

INVESTMENT REPORT

**VIETNAM
ELECTRONICS INDUSTRY**

Q1/2022



**All data included in the Report has been updated to Q1/2022
The projects images were supplied by NewCC, PebSteel and Atad Steel.*



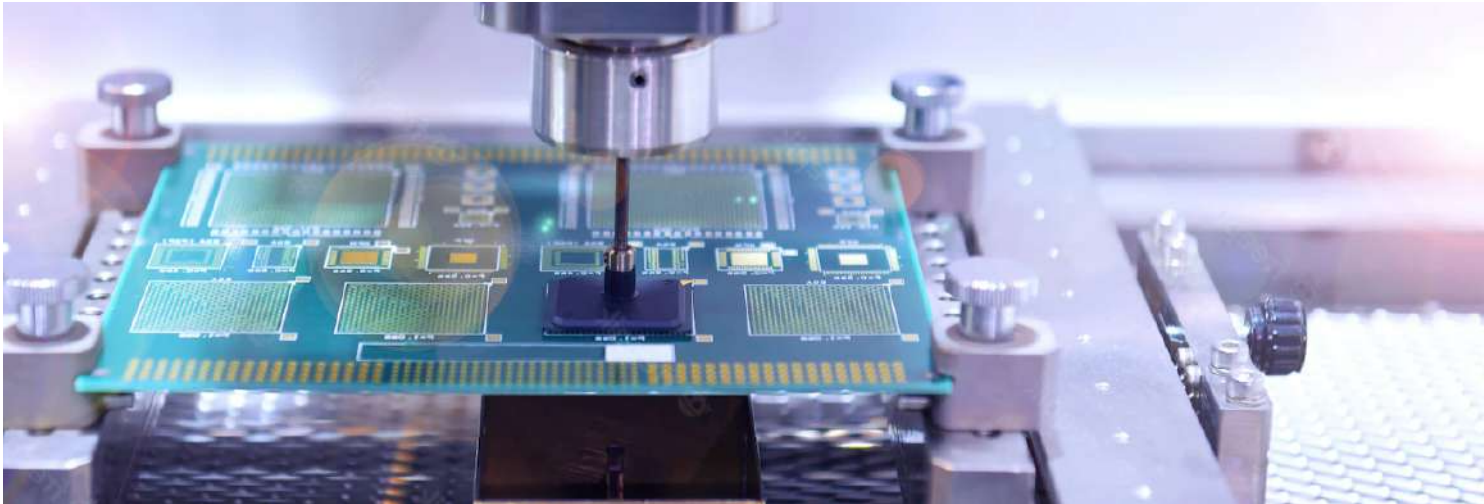


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I. INFLUENCING FACTORS OF **VIETNAM'S ELECTRONIC MANUFACTURING INDUSTRY** IN Q1/2022

1/ MACRO FACTORS

a/ Key economic growth indicators

Thanks to high vaccination rate and the Delta-caused wave in Q3/2021, Vietnam has been less vulnerable to new waves of Covid-19. **The economic recovery process was spectacularly restored in Q4/2021 and continued in Q1/2022.**

GDP in the first 3 months of the year increased by **↑ 5.03%**

compared to the same period last year, reaching the highest increase compared to the last 2 years but still lower than the growth rate of

↑ 7.38% and **↑ 6.85%**
Q1/2018 Q1/2019

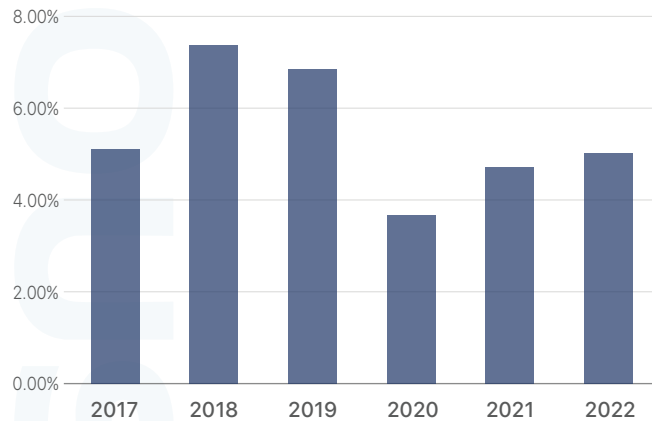
The growth rate of the processing and manufacturing industry continued to play a leading role in the growth of the economy with an increase of

↑ 7.79% contributing
2.05 percentage points.

Realized social investment capital in the first quarter of 2022 at current prices was estimated at

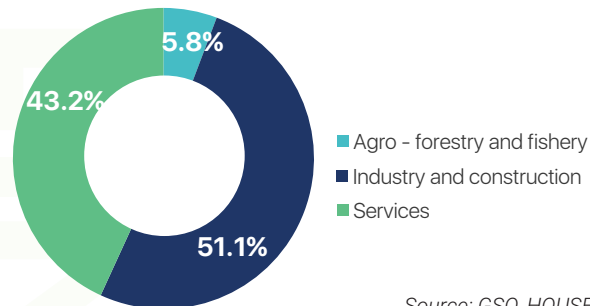
562.2 trillion dong, up **↑ 8.9%**
over the same period last year.

GDP growth rate in the first quarter of the year



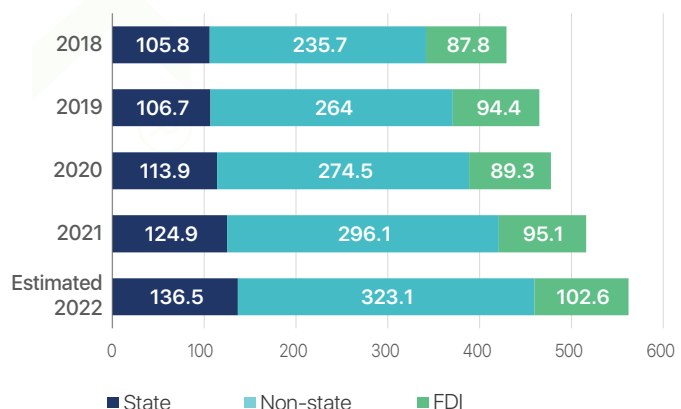
Source: GSO, HOUSELINK

GDP Q1/2022 by production method



Source: GSO, HOUSELINK

Total social investment capital by economy type (in trillion Dong)

