

BC Wood Products: Trends in Export Markets



Vietnam

Percent of BC
Lumber Export
Sales: 0.1%

#25 Export Market

Statistics Dashboard¹

BC Exports (m ³)	2015	%14/15
Softwood Lumber	6,194	-21%
Panels	5,888	
Softwood Lumber (000 m ³)	2014	%13/14
Vietnam Consumption ^{Est}	498	+34%
Vietnam Production ^{Est}	0	
Vietnam Exports ^{Est}	3	-79%
Vietnam Imports ^{Est}	500	+31%
BC Supply	8	+15%
Rest of Canada Supply	1	+32%
BC Share in Imports	1.6%	
BC Share in Consumption	1.6%	
Consumption per capita (m ³ /person)	0.006	
Wood Panels (000 m ³)	2014	%13/14
Vietnam Consumption ^{Est}	1,025	+6%
Vietnam Production ^{Est}	750	+21%
Vietnam Exports ^{Est}	336	+0%
Vietnam Imports ^{Est}	611	-10%
BC Supply	0	
Rest of Canada Supply	0	
BC Share in Imports	0.0%	
BC Share in Consumption	0.0%	
Consumption per capita (m ³ /person)	0.011	
Construction (000 m ²)	2013	%12/13
Total Floor Area	86,621	+7%
Apartment	83,260	+5%
Private House	3,361	+82%
Key Economic Indicators	2015	%14/15
Population (millions)	91.7	+1.0%
GDP Growth	+6.7%	
Inflation Rate	+0.6%	
Unemployment	2.4%	

Economic Summary

Driven by exports and record foreign direct investment, Vietnam's economy grew 6.7% in 2015, the fastest pace since 2007. Competitive labour costs and attractive business incentives continued to attract foreign investors across all industrial sectors.

The influx of foreign direct investment continued to improve Vietnam's job market and increase the purchasing power of a growing workforce. The increased earning power also increased domestic consumption of all goods and services. To remain competitive in the global market, the State Bank of Vietnam devalued the Vietnam dong three times over the course of 2015.

According to the latest housing data released by Vietnam's Statistics Office, residential starts in 2013 grew 7% to reach 86.6M m². The majority of the floor area built was private (detached) homes.

Wood Products Summary

In 2014, Vietnam's imports of softwood lumber grew 31% to an estimated 0.5M m³. Meanwhile, wood panel imports fell 10% to 0.61M m³ in 2014. The foreign investment in panel mills, particleboard and MDF, reduced the need for imports.

While BC lumber producers reported a sales reduction in 2015, panel exporters enjoyed a record year. According to Statistics Canada, all of the panels sold by BC to Vietnam were OSB. The OSB is likely used in packaging and furniture production.

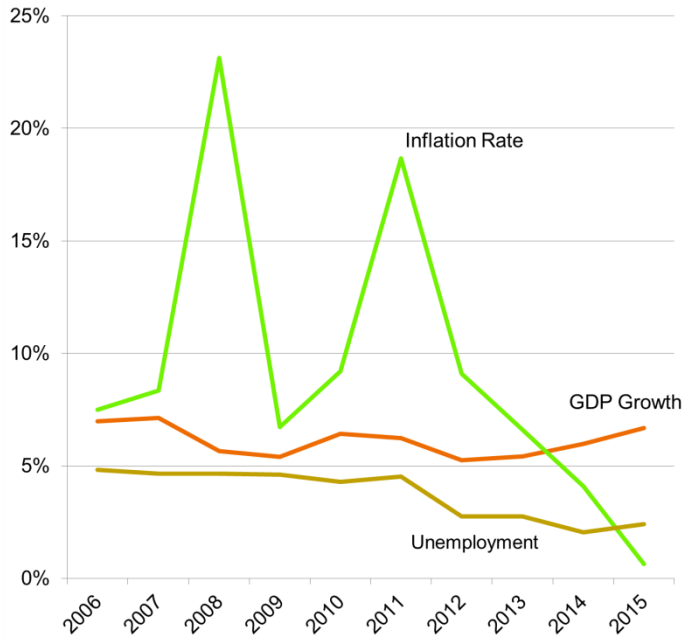
According to the Vietnam Timber and Forest Product Association, Vietnam became the fourth largest wooden furniture exporter in the world in 2015. Trailing only China, Germany and Italy, Vietnam sold more than \$7.1B USD (\$9.2B CAD) worth of furniture products abroad.

