



NGHE AN: OPPORTUNITIES FOR YOUR BUSINESS GROWTH

08.9
2017

Nghệ An: Cơ hội Đầu tư & Phát triển

savills



GDP

5.7%, +1 ppt YoY



Retail Sales

>\$63 bil, +10% YoY



Trade Deficit

\$2.7 bil



CPI

~4.2%, +2.5ppts



FDI

+55%YoY, registered
+7%YoY, disbursement



Mortgage Rate

11%, stable YoY



Foreign Visitors

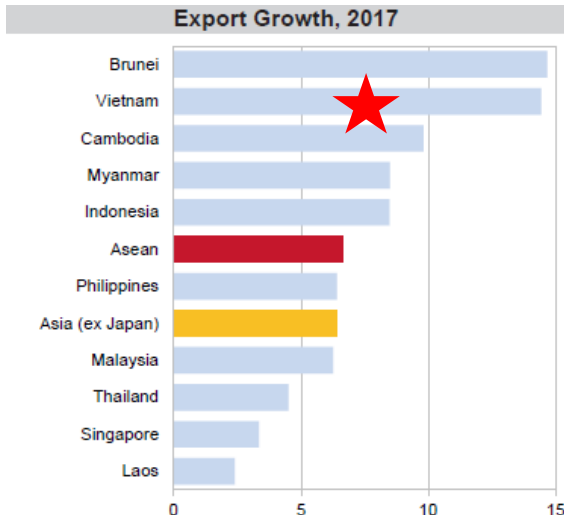
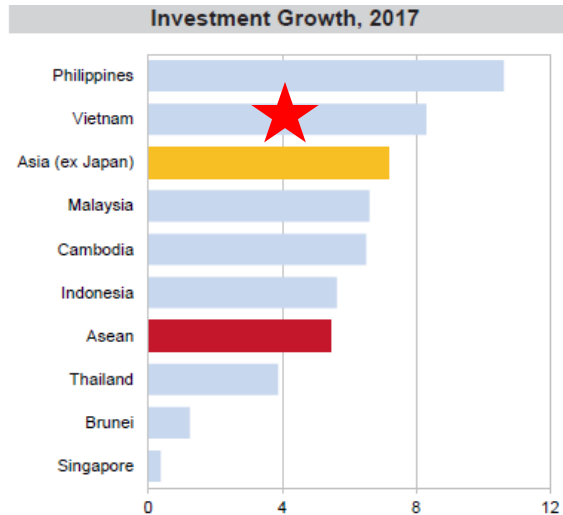
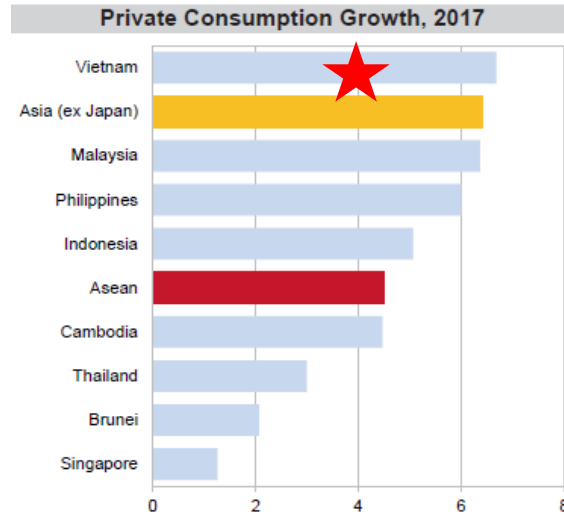
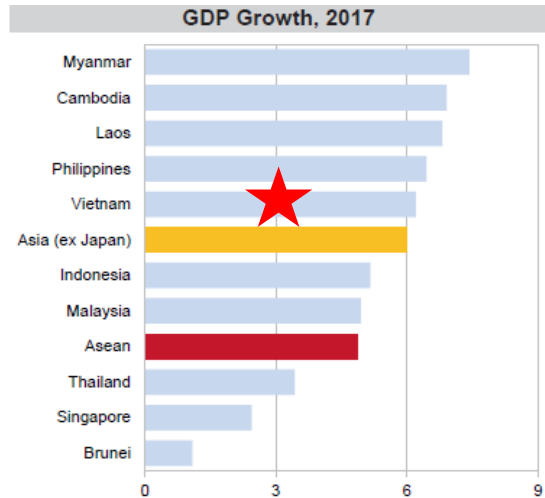
6.2 mil, +30% YoY



Credit Growth

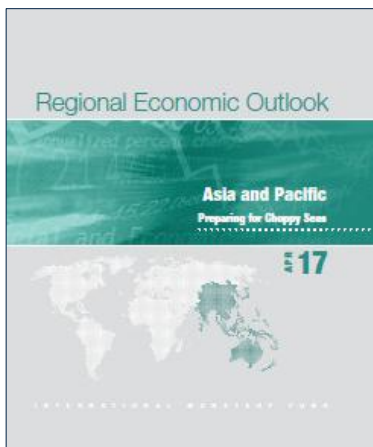
7.2%, highest 6 yrs

Regional benchmarking – Focus Economics 2017



- Discounting M, L, C then VN is strongest for near term forecasts.
- GDP back on track.
- Consumption is strongest in the region.
- Investment growth based on actual contracts supports good mid term intentions.
- Exports strong but shallow BoP with Imports also high.

