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FINANCE

Vietnam targets to keep inflation below 4%

Despite difficulties, the government has been striving for a GDP growth rate of 7 percent, an inflation rate of below 4 percent and a credit growth rate of 14 percent this year. VietNamNet presents a speech of Deputy Minister of Planning and Investment Tran Quoc Phuong at a discussion on solutions to stabilize the macro economy and control inflation to ensure fast recovery and sustainable development. The discussion took place on July 30.

International institutions have made many positive comments about the economic development in Vietnam. Its forecasted GDP growth rate has been regularly lifted. Most recently, IMF predicted that Vietnam's GDP would grow by 7 percent this year, higher than the previously predicted 6 percent on May 16.

Vietnam has a ranking of good government, achieving strong growth in income equality and investment attraction indexes (up 33 places and 18 places, respectively, compared to 2021). However, the institutions have also pointed out some problems in the economy. The bad debt ratio of the entire banking system is at a high level, while risks exist in the credit structure, especially retail credit and investments in corporate bonds, which have been increasing rapidly.

The slow disbursement of public investments for many years still has not been solved. This affects capital mobilization and national prestige, and reduces the confidence of investors, donors and the people. The openness of Vietnam's economy is at a high level with an import and export turnover of over 200 percent of GDP, and therefore, is vulnerable to external upheavals. The foreign invested sector is controlling the openness of the economy. Meanwhile, the domestic economic sector is inclined to look inward and poorly connects with the foreign invested sector in particular and global supply chains in general.

The quality of FDI (foreign direct investment) in Vietnam is not high and Vietnam still cannot attract high technologies and implement technology transfer as expected. The country often accepts small-scale FDI projects (most of the projects are registered by Chinese investors) which do not bring effectiveness to the national economy. In industry, Vietnamese enterprises do simple assembling, and still cannot develop source technologies, core technologies and supporting industries.

The challenges are increasing towards the end of the year. First, the challenges in controlling prices, and regulating production and supply-demand of some categories of goods. The pressure on goods prices is escalating as inflation in the world has begun affecting domestic production, especially agriculture. Many farmers have restricted investment for production expansion as fertilizer and animal feed prices are on the rise.

Meanwhile, industrial production is also under pressure because input and transportation costs are increasing. The sharp increases in building material prices have affected the execution of public investment projects.

Contractors are implementing projects at a moderate level, while waiting for material prices to decrease, or seeking jobs at foreign invested projects, thus causing labor shortages for national key projects. Second, delays in disbursement for public projects. As some policies and solutions are slow to be implemented, efficiency from using monetary and fiscal resources to support growth is limited.

The disbursement by the end of July was 34.47 percent of the plan assigned by the Prime Minister, lower than that of the same period last year (36.71 percent). Third, the stock market, corporate bond market and real estate market are vulnerable with risks, which may have impact the economy and cause serious consequences.

Real estate prices have been escalating in most localities, thus putting pressure on investors. Fourth, the quality of FDI is not high and has declined since 2020, which brings challenges to domestic production development and macro stability. FDI registered in the first seven months of the year was 92.9 percent of the same period last year.

Fifth, the complicated developments of the Covid-19 pandemic and the outbreak of A-type influenza may cause difficulties for domestic production, the labor force and essential goods supplies. The difficulties will challenge long-term development plans. Vietnam is among the countries with lower average income and it needs to maintain high growth rates and escape from the middle-income trap.

Vietnam is striving for a GDP growth rate of 6.5-7 percent in 2021-2025; total investment capital of the entire society of 32-34 percent of GDP; state budget collection of no less than 16 percent GDP; and overexpenditures of 3.7 percent of GDP. In 2022, the economic growth rate is expected to reach 7 percent, while inflation is expected to be curbed at below 4 percent and the credit growth rate at 14 percent. Vietnamnet

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Vietnam expect to become a center of global value chain

Prime Minister Pham Minh Chinh has called on South Korean businesses to expand investment to help Vietnam soon become a center in the global value chain.

