

Location Spotlight – Vietnam

September 2023: Complimentary Abstract / Table of Contents



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This report provides perspectives on key aspects of the global sourcing market in Vietnam

Location Spotlight – Vietnam

Vietnam | at a glance



Low-cost location leveraged primarily for IT-ADM, engineering services, and regional voice BPS work, with an emerging ecosystem for digital services

KEY FACTORS

- 250,000-270,000 annual tertiary graduates
- Annual GDP growth: 70.8%
- Unemployment rate: 35.4%

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> Leveraged by both service providers and Global Business Service (GBS) centers for delivery of IT-ADM (application data management) and engineering/R&D (software and embedded) services Some evidence of multilingual voice BP services in Vietnamese, English, and Japanese languages Potential for growth in delivery of digital services (uptick in demand for AI/ML, blockchain, 5G services), IT/software, and engineering/R&D services 	<ul style="list-style-type: none"> Strong macroeconomic fundamentals; Vietnam's economy avoided contraction during the COVID-19 crisis, attracted steady FDI inflows, and is projected to show robust growth Availability of large entry-level talent pool having relevant skills and proficiency for global IT-BP service delivery Proactive policy support by the government; for instance, the announcement of a preferential tax rate of 10% for 15 years to encourage investment and National Foreign Language Program 2020 to improve language scalability 	<ul style="list-style-type: none"> Geopolitical challenges, policies, difficulty in labor and high corruption levels Some concerns around digital adoption (e.g., cashless payments) Complicated taxation leading to low ease of doing business Limited potential for high-value services

KEY PLAYERS:

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Location Spotlight – Vietnam

Vietnam | risk profile (page 1 of 2)

Slow-down in the macroeconomic environment and initiatives taken for infrastructure improvement; however, some concerns prevail around political stability and basic rights of citizens

Parameter	Everest Group rating	Comments
Geopolitical	■	<ul style="list-style-type: none"> Vietnam continues to rank poorly (138 out of 167 countries) in the Democracy Index 2022, compiled by the Economist Intelligence Unit (EIU), and has been rated as authoritarian <ul style="list-style-type: none"> Evidence of issues pertaining to the political freedom of citizens and instances of corruption have been observed The country ranks amongst the five countries with the least internet freedom, with the government enforcing stringent online laws such as content moderation, censorship, and criminal punishments
Macroeconomic	■	<ul style="list-style-type: none"> Moody's has rated Vietnam as Ba2 with a stable outlook due to improving economic conditions and increasing resilience to external macroeconomic conditions As per IMF's forecast, Vietnam's economic growth will slightly slow down (5.8% increase YoY) in 2023 after a strong 8% growth YoY in 2022, due to slow growth in the US and EU markets Vietnam's foreign exchange reserves, excluding gold, are expected to improve by the end of 2023 due to the appreciation of the Vietnamese Dong
Infrastructure	■	<ul style="list-style-type: none"> Vietnam ranks 46th among 100 countries as per the Inclusive Internet Index published by the EIU in 2022, through increased readiness and relevance Currently, Vietnam has a strong project pipeline in roads, rails, bridges, public service infrastructure, urban transportation, and infrastructure for its ports and special economic zones But the country faces frequent infrastructural project delays due to red tapes related to land acquisition

Source: Everest Group (2023); EIU; Transparency International; WRR; WEF; interviews with market participants

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■ Published
 ■ Planned
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