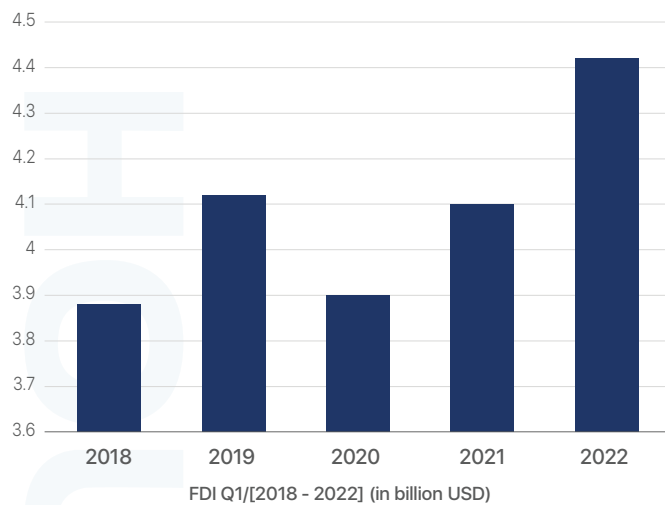


Source: GSO, HOUSELINK

US\$ **4.42** billion

Foreign direct investment capital in Q1/2022 reached the highest level since 2018, creating the impetus for economic growth in 2022.

FDI in Q1 from 2018 to 2022



Source: GSO, HOUSELINK

b/ Zero Covid policy in China

Contrary to the trend of easing restrictive regulations in countries around the world, China is still maintaining the Zero Covid policy when witnessing a record high number of infections in localities due to the Omicron variant and the sub-variant BA.2.

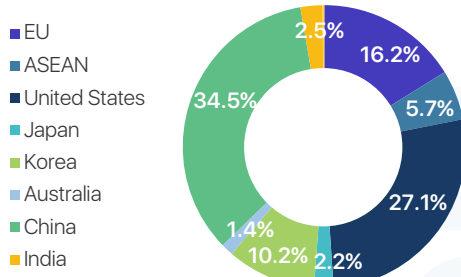
The blockade of many cities such as Shanghai, Kunshan, Shenzhen,... caused most of the transport routes to be interrupted, delayed and transportation prices increased; leading to reduced production capacity at factories in general and electronic factories in particular. Since China is the country with the leading import and export value of Vietnam's electronic products (according to 2021 data), the impacts from the above policy have had a significant impact on our country.

Number of Covid-19 infections in China by province

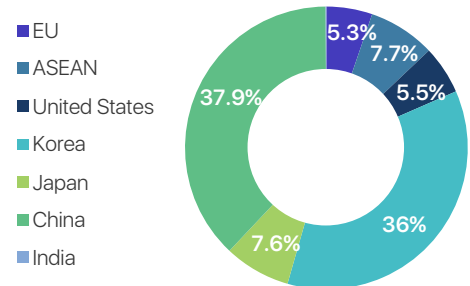


Source: John Hopkins University, HOUSELINK

Proportion of electronic exports by some countries and territories 2021



Proportion of electronic imports by some countries and territories 2021

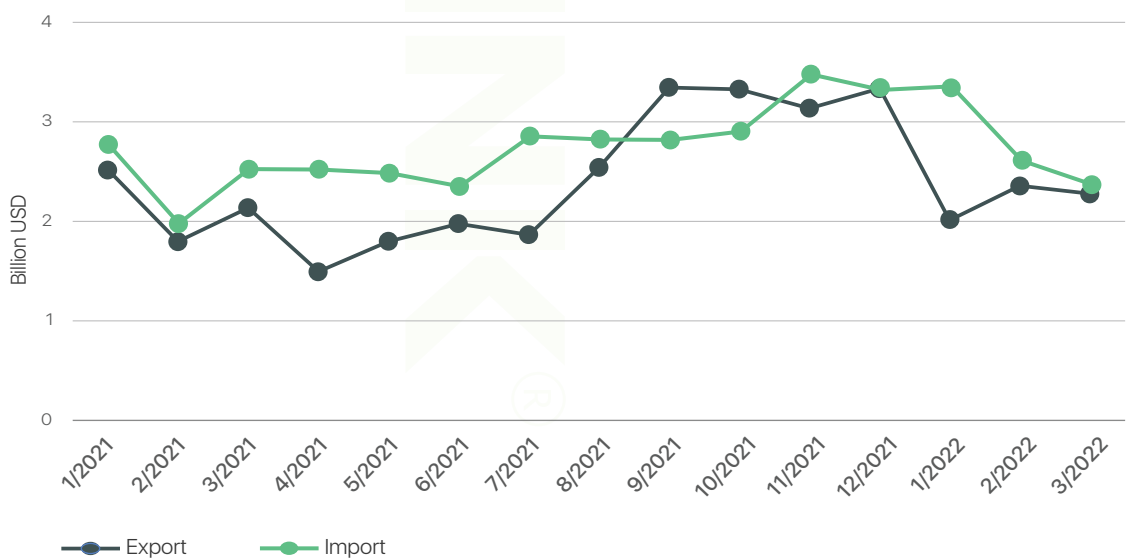


Source: GSO, HOUSELINK

In Vietnam, the electronic value chain is adversely affected by the blockade for suppliers in China and the disruption of logistics services, affecting the transportation of raw materials - electrical components and distribution of the final product to the end consumer. The data shows that the import-export value of China - Vietnam electronics and components in the first 3 months of 2022 has decreased significantly, lower than the average of the months in 2021.

At the same time, manufacturing enterprises also realize the risks of being too dependent on the production process in China and are actively looking to move production lines to other locations to minimize the impact.

Export - Import value of electronic products Vietnam - China



Source: GSO, HOUSELINK

c/ Russia - Ukraine war

The economic recovery process after the COVID-19 pandemic began to flourish, causing the demand for raw materials to increase at a very high level. However, the supply did not keep up with the forecast demand. At the same time, the shock caused by the war between Russia and Ukraine is disrupting the world supply of goods, pushing up the prices of raw materials. In the long run, it will cause inflationary pressure. Specifically for the electronics industry, a series of metals for production such as aluminum, copper, palladium, nickel or neon gas continuously increased gallopingly and peaked due to supply shortages from Russia and Ukraine.