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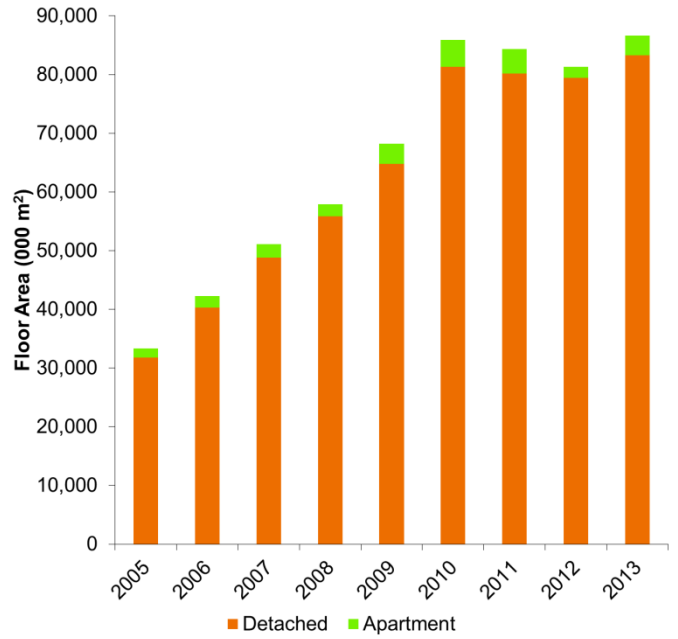
¹ Many of the data not available for 2015, please pay attention to the column headings

Statistical Trends

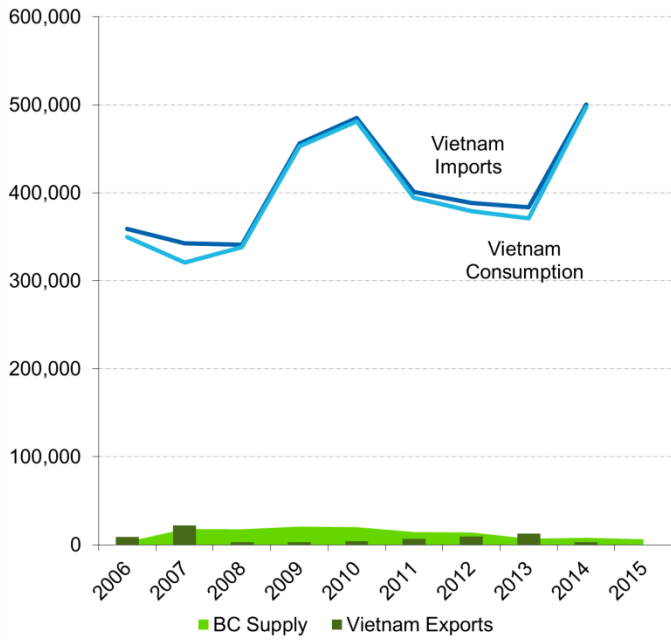
Vietnam Economic Indicators



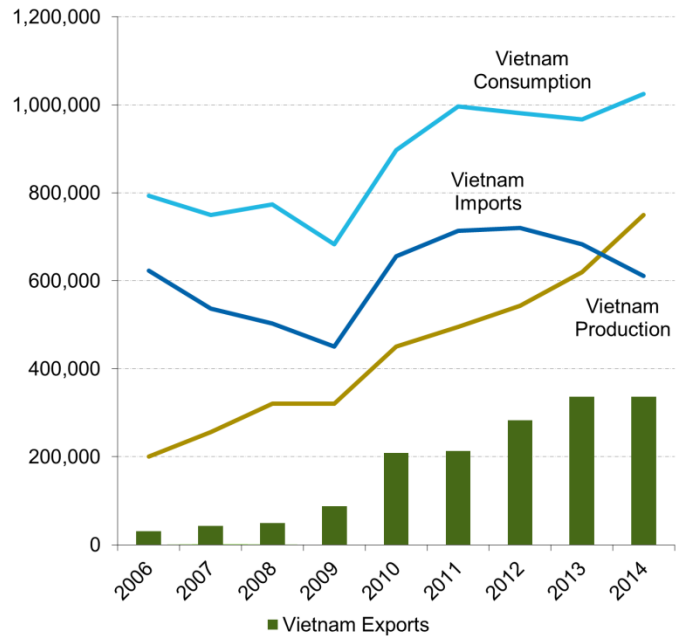
Vietnam Residential Construction



Vietnam Softwood Lumber Summary (m³)