Vietnam's top priority at this time is to control inflation, stabilize the macroeconomy, and fight recession and recover the economy, Chinh said at a Saturday meeting with South Korean businesses in Hanoi.

He said he hoped South Korean businesses would prioritize expanding investment in Vietnam, especially in the hi-tech field and create favorable conditions for Vietnamese companies to join the value chain.

This will contribute to "making Vietnam soon become a center in the regional and global value chains," he said. Vietnam also encourages the development of clean and renewable energy as it seeks to promote cooperation with South Korea to establish large energy centers that would help achieve the country's goal of carbon neutrality by 2050 and develop a transparent and competitive energy market, Chinh said.

During the meeting, South Korean businesses made a series of recommendations on tax incentives, electricity planning, a pilot mechanism for direct electricity purchase and sale and solutions to build and develop electric vehicles.

Minister of Industry and Trade Nguyen Hong Dien affirmed that Vietnam "ensures there is no shortage of electricity in 2022 and 2023, especially in industrial and production zones" although there might be partial interruptions due to hot weather.Earlier this month, the power system experienced voltage fluctuations, resulting in power outages in some northern localities that host industrial zones and production facilities operated by South Korean giants.

South Korea is currently the largest FDI partner in Vietnam, investing in 19 economic sectors in 59 provinces and cities with 9,383 projects and total registered capital of more than US$79.8 billion.

South Korea is currently Vietnam's third largest trading partner, with import-export turnover last year reaching $78 billion, 150 times higher than in 1992. A series of South Korean conglomerates such as Samsung, LG, Hyosung, Hanwha, Hyundai, CJ Group and Lotte have expanded their presence in Vietnam. Samsung Vietnam alone has a total investment of about $20 billion, attracting over 125,000 employees.

In the first seven months of the year, South Korea ranked second among 88 countries and territories investing in Vietnam, after Singapore, with a total capital of $3.3 billion. Vnexpress

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E-COMMERCE

Vietnam faces challenges in e-commerce platform

Vietnam is now being considered as the second largest market for e-commerce in the Southeast Asian region. However, a major part of this market is dominated by foreign investors.

Therefore, the expectation that the e-commerce platform in Vietnam can be competitive enough to avoid dependence on outside factors will face many challenges and will also be difficult to overcome too soon in the future. According to an overview report of e-commerce businesses in the first half of 2022 by the Metric Data Research Company, Vietnam is fast becoming the second-largest market in Southeast Asia, after Indonesia, in growth and development after the Covid-19 pandemic in this field. Metric Data Research Company report shows that Shopee, Lazada, Tiki, and Sendo are the four most prominent e-commerce platforms currently operating in Vietnam. Shopee in particular holds the largest market share with sales of up to VND 43,118 bn, accounting for 72% of the market share from November 2021 until May 2022. In second place is Lazada with a market share of 20.9%, equivalent to VND 12,539 bn. Tiki and Sendo are e-commerce platform names that immediately follow Shopee and Lazada. Considering the number of visits, Shopee is also leading in number of customers. According to data collected in the month of February 2022, the total number of visits on Shopee were 78.5 million, Lazada had 14.8 million, and Tiki had 14.1 million. In the ranking of mobile applications such as Android or iOS, for shopping in Vietnam, Shopee was also the most used application followed by Lazada and Tiki, respectively.

In the top four outstanding e-commerce platforms in Vietnam today, Shopee and Lazada are the two foreign giants, while Tiki and Sendo started out as domestic enterprises, but now foreign investors hold a controlling stake in them. As of August 2020, Tiki had total foreign ownership of up to 54.5%. Later, this e-commerce platform transferred 90.5% of shares to the new legal entity Tiki Global in Singapore. Now, Tiki has become a Singapore based enterprise. With Sendo, the starting point was as an e-commerce project developed by FPT Online Services Joint Stock Company in September 2012. However, after many rounds of fundraising, by May 2020 foreign investors bought a controlling share in Sendo with more than 65% of shares.