IMF: APEC KPIs...?



1. Choppy Seas

pick up in momentum
structural reforms
geo political tensions

2. Demographics

growth implications
demographic dividend
aging populations

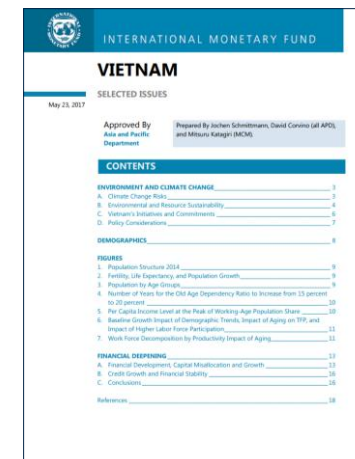
3. Productivity

aging population
domestic v FDI
trade integration



Vietnam Selected Issues, May 2017

- Climate Change
- Demographics
- Financial Deepening



Vietnam Staff Report, July 2017

- SOEs
- Banking
- Climate (Paris)

World Bank 2016 – LPI performance

The international score uses six key dimensions to benchmark countries' performance and also displays the derived overall LPI index, that is the weighted average of the dimensions within the country scores.

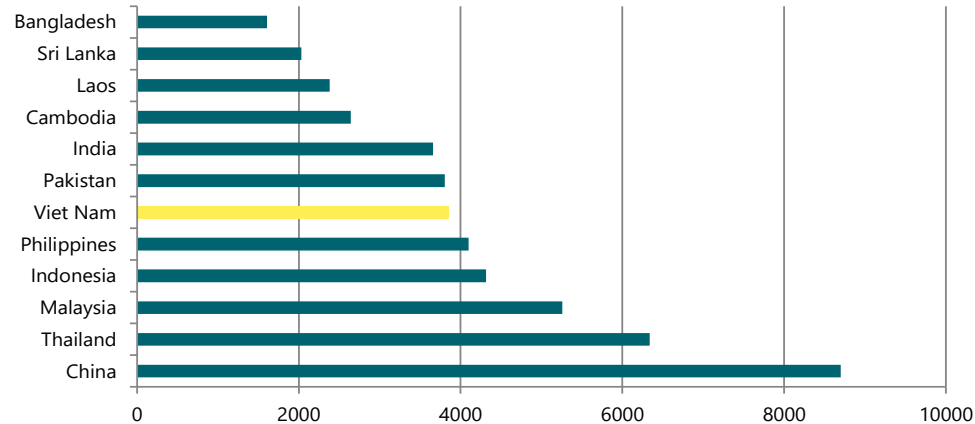
- 1) Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs;
- 2) Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology);
- 3) Ease of arranging competitively priced shipments;
- 4) Competence and quality of logistics services (e.g., transport operators, customs brokers);
- 5) Ability to track and trace consignments;
- 6) Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

| Country | Year | LPI Rank | LPI Score | Customs | Infrastructure | International shipments | Logistics competence | Tracking & tracing | Timeliness |
|---------|------|----------|-----------|---------|----------------|-------------------------|----------------------|--------------------|------------|
| | | | | ? | ? | ? | ? | ? | ? |
| Vietnam | 2007 | 53 | 2.89 | 2.89 | 2.50 | 3.00 | 2.80 | 2.90 | 3.22 |
| Vietnam | 2010 | 53 | 2.96 | 2.68 | 2.56 | 3.04 | 2.89 | 3.10 | 3.44 |
| Vietnam | 2016 | 64 | 2.98 | 2.75 | 2.70 | 3.12 | 2.88 | 2.84 | 3.50 |
| Vietnam | 2012 | 53 | 3.00 | 2.65 | 2.68 | 3.14 | 2.68 | 3.16 | 3.64 |
| Vietnam | 2014 | 48 | 3.15 | 2.81 | 3.11 | 3.22 | 3.09 | 3.19 | 3.49 |

| | Vietnam | Region: East Asia & Pacific | Income: Lower middle income |
|---|---------|-----------------------------|-----------------------------|
| Export time and cost / Port or airport supply chain | | | |
| Distance (kilometers) | 141km | 93km | 594km |
| Lead time (days) | 3 days | 2 days | 4 days |
| Cost (US\$) | N/A | N/A | N/A |
| Export time and cost / Land supply chain | | | |
| Distance (kilometers) | 249km | 346km | 1134km |
| Lead time (days) | 3 days | 3 days | 6 days |
| Cost (US\$) | N/A | N/A | N/A |
| Import time and cost / Port or airport supply chain | | | |
| Distance (kilometers) | 102km | 120km | 533km |
| Lead time (days) | 3 days | 3 days | 5 days |
| Cost (US\$) | N/A | N/A | N/A |
| Import time and cost / Land supply chain | | | |
| Distance (kilometers) | 230km | 364km | 916km |
| Lead time (days) | 3 days | 5 days | 8 days |
| Cost (US\$) | N/A | N/A | N/A |
| Shipments meeting quality criteria (%) | 57.38% | 77.86% | 68.78% |
| Number of agencies - exports | 4 | 3 | 4 |
| Number of agencies - imports | 3 | 3 | 4 |
| Number of documents - exports | 4 | 4 | 4 |
| Number of documents - imports | 3 | 3 | 4 |
| Clearance time without physical inspection (days) | 1 days | 2 days | 2 days |
| Clearance time with physical inspection (days) | 3 days | 3 days | 4 days |
| Physical inspection (%) | 16.71% | 14.54% | 76.1% |
| Multiple inspection (%) | 9.38% | 5.26% | 89.87% |
| Declarations submitted and processed electronically and on-line (%) | 90.91% | 74.86% | 88.08% |
| Importers use a licensed Customs Broker (%) | 61.54% | 72.55% | 90.43% |
| Able to choose the location of the final clearance (%) | 50% | 65.77% | 62.53% |
| Goods released pending customs clearance (%) | 58.33% | 40.79% | 51.8% |