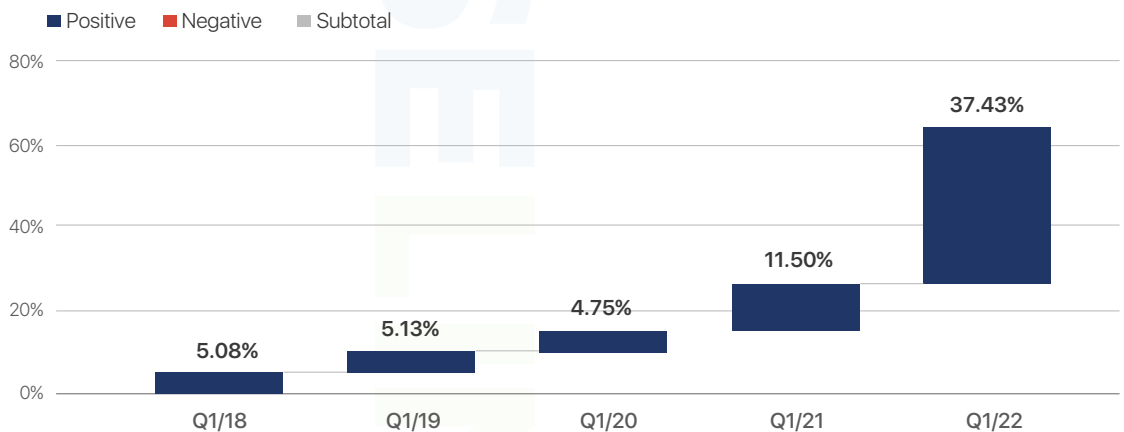
According to information from the General Statistics Office, the domestic metal product price index increased by

↑ 18.35% Q1/2022

Fuel import price index also increased sharply by **↑ 37.43%** during this period.

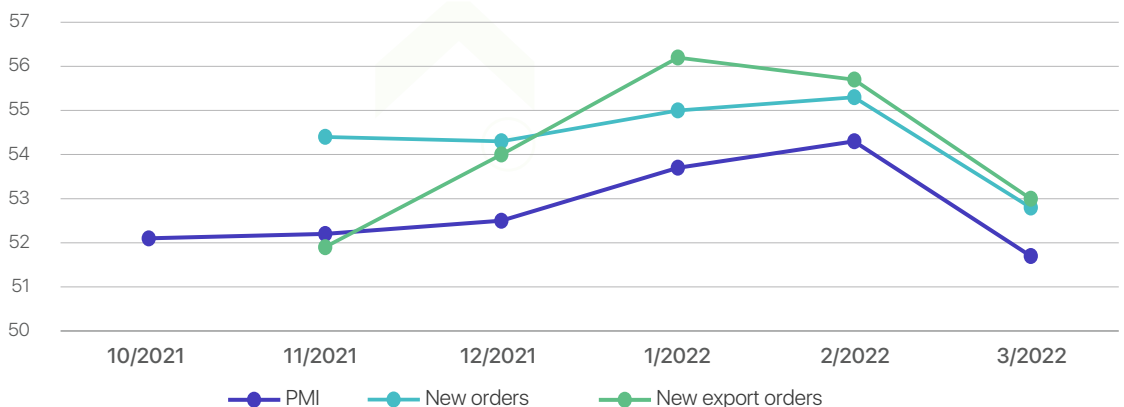
According to a survey from IHS Markit, rising prices and shortages of production materials have limited the momentum of new orders and new export orders in the manufacturing industry in Vietnam.

Fuel import price index



Source: GSO, HOUSELINK

PMI, New orders và New export orders



Source: IHS Markit, HOUSELINK

2/ POLICY FACTOR

In terms of policies, Vietnam applies many preferential policies, including financial incentives (mainly tax incentives) to attract investment in sectors, fields and areas eligible for investment incentives. Compared with many other countries, Vietnam's current tax incentives for foreign businesses are quite attractive such as: 2-4 years tax exemption for qualified businesses, tax exemption for import of raw materials and components for production, land rent exemption/reduction, etc. Vietnam's corporate income tax rate is also 5-7% lower than China.

In addition, Decree 57/2021/ND-CP has been applied from June 4th, 2021 to deal with investment incentives in terms of CIT for supporting industrial projects, which relate to the supply of raw materials, spare parts and components for a number of industries, including the electronics industry. The tax savings from the application of the Decree not only help businesses have more financial resources to overcome the impact of Covid-19 pandemic, but also demonstrate the Government's support in improving the self-sufficiency of domestic supporting industries, reducing dependence and impact from other countries.

Besides, the Government of Vietnam has policies to help reduce business expenses (taxes, land rental costs, union costs, electricity costs, etc.) and support employees to better cope with the effects of the pandemic.

Corporate Income Tax in China and Vietnam



VIETNAM

General

20%

Preferential

10%



CHINA

General

25%

Preferential

15%

Source: PwC, HOUSELINK

3/ POPULATION AND LABOR FACTOR

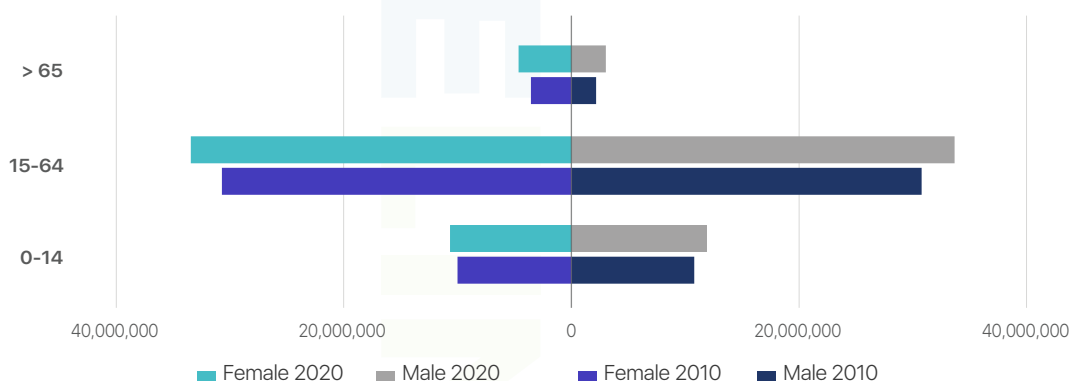
According to the United Nations Population Fund Agency (UNFPA), Vietnam entered the golden population period in 2007 and is expected to last until 2039. This period creates many opportunities as the working age population is twice as large as the dependent age population.