The attraction of Vietnam's e-commerce market also entails the participation of social networking platforms such as Facebook, TikTok, and YouTube. This year the E-Commerce Index Report (EBI) recently published by the Vietnam E-Commerce Association announced that the leading social network supporting buying and selling in Vietnam are now all foreign. This shows the attraction of Vietnamese e-commerce platforms in the eyes of foreign investors. Accordingly, Vietnam's e-commerce revenue in 2021 was estimated at USD 13.7 bn, up 16% compared to 2020 and accounting for 6.5% of the total retail revenue of the country. The EBI report assesses that the growth rate of Vietnam's e-commerce in 2022 may be the highest ever thanks to good control of the Covid-19 pandemic. According to Statista, Vietnam's e-commerce market will continue to grow strongly, possibly reaching the USD 39 bn mark by 2025. Vietnam has now added eight million new digital consumers since the beginning of the pandemic until the first half of 2021, with more than half of the consumers coming from areas that are not big cities.

In the face of an overwhelming dominance of foreign-invested e-commerce platforms in the domestic market, some argue that it is necessary to develop a Vietnamese e-commerce platform that is competitive enough to avoid dependence on foreign companies. Speaking to Saigon Investment, Mr. Nguyễn Ngọc Dũng, Chairman of the Vietnam E-Commerce Association, shared that the Association does not distinguish between domestic and foreign investors. According to Mr. Dũng, the idea of developing a domestic e-commerce platform to compete with Shopee, Lazada, or Tiki to avoid being dependent on foreign investors is very difficult because they have been ahead in this business for many years. Moreover, the large e-commerce floor is still pouring in money to capture market shares, and most of them are not yet profitable. The amount of capital poured in is not small, so if domestic enterprises do not determine to call for investment capital, it is very difficult to break into this platform independently.

To see more clearly why it is difficult for domestic enterprises to enter the game of e-commerce platforms, we take the example of Tiki. This company was established in 2010 and started operations in 2012. Since then, Tiki continuously received investments from domestic and foreign investors. Especially in the context of the Covid-19 pandemic affecting many countries, Tiki still completed the series E funding round, with an additional USD 258 mn in its capital. But so far Tiki has not been able to report profits. Accordingly, in 2016 Tiki reported a loss of VND 178 bn, increasing this loss to VND 282 bn in 2017 and VND 756 bn in 2018. The company even reported a loss of VND 1,765 bn in 2019, before the outbreak of the pandemic. However, by 2020 Tiki unexpectedly only lost VND 3.8 bn, according to a VNG annual report.

To the question of whether Vietnam can do the same as China with its e-commerce platforms dominating the domestic market with reach to foreign countries, many people think that this is difficult or even impossible. Because China has special support policies for domestic businesses operating in developed countries, and if Vietnam wants to develop in the same way, it must also have the support of the State, which will not be easy.

In fact, Vietnam has had the participation of domestic investors and in previous years we also had domestic names with high expectations such as Vuivui.vn; and adayroi.com, but then these names all had to leave the market. Vuivui.vn of Mobile World was established with many expectations but closed after only two years of operations. Currently, the Vietnamese e-commerce floor has two names mentioned, namely, Voso and Postmart. These belong to two large postal enterprises, VNPost and Viettel Post. These are the two main e-commerce platforms participating in the plan to put agricultural production households in provinces on e-commerce floors (Plan 1034). However, in addition to these two names, the top four prominent e-commerce platforms such as Shopee, Lazada, Tiki, and Sendo are not outsiders to a plan to support farme

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ENERGY

U.S. based energy utility AES Corp intends to develop US$13 billion wind farm

U.S.-based energy utility AES Corp (AES.N) plans to develop a major offshore wind farm in Vietnam, the Southeast Asian country said on Friday, that could potentially double the country's wind power capacity.

The wind farm, estimated to cost $13 billion and with a combined capacity of 4,000 megawatts (MW), would be built off Vietnam's central province of Binh Thuan, the Ministry of Industry and Trade said in a statement. AES did not immediately respond to a Reuters request for comment.