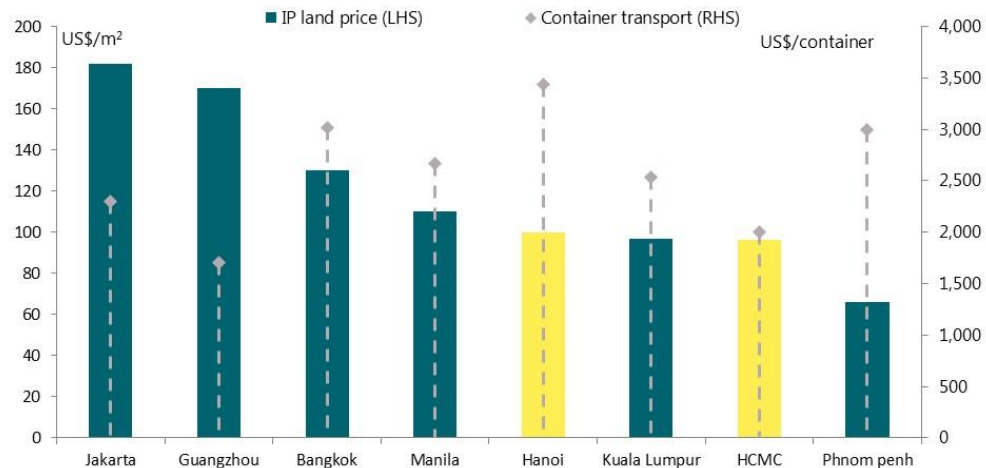
Regional Benchmarking

Manufacturing salary, 2016 (US\$)



Source: Jetro, 2016

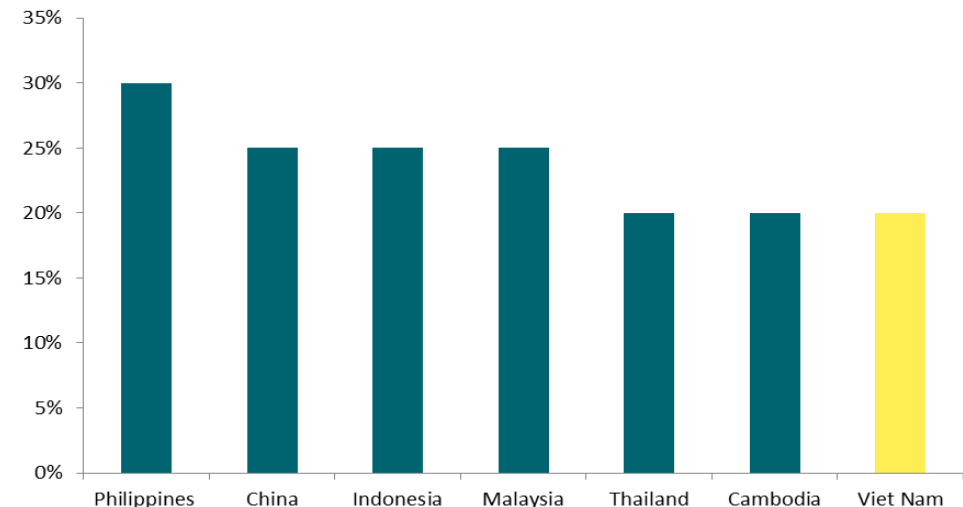
Investment cost in 2016 (US\$)



*40ft container exporting to Los Angeles
Source: Jetro 2016 and Savills Research & Consultancy

- Low labour cost: half of China
- Affordable cost of investment: land price, sea freight
- Favourable corporate income tax
- Pro-active in trade agreements: AEC, FTA with EU, Korea