However, the population aging process is taking place quite rapidly due to the decrease in mortality and fertility rates and the increase in average life expectancy over the years. Vietnam is expected to reach an aging population within the next 20 years.

With an abundant labor force, Vietnam has the advantage when the minimum labor cost is lower than other ASEAN countries and is almost half of China. This can be explained by the fact that workers do not have a high level of skill and technique and are mostly involved in the assembly stages. In the future, it is possible that the demand and production requirements will increase, leading to a serious shortage of high-quality labor resources, pushing labor costs higher.

Thus, businesses should make the transition to Vietnam at the moment to benefit from abundant labor resources and cheap labor costs in the medium term.

Vietnam population pyramid 2010 and 2020



Source: World Bank Open Data, HOUSELINK

Manufacturing labor costs per hour for China, Vietnam from 2016 to 2020 (in USD)



Source: Statista, HOUSELINK

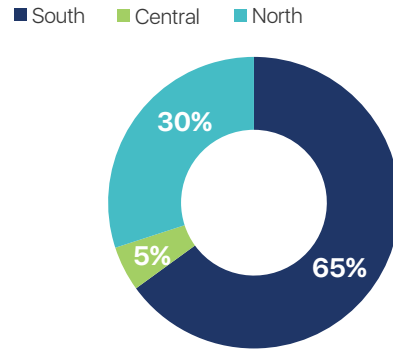
4/ FACILITY AND TECHNICAL FACTOR

Due to geographical location as well as logistics infrastructure, the facilities of electronics industry are still not synchronized, especially as foreign enterprises are concentrated in certain areas.

In terms of technology, research and development (R&D) expenditure as share of GDP in Vietnam is still lower than regional and global average, although it still maintains an uptrend over the years. Because R&D investment has not been paid much attention by enterprises, the products of Vietnam's electronic industry are mostly simple and semi-finished products with low technology and added value. At the same time, this makes it difficult for Vietnam to develop new products or produce products containing new technologies, as well as to participate more in the electronic production value chain.

However, in recent years, many multinational corporations such as Samsung, LG, Qualcomm, Panasonic, Hewlett-Packard (HP),... have invested in deploying R&D centers in Vietnam.

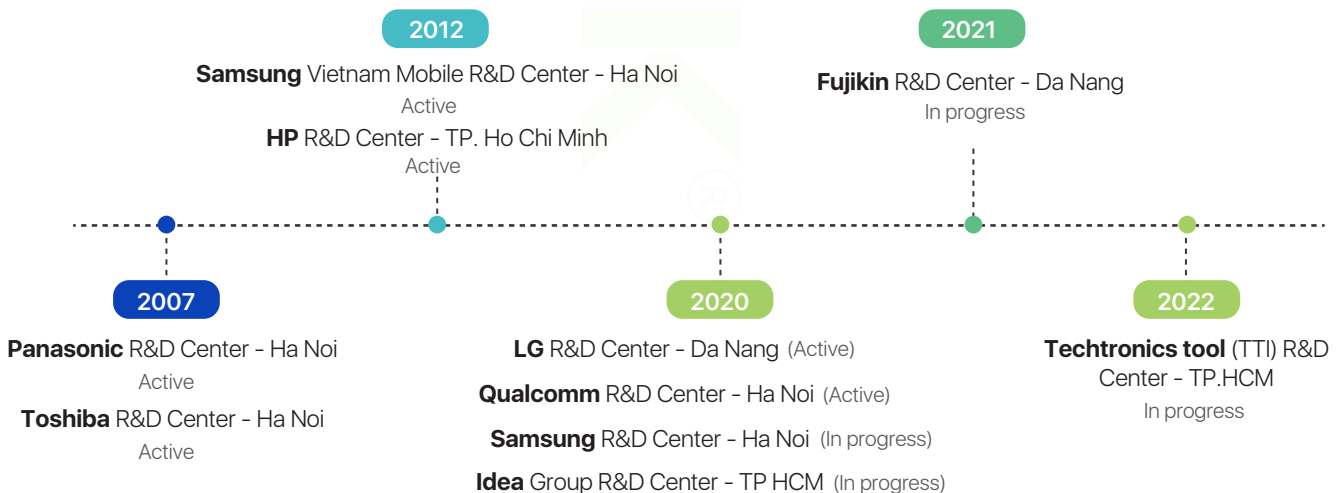
Distribution of production facilities of foreign electronic enterprises by region




Source: 2021 Fitch Solutions, HOUSELINK

The fact that high-quality FDI capital begins to flow more strongly into Vietnam through R&D Centers makes the technology transfer faster. This is a positive trend for FDI activities, opening up great prospects for young Vietnamese engineers and professionals to work creatively in modern R&D centers and access to advanced research methods & new orientations in technology, accelerating the development of high-quality human resources.