The country currently has about 4,000 MW of wind capacity and wants to install 11,700 MW by 2030 and 66,000 MW by 2045, according to state media. AES submitted a letter of intent to develop the project to a Vietnamese energy delegation during an annual Vietnam-U.S. energy security dialogue in Washington earlier this week, the ministry said. Hydrogen, power storage and nuclear energy were also discussed at the dialogue, the statement added.

Vietnam, a regional manufacturing hub, is seeking to boost renewable energy development and reduce its reliance on coal for power generation, following a pledge it made last year alongside other major users of the dirty fossil fuel to become carbon-neutral by 2050.

The ministry this week asked the government to remove future coal-fired power projects with a combined capacity of 14,120 MW from a draft national master power development plan.

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Vietnamese and Japanese governments to implement an eco-lease solar power project

An eco-lease solar power project is set to be implemented under cooperation between the Vietnamese and Japanese governments.

“Introduction of 0.4MW Rooftop Solar Power System to Aluminum Wheel Manufacturing Factory (Joint Crediting Mechanism (JCM) Eco Lease Scheme)” was selected by the Ministry of the Environment, Japan, for Financing Programme for JCM Model Projects.

This is the first JCM Eco Lease Scheme of BIDV-SuMi TRUST Leasing (BSL) and Sumitomo Mitsui Trust Panasonic Finance (SuMi TRUST Bank) registered in Vietnam since the JCM Eco Lease scheme was established in 2020.

The project demonstrates the efforts and focus of BSL toward a sustainable society. Through the JCM, BSL wishes to contribute to a low-carbon society.

The project aims to install a rooftop solar power generation system at Enkei Vietnam Co. Ltd. located in Thăng Long Industrial Park in Hà Nội and provides the necessary electricity for the production process at the factory thereby reducing carbon emissions.

A 0.4MW rooftop solar power generation system will be installed at the Enkei Vietnam factory. Sharp NSN Energy Solution JSC, the equipment supplier, will install, construct and maintain the system in this project. Enkei Vietnam will sign a financial leasing agreement with BSL for 5 years, and BSL will keep ownership of the assets during the lease period.

The financing programme for JCM Model Projects includes the application of advanced decarbonising technologies to reduce greenhouse gas emissions and the measurement, reporting and verification process over the depreciation period.

The effect of reducing greenhouse gas emissions from the JCM Model Projects will contribute to the achievement of the target of reducing greenhouse gas emissions in Japan and partner countries. Up to half of the initial investment costs of advanced decarbonising technologies will be financed.

In the JCM Eco Lease scheme, 10 per cent of the total leasing charge, including leasing interest for the targeted assets, will be financed by the Japanese government, thereby providing customers with a financial leasing package with more favourable conditions. VNS

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RETAIL

Vietnam’s retail sale of goods and services surges in July

Vietnam’s retail sale of goods and services in July is estimated at 486 trillion VND (20.8 billion USD), up 2.4% m-o-m, and 42.6% y-o-y, according to the General Statistics Office (GSO).

In the first seven months of 2022, the total retail sale is estimated at 3.2 quadrillion VND, up 16% compared to the same period last year.

The revenue from retail sale of commodities in the period is estimated at 2.55 quadrillion VND, up 13.7% y-o-y.

Meanwhile, the revenue from accommodation and catering services is 324.9 trillion VND, up 37.5% y-o-y, thanks to an increasing demand for travel after a two-year hiatus due to the COVID-19 pandemic. Notably, the revenue in July enjoyed a y-o-y surge of 134.7%.

Travel and tourism activities also produced an estimated revenue of 11.9 trillion VND, a 2.7-fold rise against the same period last year. The sale of other services during Jan-Jul is estimated at 312.6 trillion VND, up 13.9% y-o-y.