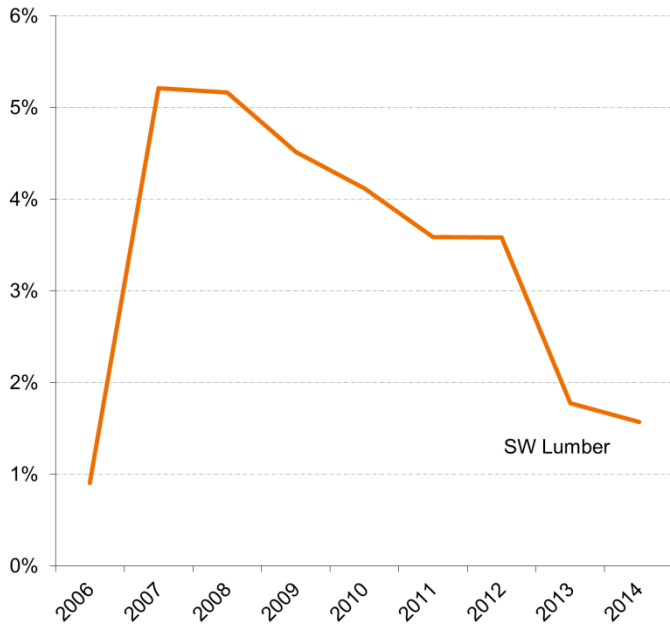


Vietnam Panels Summary (m³)

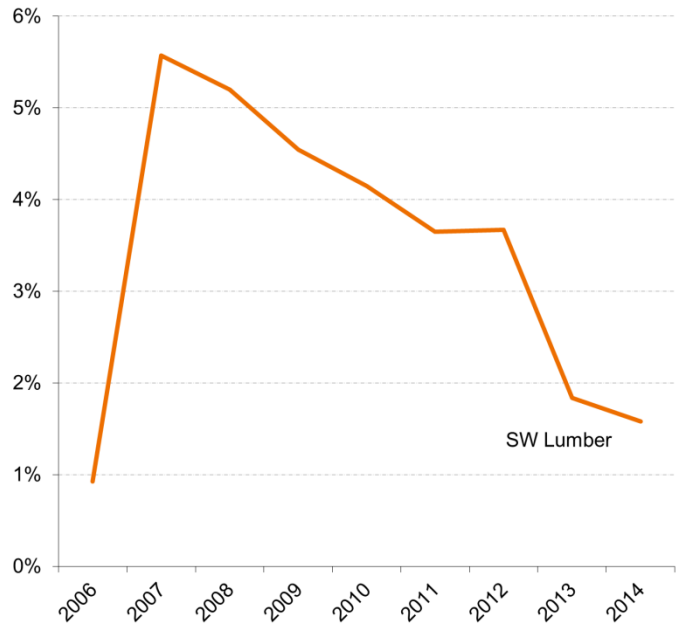


Statistical Trends

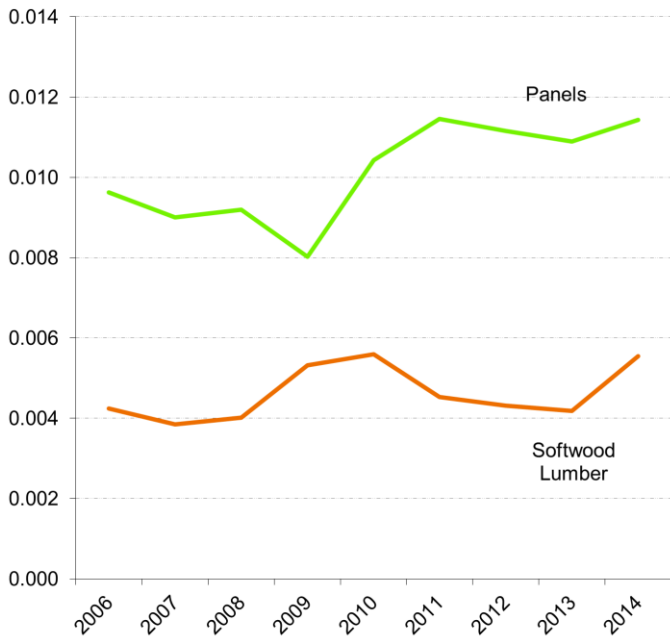
BC Share in Vietnam Imports (m³)