R&D Center in Vietnam



Nguồn: HOUSELINK



II. INVESTMENT STATUS OF VIETNAM'S ELECTRONIC INDUSTRY IN Q1/2022

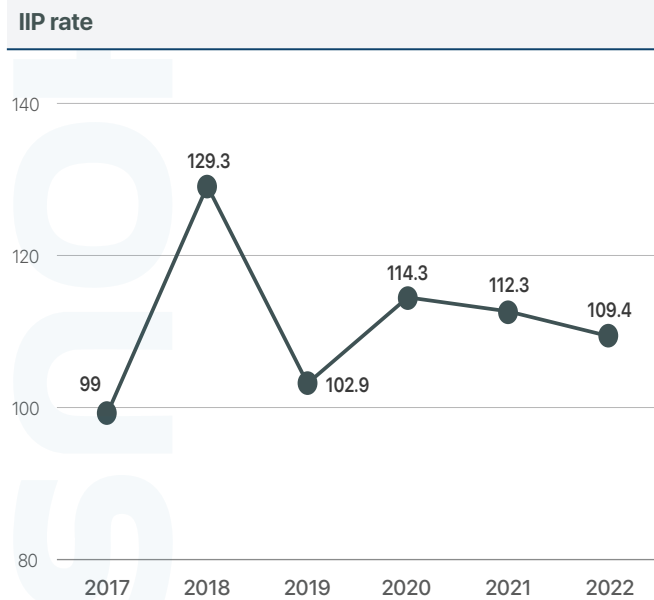
1/ OVERVIEW OF ELECTRONIC INDUSTRY IN VIETNAM IN Q1/2022

a/ IIP

The Index of Industrial Production (IIP) in Q1/2022 for the whole industry increased by **↑ 6.4%**

and for the manufacturing industry of electronic products, computers and optical products increased by

↑ 9.4% over the same period last year. This shows that manufacturing businesses are back up and running, and supply chains have resumed basically.



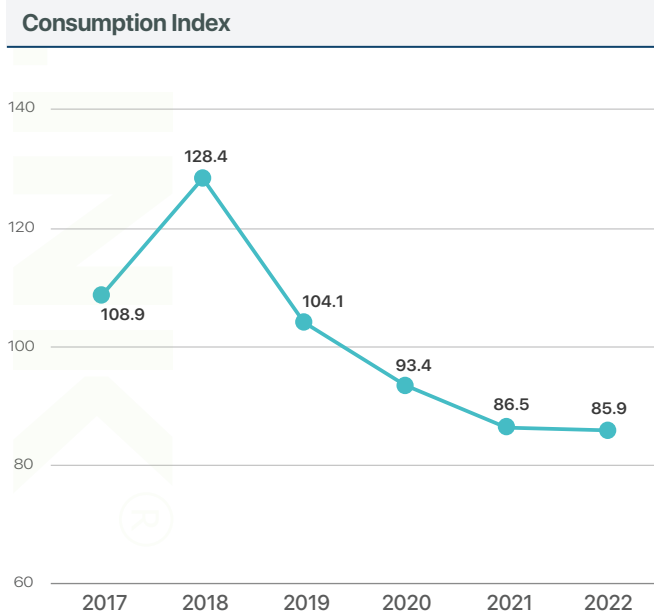
Source: GSO, HOUSELINK

b/ Consumption Index

Consumption index of manufacturing electronic products, computers and optical products in the first quarter of 2022 decreased by **↓ 14.1%**

over the same period last year.

In 3 years from 2017 to 2019, the consumption index of electronic products, computers and optical products maintained an increase compared to the previous year. 2020 and 2021 recorded a reduction of 11.6% and 18.3% respectively in this index due to negative impacts from Covid-19 pandemic.