To promote consumption in the coming time, the GSO proposes the Ministry of Industry and Trade closely monitor the fluctuations of the world and domestic economies, proactively consult appropriate response solutions, and coordinate with ministries and sectors to guide enterprises to make more use of signed free trade agreements (FTAs), especially the Regional Comprehensive Economic Partnership (RCEP). NDO

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LOGISTICS

A shipping route connecting central Vietnam, India inaugurated

A shipping route linking the central region of Vietnam and India was inaugurated on July 27. Speaking at the inauguration ceremony, which was held virtually, Counselor Bui Trung Thuong, head of the Vietnam Trade Office in India, said that India is Vietnam's 8th largest trading partner. Two-way trade is likely to reach the target of 15 billion USD this year, on the occasion of the 50th anniversary of Vietnam - India diplomatic ties.

Despite the great trade potential between the two sides, one of the bottlenecks is traffic connectivity, especially the lack of a direct sea route connecting the two countries, he said, therefore, the shipping route linking the central region of Vietnam and Kolkata city, India operated by Vietnam Maritime Corporation (VIMC) will open up great business cooperation opportunities for Vietnamese and Indian businesses.

VIMC Deputy General Director Le Quang Trung affirmed that in its development strategy, VIMC considers India an important trading partner of Vietnam. Sea freight rates have increased in the past years, seriously affecting transport activities of the world in general and Vietnam in particular.

To find solutions to Vietnam's import and export activities, VIMC has actively implemented market research and expanded new sea routes connecting Vietnam and other regions around the world, including India, he said.

VIMC inaugurated a container shipping route linking Vietnam, Malaysia and India in November last year to ease pressure on cargo transportation, stabilise the supply of transport services and support domestic firms. In May, it continued to bring 1,000 TEU container ships to Cua Lo in the central province of Nghe An to transport goods to India. This is a direct connection between Vietnam and India, thus helping to shorten the transportation time to 14-15 days as compared to 21-22 days for other routes.

The corporation aims to launch another route to Chittagong port of Bangladesh this October.

Vietnamese Ambassador to Bangladesh Pham Viet Chien expressed his hope that this route will promote trade between Vietnam and Bangladesh. He affirmed that the Vietnamese Embassy in Bangladesh is ready to support Vietnamese and Bangladeshi firms in business connection. NDO

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The transportation sector will focus on the transition to green energy

The transportation sector will focus on the transition to green energy to achieve zero emissions by 2050, as per a new action plan

Diesel-fueled vehicles will be gradually replaced, with all transport vehicles on the road to be electric or green energy-powered by 2050, under a new action plan

The action plan for green energy transition and reducing carbon and methane emissions in transportation to 2050 was approved under the Prime Minister's Decision No 876/QĐ-TTg late last week.

The transportation sector will focus on promoting the transition to green energy to achieve zero emission by 2050, according to the plan, with energy transition considered an opportunity for the transport industry to develop sustainably and catch up with global trends and advanced development.

The focus will be on improving energy-use efficiency, and accelerating the transition to green power in fields which are ready in terms of technology and resource to implement the commitments under the Nationally Determined Contribution and Vietnam's methane reduction target by 2030. In the next period, all means of transport, equipment and transport infrastructure will switch to using green energy to achieve the goal of net zero by 2050. Specifically, the production, assembly, import and transition to electronic road vehicles will be promoted together with the development of the charging infrastructure system.

By 2040, the show, assembly and import of diesel-fueled automobiles and motorbikes will be reduced. 100 per cent of vehicles on the road will be electricity and green energy–powered by 2050. For railways, fossil-fueled trains will all be replaced by trains which use electricity and green energy by 2050, while all equipment at train stations will also be converted to green energy. Vietnam will also develop policies to encourage investment in developing green inland ports and the production and import of inland waterway vehicles which use electricity and renewable energy. By 2040, all vehicles operating at airports will use electricity and green energy. By 2050, all taxis and buses on the road will be electricity and green energy–powered.

According to the Ministry of Industry and Trade, the ministry will raise policies to encourage producing and development of electric and renewable energy-powered vehicles. The ministry said that priority would be given to developing green transport infrastructure, including charging stations and the conversion of bus stations to green criteria and improving energy efficiency. Resources to implement the plan will be raised from the State budget, international assistance, private investment, and public-private partnership. Under the plan, 11 key projects would be developed to build green transport infrastructure, which require a total investment estimated at more than VND 3 quadrillion (US$128 billion).