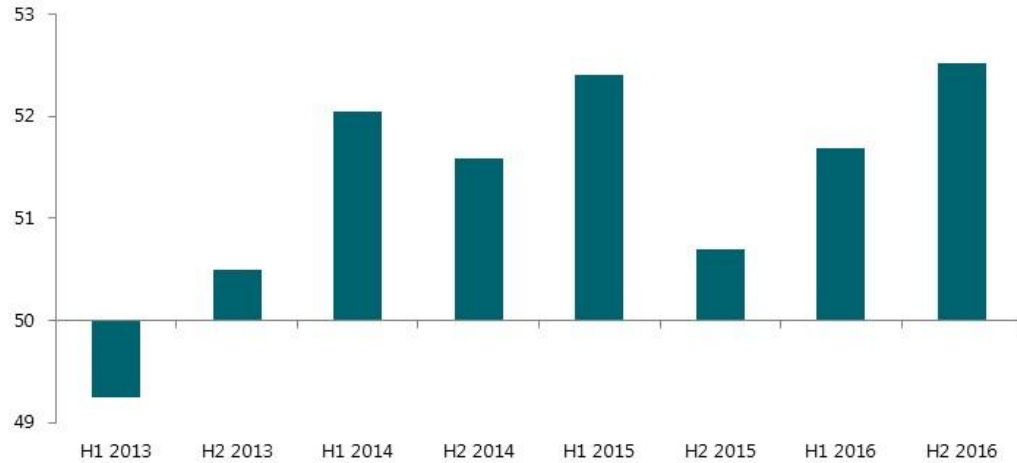
Corporate income tax, 2016



Source: Savills Research & Consultancy

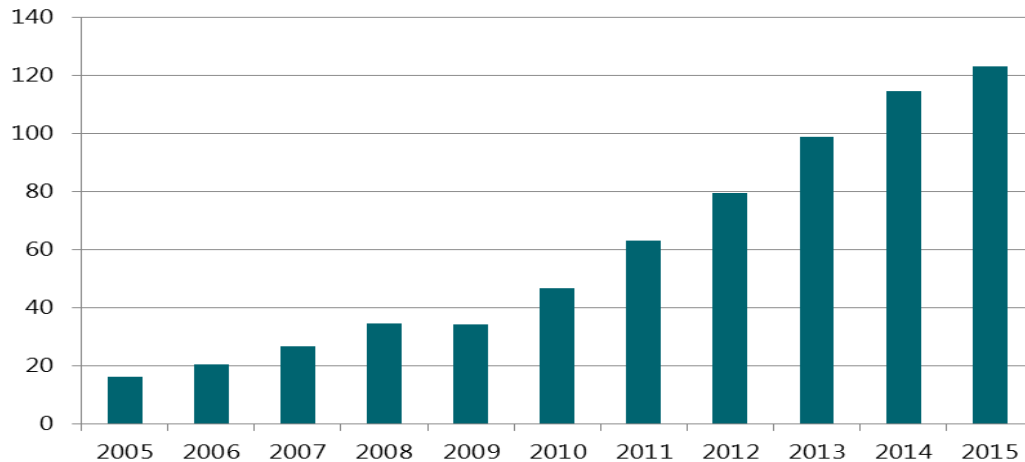
Supply & Performance

Purchasing Managers' Index, 2016



Source: FocusEconomics

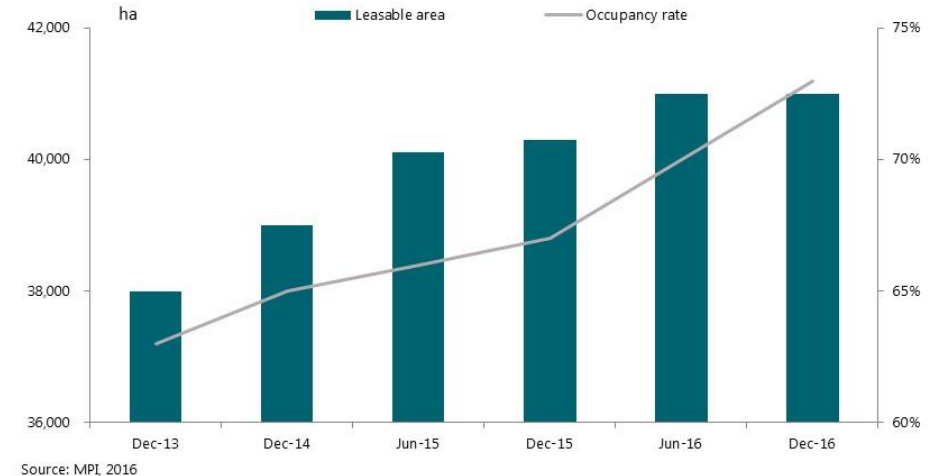
Manufacturers exports, US\$ billion



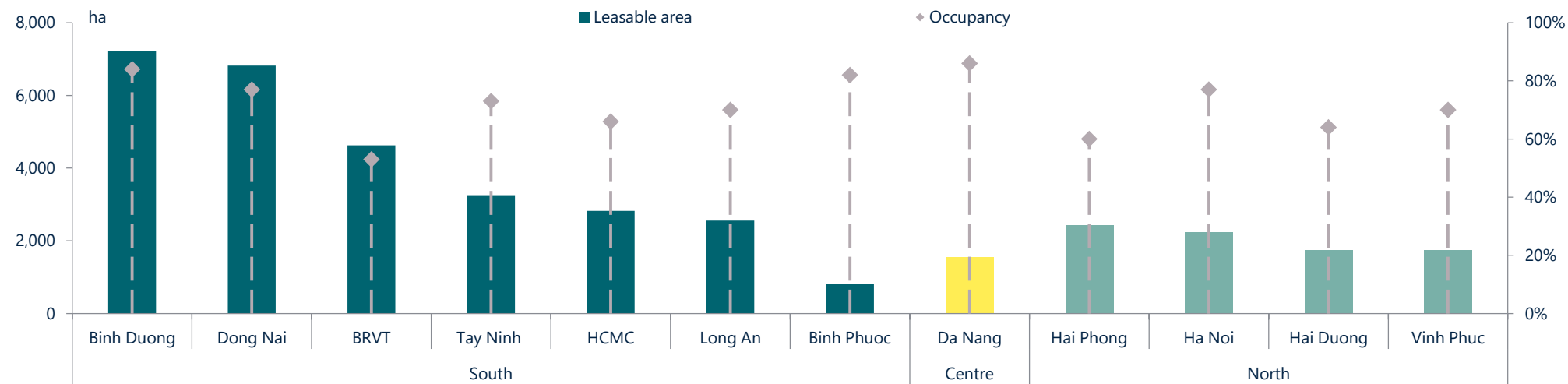
Source: Worldbank 2016

- Rapidly expanding secondary sector
- Supply in 2016: totals 41,000 ha of leasable area from 220 IPs, 5% higher than 2015.
- Stronger demand momentum: Occupancy at 73%, 6 ppts higher than 2015
- HCMC metropolitan area has largest supply and higher occupancy than its northern peer