BC Share in Vietnam Consumption (m³)



Consumption per Capita (m³/person)



Trend 1: Foreign real estate ownership permitted

In July 2015, the Vietnamese government decided to relax the rules on foreign ownership. The modified *Housing Law* and *Real Estate Law* allowed foreigners and visa holders to purchase real estate properties. Similar to regular citizens, foreigners are now permitted to acquire properties on 50-year terms. However, they are unable to own the land which remains the property of the country.

According to the CBRE Group, the law change resulted in a rise in real estate transactions in 2015. The effect was more apparent in the new condominium market as new sales reported in Ho Chi Minh City were up 122% (41,787 units) while Hanoi reported a 70% increase (28,200 units) in 2015.² Many real estate firms reported that the majority of foreign owners, approximately 10 to 30% of their reported transactions, were targeting higher-end homes. To cater to the new clientele, about two-thirds of new condominiums in Ho Chi Minh City and Hanoi were mid- to high-end units.

Trend 2: Brexit impact on Vietnam's wood exports

The United Kingdom is an important European market for wooden furniture exporters in Vietnam. After surpassing \$350M CAD of sales in 2014, shipments in 2015 grew 20% to reach a new high at \$438M. According to Eurostat, Vietnam had a 10% import share in the UK.

However, the passing of the United Kingdom referendum on European Union membership (Brexit) might impact the outlook for exports to the UK. The narrow passing of Brexit caused the British pound to fall against all currencies. Against the Vietnam dong, the pound fell 10% overnight. Due to Brexit, the Vietnam Timber and Forest Products Association is expecting a 5 to 7% drop in sales in the UK market.³ The decline in wooden furniture sales to the UK could be more severe if the slower GDP growth (UK) forecasted by the Economist holds true across the balance of the year.

While uncertainty lingers in the UK market, the free trade agreement between the EU and Vietnam should continue to create business for Vietnam producers in Europe. Known as the EU-Vietnam Free Trade Agreement (EVFTA), it is scheduled to come into effect in 2018.



Trend 3: Wood processing province continues to attract foreign investors

According to the latest estimates, Vietnam has approximately 4,000 companies in the wood sector. It is reported that about 3,000 of these companies are in the wood processing business while the rest are wood trading companies. Breaking it down by ownership, about 3,200 companies are privately owned, while the rest are either state-owned (6%) or operated by foreign investors (14%). In 2015, Vietnam attracted \$15.6 billion USD in newly registered foreign direct investment (FDI), up 27% from the year before. Industry experts estimate that \$2.5 billion USD was invested in the Binh Dong province, a region specialized in value-added wood processing.⁴

Vietnam's involvement in the Trans-Pacific Partnership discussion continues to garner interest from overseas investors. In the first five months of 2016, approximately 100 plants were registered to open in the Binh Dong province. Aside from low production cost, this region will continue to attract foreign investments due to well-developed logistics and ease of doing business.

² Townsend, Marc. 2016 Vietnam Real Estate Market Outlook.

http://bbgv.org/images/Business_Announcement/160107_CBRE_Vietnam_Fearless_Forecast_2016_-_EN_Final.pdf

³ Dao, Toan. Brexit to affect Vietnam's wood exports to UK. <http://e.vnexpress.net/news/business/brexit-to-affect-vietnam-s-wood-exports-to-uk-experts-3436509.html>

⁴ General Statistics Office of Vietnam. 2.9 Development Investment. https://www.gso.gov.vn/default_en.aspx?tabid=622&ItemID=15515