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INVESTMENT

M&A deals light up property market in first half of 2022

Since the beginning of the year, the real estate market has seen an uptick in merger and acquisition (M&A) activity, including office, residential, and industrial projects.

According to a Cushman & Wakefield (C&W) survey, the purchase of the Capital Place, a Grade A office building in the heart of Hanoi, by Viva Land from CapitaLand Development for 550 million USD, heated up the office M&A market.

The high-class office project consists of two 37-story office towers, selected to house the main offices of many multinational corporations in the capital city.

Previously, Viva Land also successfully acquired Saigon One Tower and renamed it IFC One, Saigon.

The project, which is located at the heart of district 1 of Ho Chi Minh City, is designed as a commercial building including offices, apartments and a commercial centre with a total floor area of 124,100 square metres (sq.m).

For the housing segment, the market has also recorded a number of huge deals, such as Novaland's acquisition of the Kenton Node project from Tai Nguyen Construction Production Trading Co. and renaming it Grand Sentosa. This is a luxury apartment project with more than 1,640 apartments in Phuoc Kien commune, Nha Be district, HCM City.

Another noteworthy transaction is the purchase of the Saigon Binh An project, which is now known as The Global City, by Masterise Homes. The 117ha project is located next to the Saigon Sports City complex and the Long Thanh-Dau Giay highway.

Recently, the US investment fund Warburg Pincus announced an investment of 250 million USD in Novaland to increase the land bank and develop Novaland's existing projects in strategic locations, taking advantage of the infrastructure that is gradually improving in the southern region.

Two other investment funds - VinaCapital and Dragon Capital - also poured 103 million USD in Hung Thinh Land JSC, C&W’s survey showed.

Meanwhile, industrial real estate remains the hottest segment in the M&A market, accounting for 35 percent of the sector's total transaction value with numerous deals.

Early this year, GLP established GLP Vietnam Development Partners I with a total investment of 1.1 billion USD in six logistics centre projects.

GLP is a top investment manager and business developer for facilities, digital infrastructure, renewable energy, and logistics.

In February, BW Industrial Development JSC - an industrial real estate developer co-founded by Warburg Pincus and Becamex IDC - acquired about 74,000sq.m of land in Bac Tien Phong Industrial Park in Quang Ninh province developed by DEEP C.

C&W Company said that a recent notable deal was the acquisition of a 49 percent stake in KTG & Boustead Logistics Industrial JSC in Yen Phong Industrial Park in Bac Ninh province by Boustead Projects Co., Ltd for 6.9 million USD.

Trang Bui, head of Cushman & Wakefield, said that residential and industrial property will be the most attractive sectors for investors and developers from HCM City, Hanoi, and neighbouring provinces.

Besides traditional real estate types, in the past two quarters, an investment in data centre real estate was also announced by Gaw Capital Partners, a Hong Kong-based private investment firm, with a Tier 3 Data Centre project, built on a site of 6,056sq.m in the Sai Gon Hi-Tech Park of HCM City.

Experts said that despite the slowing growth rate of countries in the region, the Vietnamese economy grew at 7.72 percent in the second quarter of 2022, the highest level in 11 years.

Vietnam set a new record with 10.06 billion USD in capital from foreign investors in the first half of 2022.

Leading foreign investors in the real estate market include Singapore, Japan, Denmark, China, and the Republic of Korea.

C&W also identified many existing problems related to the market, such as legal procedures. However, as the legal system is gradually improving in order to limit conflicts among regulations in the investment legal system, it will partly remove many existing barriers for M&A activities in the real estate market this year. VIR

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Vietnam to become the next big hub for medical innovation in Southeast Asia

Over this time, Vietnam has grown in its relevance to leading international healthcare investors. As the world emerges from the pandemic to a so-called new normal, an opportunity exists for Vietnam to take an industry-leading role.