IP supply and performance, 2016

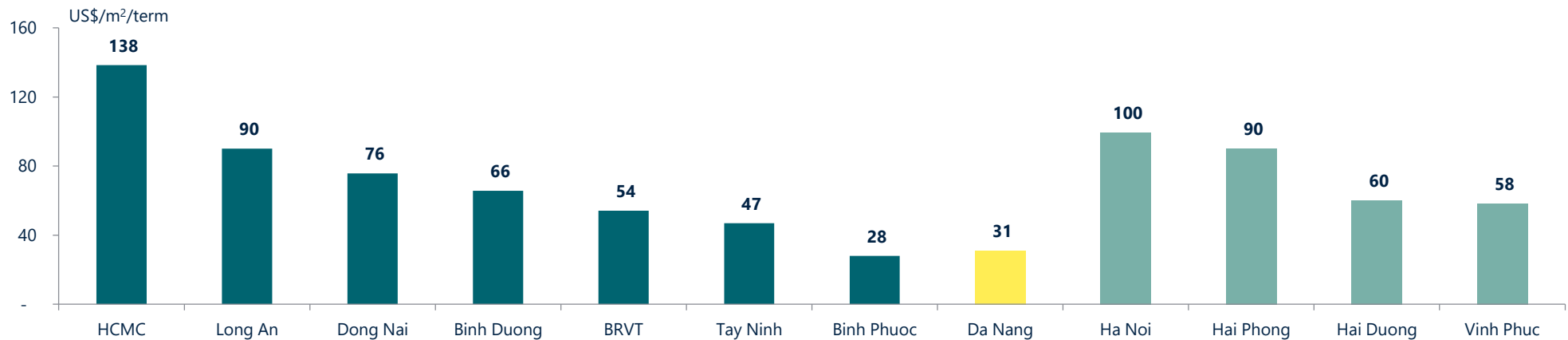


Industrial land supply and occupancy, 1H/2017



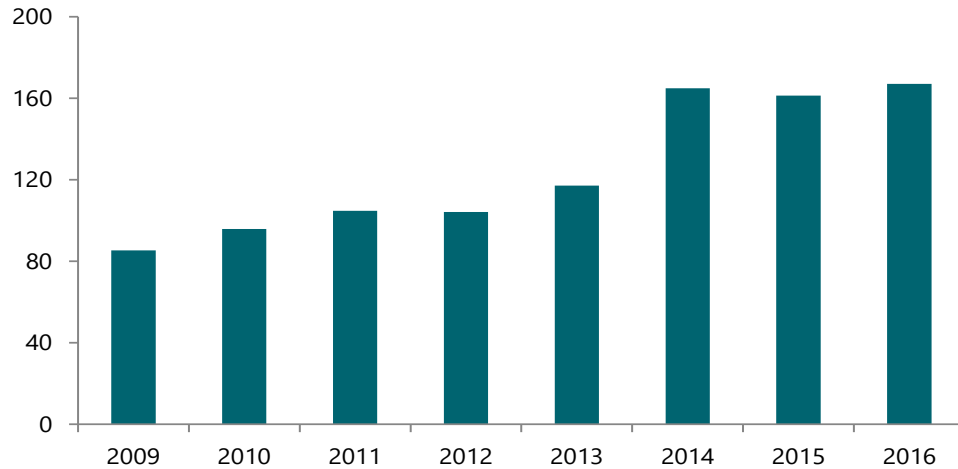
Source: Savills Research & Consultancy

Average rent, 1H/2017



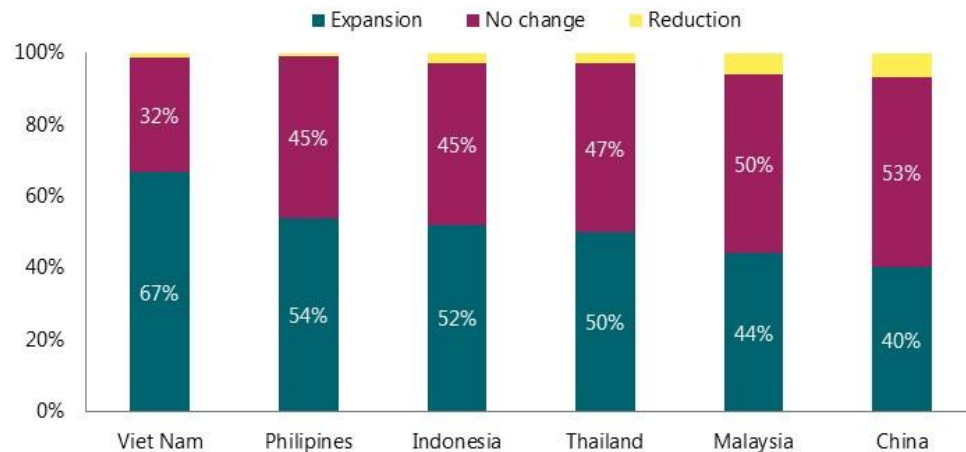
Source: Savills Research & Consultancy