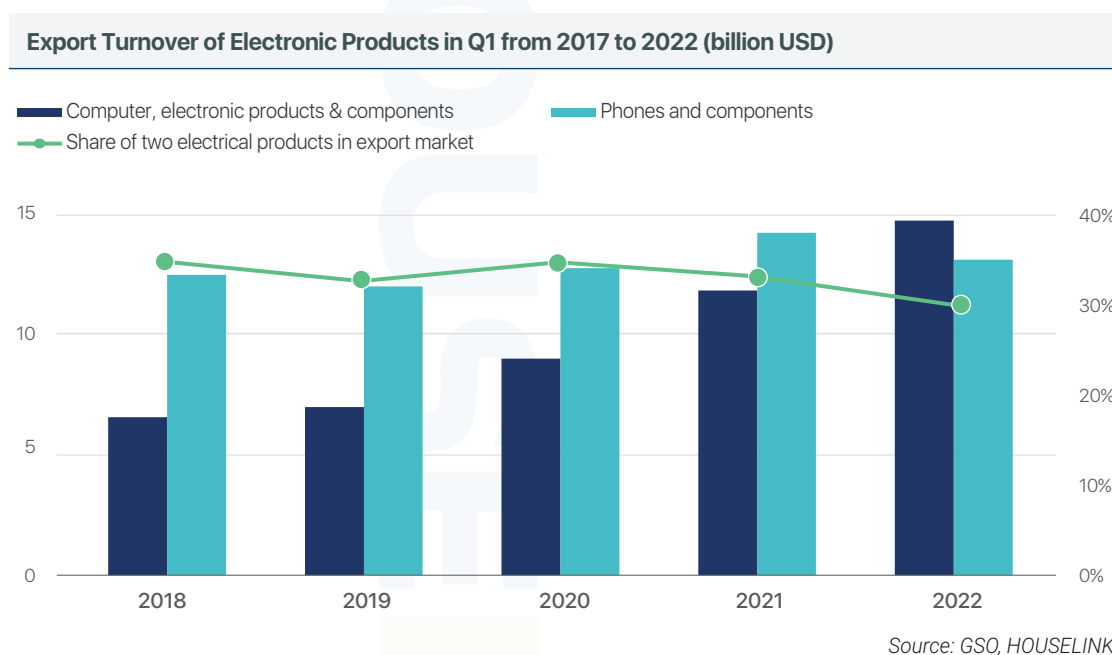


Source: GSO, HOUSELINK

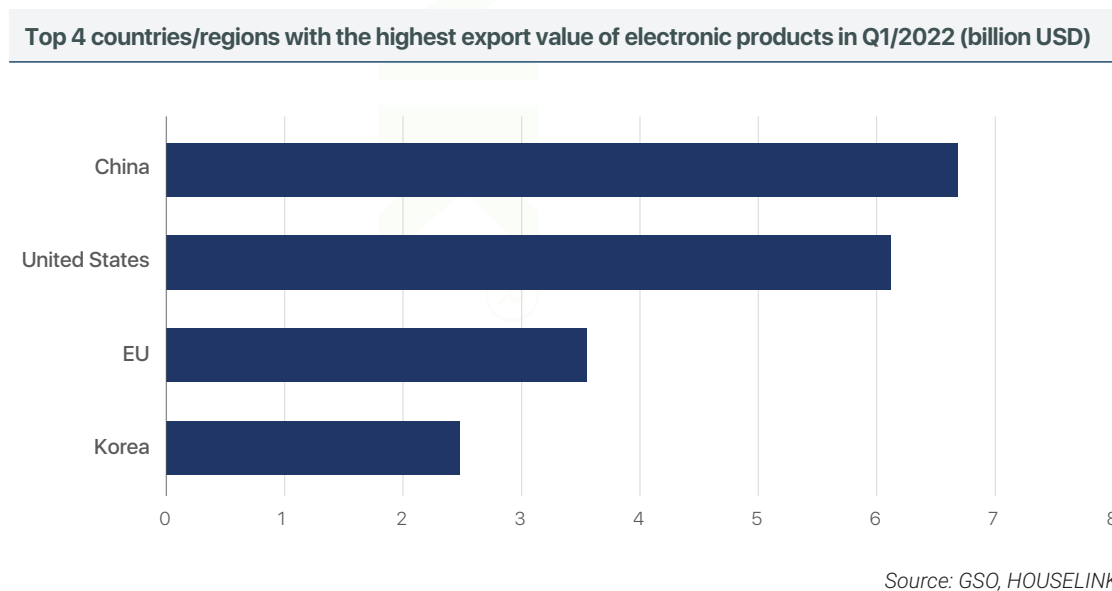
c/ Exportation of electronic products

As a commodity accounting for an increasingly large proportion of total export turnover, the growth of electronics, computers and components has a great influence on the overall growth of the country's exports. Total export value in Q1/2022 is 1.8 billion USD higher than the same period last year and tends to increase over the years.

The export proportion of electronic products remained stable **32%**.



The major export markets of this group of products are still the EU, the United States and China, in which exports to the US increased sharply, reaching **6,12** billion USD.



2/ NEWLY LICENSED FDI PROJECTS IN THE ELECTRONICS INDUSTRY IN VIETNAM IN THE FIRST 3 MONTHS OF 2022

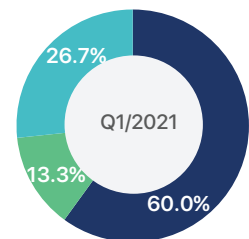
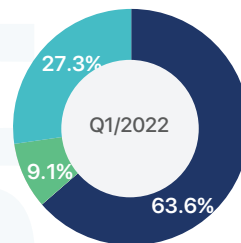
In this content, we mainly analyze the data of newly licensed FDI projects with a total investment capital of 2 million USD or more (equivalent to about 46 billion VND) in the electronics industry in industrial parks across the country in the first 3 months in 2022.

a/ Newly licensed FDI projects are mainly in the Northern region

In the first 3 months of 2022, the electronics industry in Vietnam has 11 more newly licensed FDI projects. Total newly registered capital reached more than 129 million USD. In which, the North is still the key area of the electronics industry, attracting not only the number but also the scale of projects, accounting for more than 60% of the number of newly licensed projects and registered capital in Q1/2022.

Number of projects by region

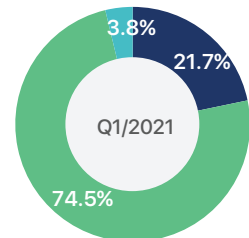
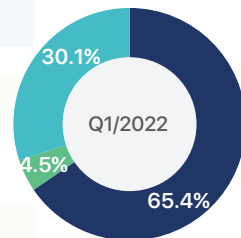
■ North ■ Central ■ South



Although the number of projects in the first 3 months of the year is not too different from the same period last year, the total registered capital in Q1/2022 is only 31.2% of last year's figure. The reason may be that in 2021 there was a spike in 2 FDI projects in the Central region with a total registered capital of more than 300 million USD.

Total investment capital by region

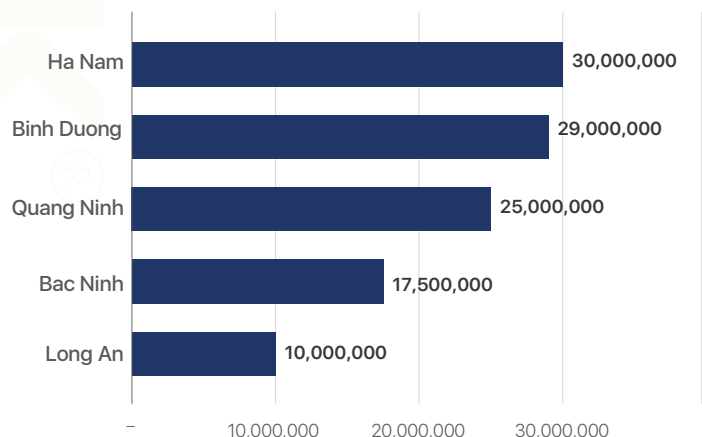
■ North ■ Central ■ South



Source: HOUSELINK

Ha Nam is the province with the most registered capital, and also the province with the largest scale project in Q1 2022. In the next position in terms of both registered capital and project scale are the two provinces of Binh Duong and Quang Ninh. Although Bac Ninh has the largest number of newly licensed projects, the scale of the projects is not too large.

Top 5 provinces with the most registered capital in Q1/2022

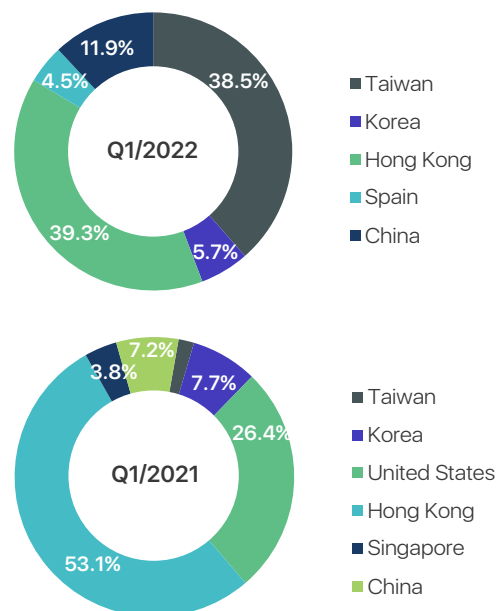


Source: HOUSELINK

b/ Proportion of FDI capital by investment country/region

In the first quarter of the last two years, Hong Kong ranked first among countries and territories investing in Vietnam with 51 million USD (equivalent to more than 39% of total investment capital), which decreased by 77% over the same period last year. Similar to Hong Kong, China and South Korea also recorded a reduction in total investment capital in Vietnam in Q1/2022. On the other hand, many investors from Taiwan have paid attention and believed in the development expectations of this key industrial manufacturing industry in Vietnam in the coming time; with total investment capital increased compared to the first 3 months of 2021. At the same time, the appearance of investors from Spain also shows the attraction of Vietnam's electronics industry to Western countries.