Vietnam is growing in its appeal as a destination for international healthcare investors and foreign direct investment is expected to expand in the coming years with the country's continued international integration.

A recent KPMG market survey of country-head level pharmaceutical executives found that almost all respondents indicated a desire to 'expand' or 'significantly expand' in-country investment, if regulatory and market access challenges are eased.

As other markets struggle to find a pandemic endgame, Vietnam has a unique opportunity to position itself as a hub for innovative healthcare in Southeast Asia, unlocking tremendous social and economic value for patients, the government, and the domestic healthcare industry.

If done right, Vietnam will have expedited access to the latest pharmaceutical medicines, reducing total treatment times, improving clinical outcomes, and reducing overall treatment costs for patients.

Pharmaceutical companies operating in Vietnam have made meaningful steps to close access gaps through expanded patient support programmes that provide critical pharmaceuticals to thousands of patients who otherwise would not have them. This is important momentum, but more social value can be unlocked through expanded collaborations.

There is an uphill battle toward improvement, but Vietnam is not alone in its journey. Multinational corporations have expressed interest in cooperating with the government to enhance regulatory frameworks and strengthen the infrastructure needed to achieve healthcare-related development goals, advance health access, and improve sustainable health financing.

Government support and mutually beneficial collaboration is a powerful catalyst to spur industry growth that will create benefits for the wider economy.

KPMG calculations estimate the local pharmaceutical industry, depending on policy decisions made now, could add nearly $30 billion to GDP by 2040, over its current economic contributions. While the innovative pharmaceutical sector therein could contribute as much as an additional $20 billion to GDP by the same time.

Employment in the high value-adding pharmaceutical sector will grow with industrial output. Currently, employment in the innovative pharmaceutical industry is likely to grow at 2.7 per cent, reaching over 13,000 by 2040. With concentrated efforts to facilitate industry growth and policy support, employment in this sector could reach several multiples of this value. Considering the indirect and induced economic impact, total job creation could reach well into the hundreds of thousands by 2040.

Intangible benefits also come with investment in innovative pharmaceuticals. Particularly through the development of advanced industry knowledge that will permeate throughout the broader health industry, enhancing human capital in the country.

A thriving domestic innovative pharmaceutical industry will create significant non-monetary benefits as well. Comparable markets to Vietnam such as Ireland, South Korea, and Singapore saw a rise in industry competitiveness through the support of domestic capabilities and venture funds that helped develop entrepreneurial ecosystems for med-tech startups.

Indigenous startups will play a significant role in establishing Vietnam's next-generation healthcare and solidifying its position as a hub of innovation in Southeast Asia.

Research and development (R&D), particularly later-stage clinical trials, will be key to advancing Vietnam's indigenous innovative pharmaceutical industry. In a recent survey of global pharmaceutical leaders with significant in-country operations, KPMG found that, given the right market environment, Vietnam could attract between 1-2 per cent of their global R&D spending.

This level of spending would provide an additional source of funding and technology transfer to public hospitals, as well as help the government achieve its broader industry development goals.

Manufacturing drugs within Vietnam is a strategic goal of the government. The country has set the ambitious target of producing 80 per cent of drugs by volume domestically in the near term. If Vietnam is able to reach international manufacturing standards at such a volume, it could be well positioned to become a manufacturing export hub for Southeast Asia. Vietnam's pharmaceutical exports could reach $920 million to $2.2 billion by 2040, while growing at a rate of 10 per cent compounded annually – if government support continues and improvements are made to existing policy framework.

As an emerging economic player, Vietnam has an opportunity to study the stories of successful models and apply them with Vietnamese characteristics. This country is an attractive investment destination for multinationals that seek to work with the government to make Vietnam as competitive as possible by lending their global experience and investing their foreign capital.

The market offers attractive macroeconomic potential, which can be unlocked through mutually-beneficial collaborations. Doing so will accelerate Vietnam's development, improve the lives of patients, and position the country as a future innovation investment hub. VIR

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