Transportation & warehousing investment, VND trillion



Source: GSO 2016

Japanese manufacturers business plan, 2016



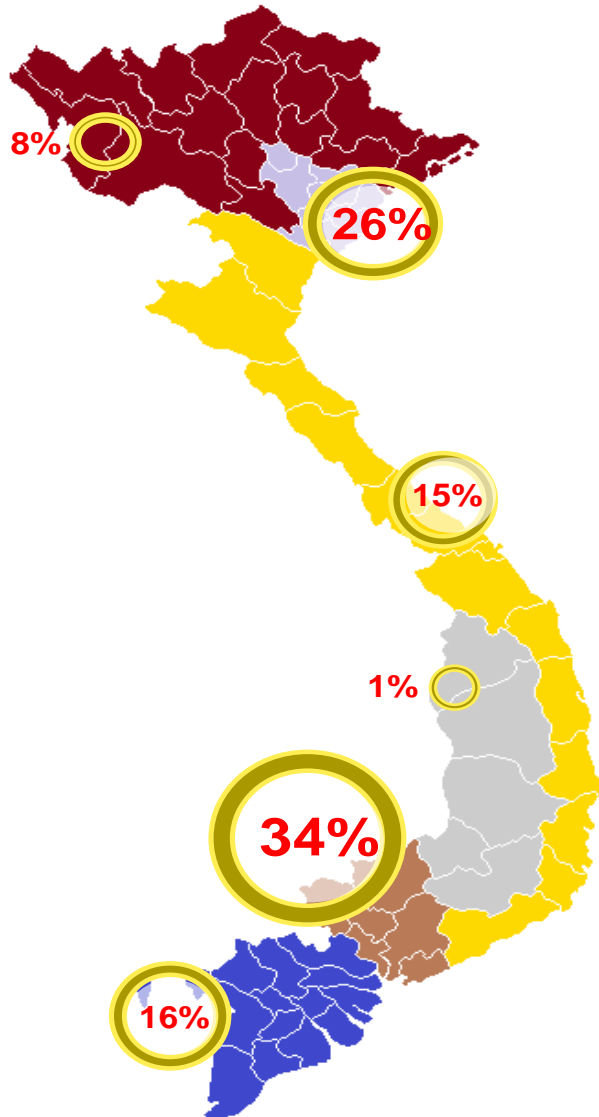
Source: JETRO 2016

Demand

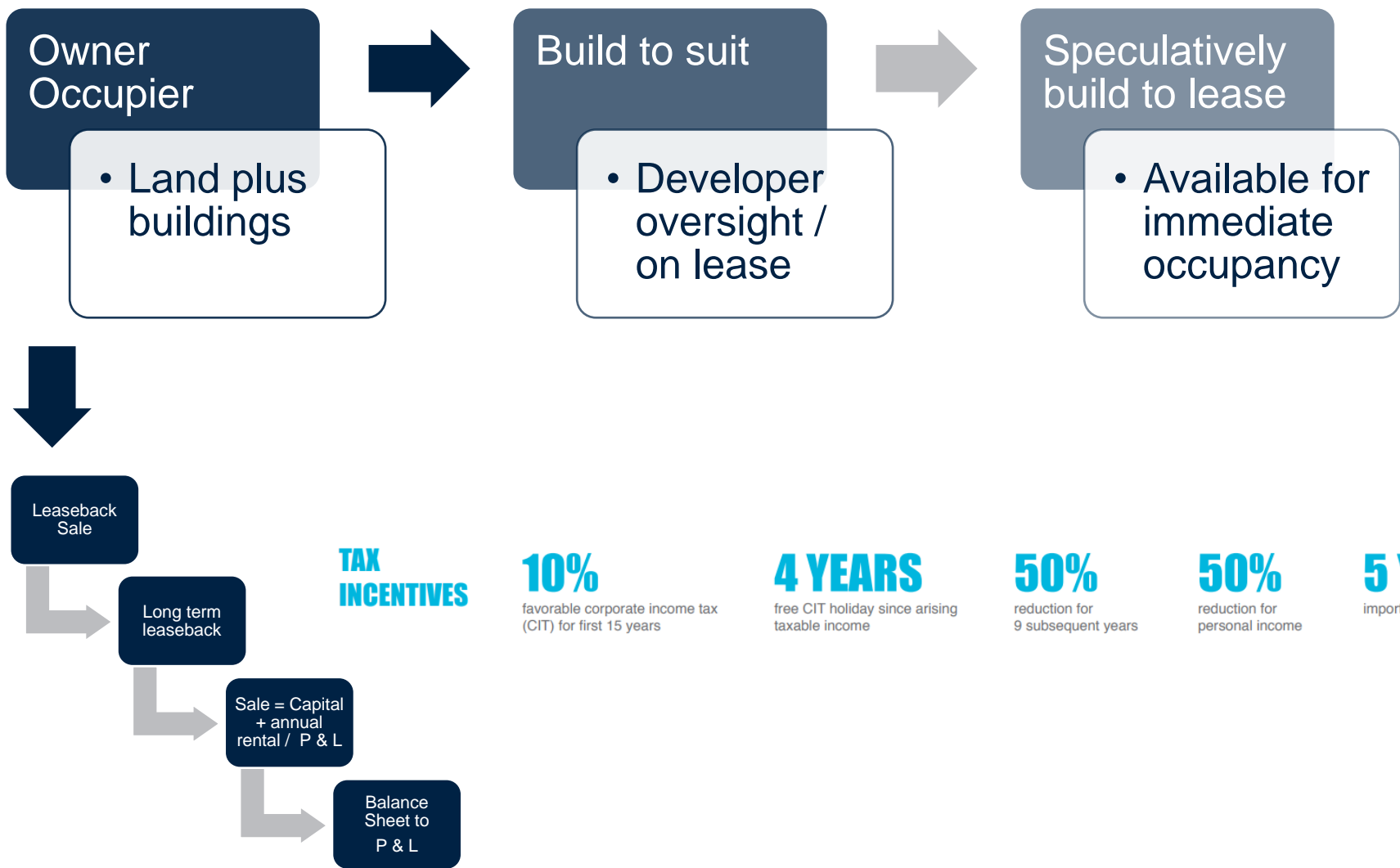
- Aggressive investing into transportation
- Strong investor confidence