FDI capital investing in electronic projects by country



Source: HOUSELINK

c/ Shifting production from China to Vietnam in Q1/2022

Under the impact of the US-China tension, the Zero Covid lockdown, as well as the rapid increase in China's labor costs in recent years, foreign investors tend to move production from this country to another to minimize risks and reduce production costs. Vietnam is a country with favorable geographical position, attractive investment support policies and good resistance to Covid-19. Therefore, it is not surprising that many foreign investors choose Vietnam as a potential investment destination.

According to HOUSELINK's statistics and survey on electric projects invested in Vietnam in Q1/2022 with registered capital of more than 2 million USD, more than 80% of foreign enterprises have existing factories in China and are expanding production to Vietnam.

Number	Investor	Country	Investment capital (USD)	Destination
1	A.N	Taiwan	30.000.000	Ha Nam
2	L.I.E	HongKong	26.000.000	Binh Duong
3	T.T	HongKong	25.000.000	Quang Ninh
4	TA-I	Taiwan	12.000.000	Bac Ninh
5	I.M.G	China	10.000.000	Long An
6	B.D	Korea	7.400.000	Ha Noi
7	P.	Spain	5.827.000	Quang Nam
8	MSL	Taiwan	5.000.000	Nam Dinh
9	I.S	Taiwan	3.000.000	Binh Duong

e/ Some typical projects

HOUSELINK®



Pebsteel

ELECTRONICS AND TELECOMMUNICATIONS EQUIPMENT MANUFACTURING FACTORY

Investment type FDI
 Project type Industrial Project - Factory
 Project scale 8,000 m2
 Location VSIP Hai Phong Township, Industrial and Service Park, Hai Phong City, Vietnam
 Contractor [PEB STEEL BUILDINGS CO., LTD.](#)
 Contact (+84) 908 883 531
marketing@pebsteel.com.vn



ATAD
Partnership Success

SAMSUNG ELECTRONICS CE COMPLEX

Investment type FDI
 Project type Electronics
 Project scale 18,180 m2 - 2,519 ton
 Location Vietnam
 Investor Samsung
 Contractor [ATAD STEEL STRUCTURE CORPORATION](#)
 Contact +84 28 3926 0666
sales@atad.vn



Pebsteel

SEMICONDUCTOR MANUFACTURING PLANT

Investment type FDI
 Project type Industrial Project - Factory
 Project scale 30,000 m2
 Location Dinh Vu - Cat Hai Economic Zone, Hai Phong City, Vietnam
 Contractor [PEB STEEL BUILDINGS CO., LTD.](#)
 Contact (+84) 908 883 531
marketing@pebsteel.com.vn



ATAD
Partnership Success

DANANG SUNSHINE AEROSPACE COMPONENTS MANUFACTURER

Investment type FDI
 Project type Electronics
 Project scale 19,910 m2
 Location Vietnam
 Investor Universal Alloy Corporation
 Contractor [ATAD STEEL STRUCTURE CORPORATION](#)
 Contact +84 28 3926 0666
sales@atad.vn

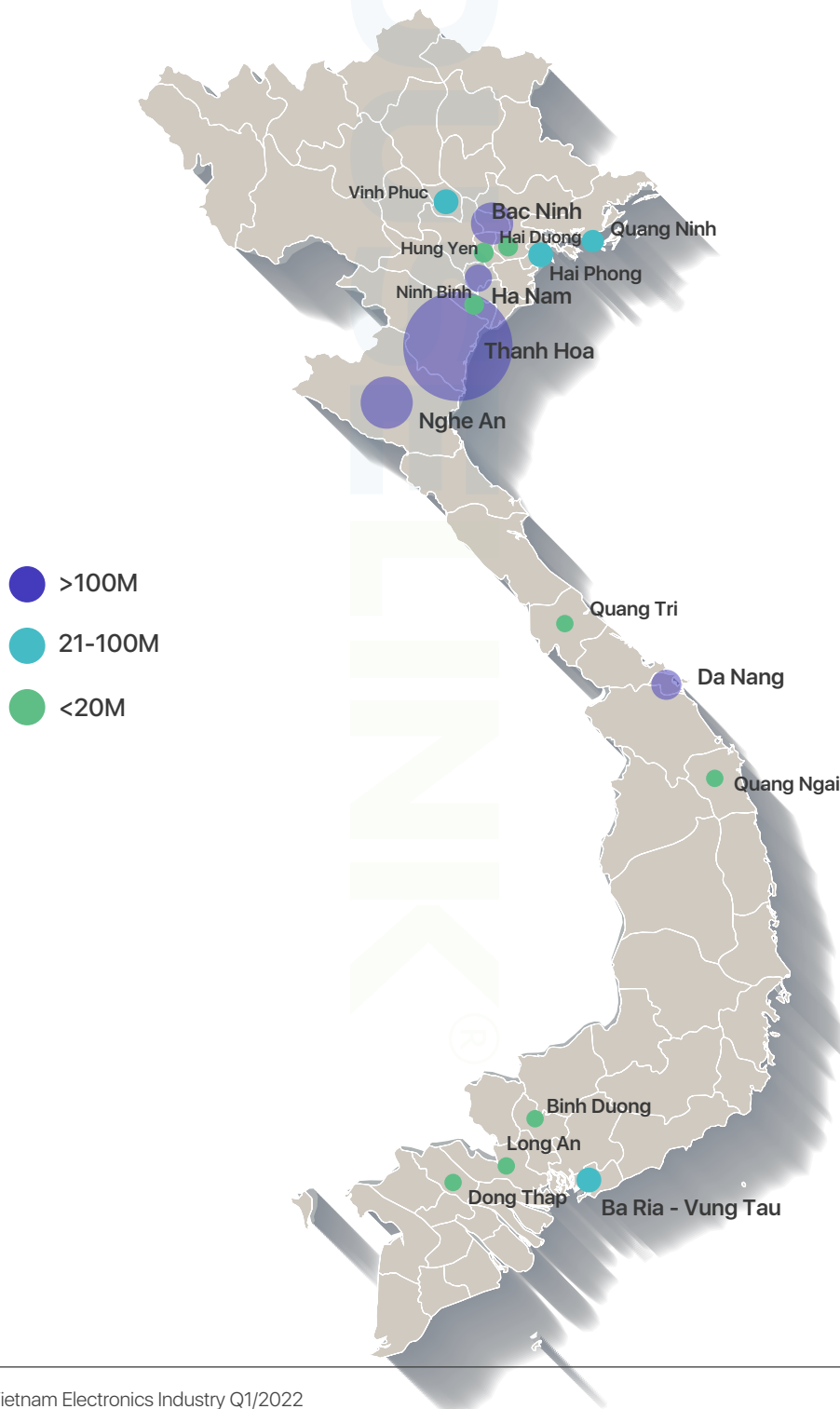
III.

