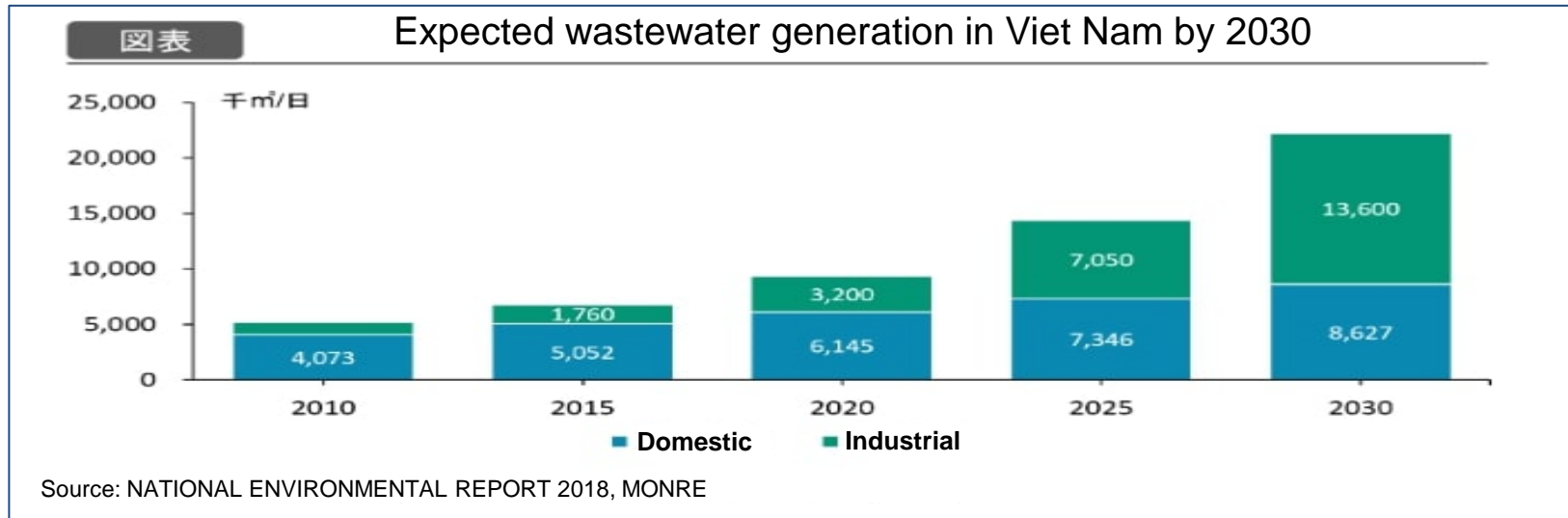
Viet Nam GDP per capita future forecast



Future of wastewater

environment

- Amount of industrial wastewater generated: 3.2 million m³/day (2020) ⇒ quadrupled to 13.6 million m³/day (2030)
- Industrial wastewater treatment capacity: 450,000 m³/day actual wastewater 635,000 m³/day (2019)
- Domestic wastewater: More than 1.4 times the amount in the 10 years from 2020 to 2030
- Sludge treatment: about 40 centralized sewage treatment plants in 20 cities ⇒ There are 50 plants under construction and installation, with plans to add more in the future.



Hints on how to approach water treatment related businesses

Background

- Public awareness of the environment is not very high.
- A business that does not potentially and intuitively generate any profit.
- Rapid economic growth (industrialization, urbanization, improvement of citizen's life)
- The problem of infrastructure funding sources

Future forecast

- As for the market as a whole, the progress of water pollution and the government's environmental measures are expected to continue. Water environment and wastewater treatment market size grow over the long term due to enhancement of environmental mismeasures by government.
- The global trend of SDGS
- Changes in environmental awareness and health consciousness of the public

Approach Example

- Aquaculture and fisheries (prevention of fish diseases through water purification, increase in fish catch)
 - Purification of drinking water (appeals to the health-consciousness of Viet Nameese people)
 - Participation in the construction of infrastructure such as sewage treatment systems
- **For Japanese companies to do business in the local market, it is important to appeal for profits, have connections with the local government, and network with other related companies.**

Thank you very much for your attention.

**Japan External Trade Organization
(JETRO)
Ho Chi Minh City Office Economic
Partnership Promotion Advisor
Hidehiko Kondo**



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**Room 1403,115 Nguyen Hue,Dist.1
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