Supply

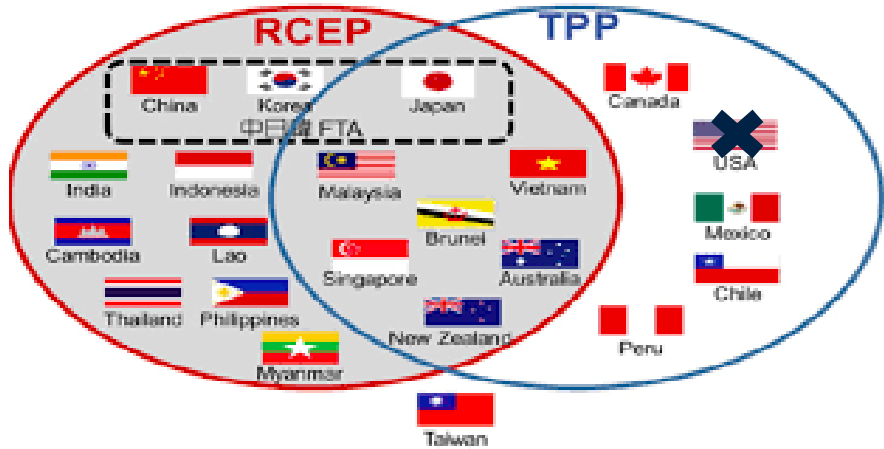
- Industrial land growth accelerated: 4,600 ha in Binh Phuoc (Becamex IDC), 750 ha in Nghe An (VSIP), 410 ha in Dong Nai (Amata), 320ha in HCMC (Le Minh Xuan II)
- Opportunities but fierce competition:
 - ✓ Location (port, labour supply, amenities)
 - ✓ Infrastructure (electricity, water, sewage treatment, transportation...)
 - ✓ Management capability of IPs



- 2.6 million workers in IPs and around 200,000 more per year
 - ✓ 75% are migrants
 - ✓ Under 35 yo > 75%
 - ✓ Annual income: US\$2,500
- Sizeable consumption / purchasing power:
 - ✓ Binh Duong: AEON Canary, BIG C Di An, METRO, LOTTE Mart Di An
 - ✓ Dong Nai: LOTTE Mart Bien Hoa, BigC Bien Hoa, Vincom Bien Hoa
- Huge potential for affordable housing
 - ✓ Suitable products: Development quality and price
 - ✓ Financial development: Longer-term mortgage programs



Future – APEC / AEC / FTAs / RCEP / TPP -1



ULI Keynote Address: “Amazing or Scary? Technology’s Impact on Our Lives, Jobs, and Business”

savills

Vivek Wadhwa - Futurist | Author | Emerging Technologies Expert.

AI / AI / AI / AI / AI / AI / AI / AI / AI / AI / AI / AI /
Manufacturing

Robots, CHN 0-labour now

3D printing, 10 houses /day \$4,800

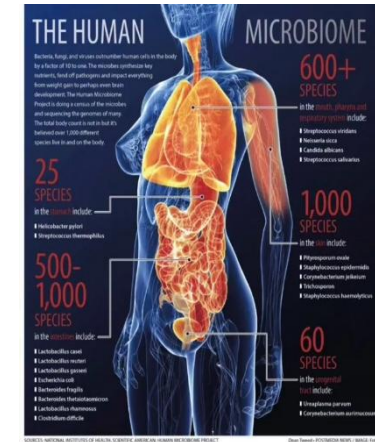
Medicine – AI / Microbiome / 32 tests

Driverless cars

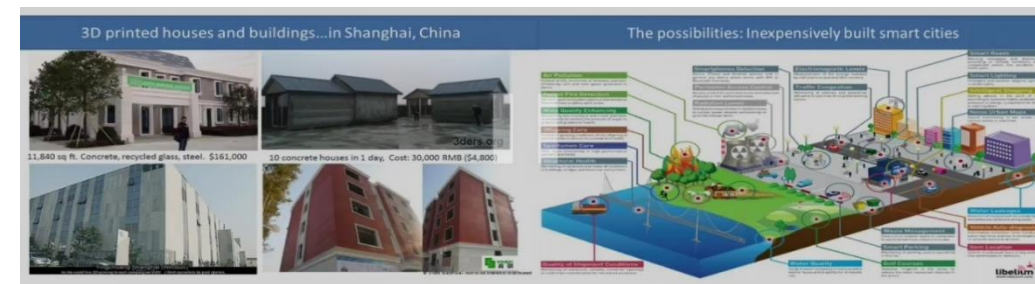
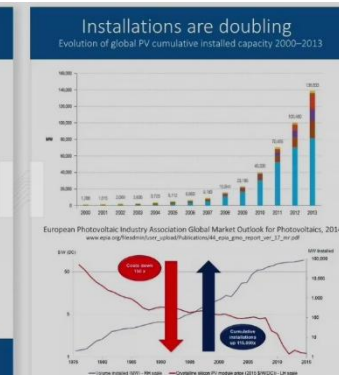
Energy – 9 doublings and 14 years = 0 cost