POTENTIAL FOR INVESTMENT AND DEVELOPMENT OF ELECTRONICS PROJECTS IN VIETNAM

Based on data on industrial projects with investment capital of 2 million USD or more (equivalent to 46 billion VND) in the form of foreign direct investment (FDI) and domestic direct investment (DDI) on the HOUSELINK platform in the field of electronics; we synthesize, analyze data and make reports on projects that are under construction and are in the process of preparation (project preparation, design, contractor selection). All projects have been verified and validated by HOUSELINK.

1/ PROJECTS ABOUT TO BE DEPLOYED ARE MAINLY CONCENTRATED IN THE NORTH

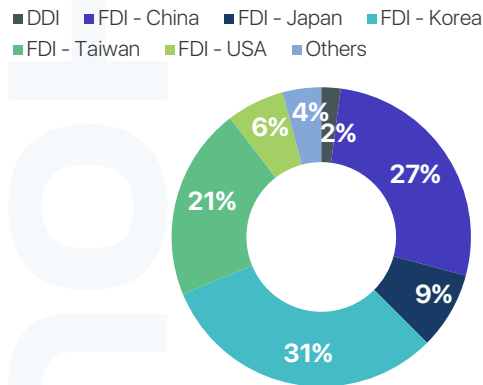
With the advantage of geographical location and transport infrastructure, the number of projects about to be deployed in the North still accounts for more than 68% of the total number of electronic projects about to be deployed, typically in some provinces such as Ha Nam, Bac Ninh, Hai Phong,... But the average scale of the project in the Central region is completely superior to the other two regions, due to the sudden surge from the project to expand the Foxconn Thanh Hoa factory. The southern region has a relatively modest number of projects, about 11.4%; at the same time, the project scale is not large, most of them are below 20 million USD.



2/ MOST OF THE UPCOMING PROJECTS HAVE FOREIGN DIRECT INVESTMENT

Future electronic projects in Vietnam are still largely invested by FDI (accounting for 98%) of the total investment capital of electronic projects across the country. DDI projects account for only a modest 2%, demonstrating the industry's dependence on foreign direct investment enterprises. Upcoming projects are mainly invested by South Korea (31.1%), China (27.1%), and Taiwan (20.8%).

Investment type percentage of coming-up projects

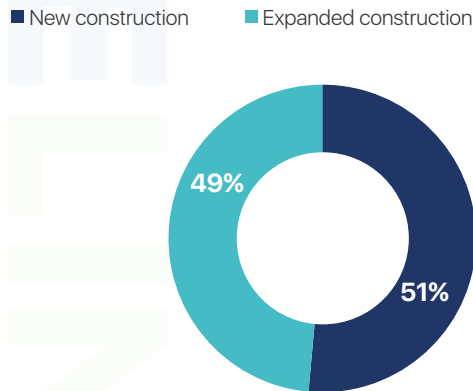


Source: HOUSELINK

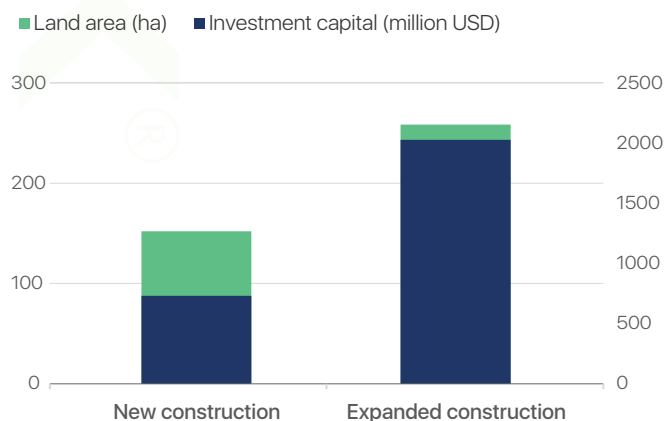
3/ PROPORTION OF NEW AND EXPANDED CONSTRUCTION PROJECTS

In terms of the number of projects, new and expanded construction projects accounted for a relatively balanced proportion (51.4% versus 48.6%). Among them, there are a number of outstanding projects such as: OPPO Vietnam Factory Project (new construction - investment capital: 300 million USD), Everwin Nghe An Electronic Factory Project (new construction - investment capital: 200 million USD), Foxconn Thanh Hoa Electronics Factory Project (expanded construction - investment capital: 1300 million USD),....

Percentage of new projects divided by work type



Land area and investment capital of new electronics projects



Source: HOUSELINK

In terms of capital scale and project area, expanded construction projects proved overwhelming on both of the above criteria. This shows the confidence of current investors in Vietnam for the trade and investment environment in our country in general and for the potential of the electronics industry in particular.

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