Vertical farms, Jobless future – GBS

Property – dramatic disruption of tenants businesses.

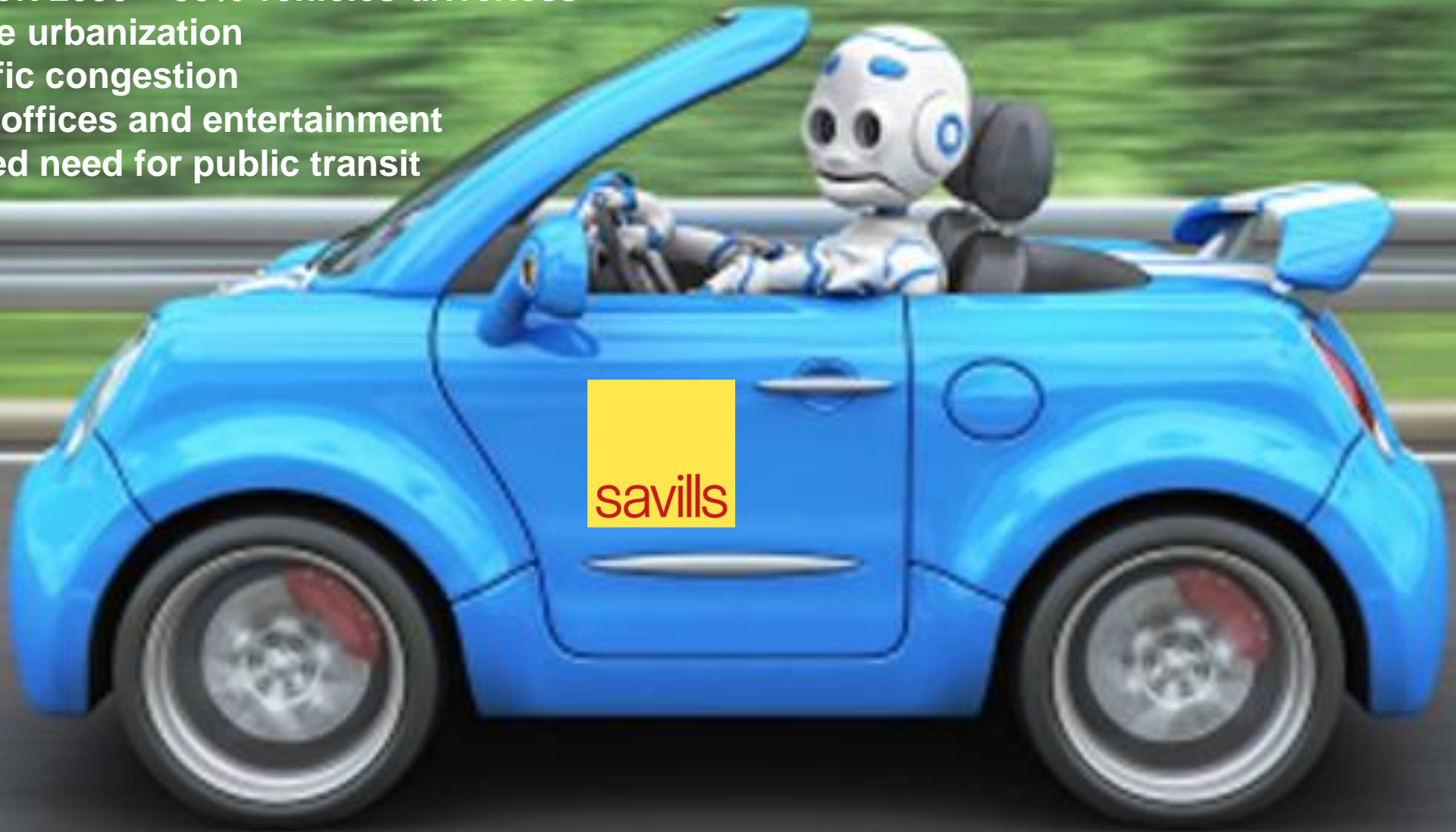


And then there is the Microbiome: the next frontier



Autonomous vehicles

- Microsoft 2050 = 50% vehicles driverless
- Reverse urbanization
- No traffic congestion
- Mobile offices and entertainment
- Reduced need for public transit



Industrial / Logistics

- Presently CHN 18% of GDP v. US 9%. Vietnam = 25%
- GLP E-commerce impact, 3% to 27% in 5n.
- Hygiene important, no more wet markets.
- Smart lockers for neighborhood fulfillment centers.
- Air BnB for warehousing and freight. Volume/hour v. \$/sqm pa

