



Vietnam  
Economic  
Pulse



# **IMPROVING BUSINESS PERFORMANCE RESULTS, EFFICIENCY, PRODUCTIVITY AND TECHNICAL PROGRESS IN VIETNAM'S KEY INDUSTRIES**

*Presented by:* Dr. Luong Van Khoi, Vice President  
Central Institute for Economic Management (CIEM)  
Ministry of Planning and Investment (MPI)

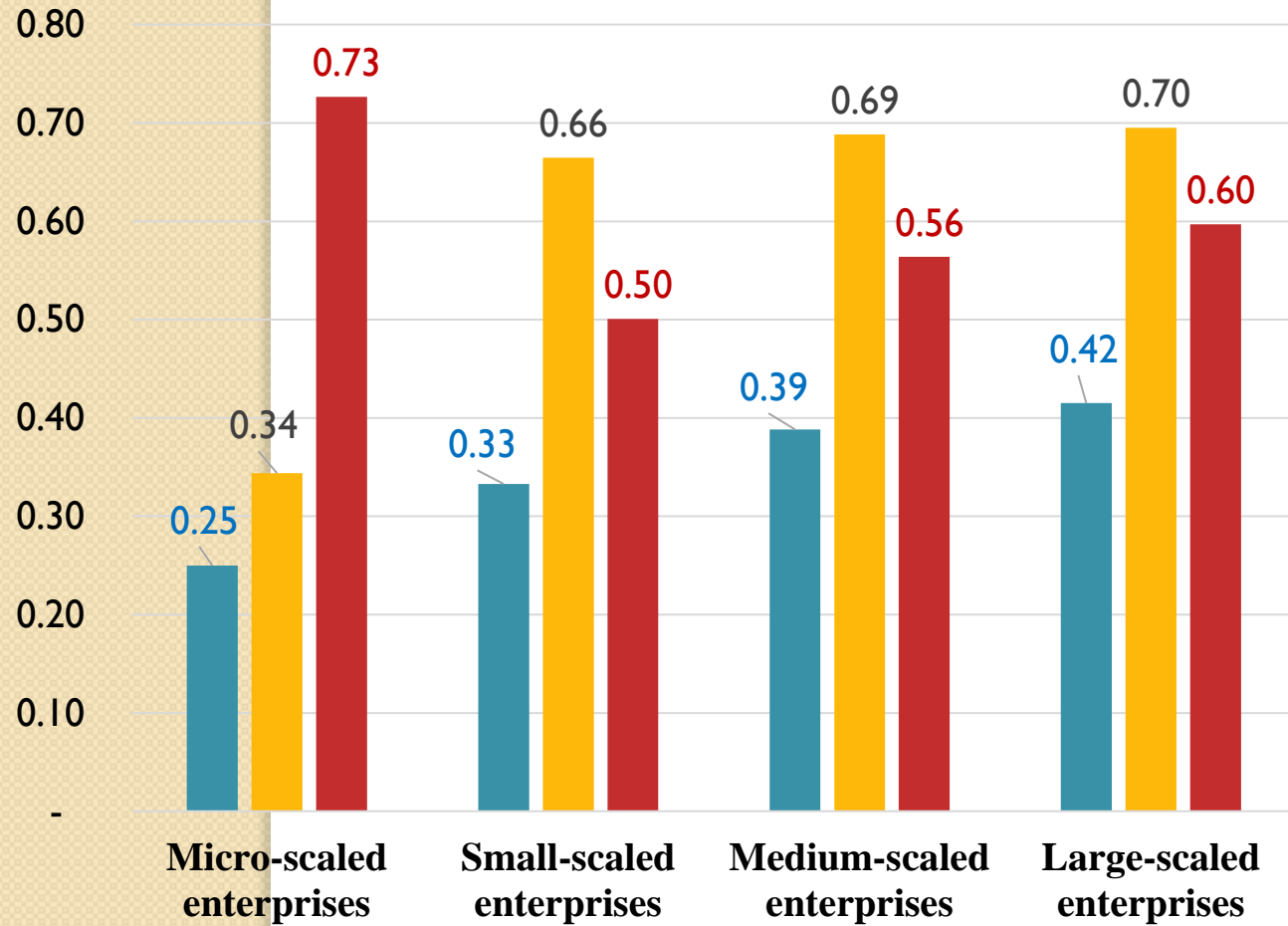
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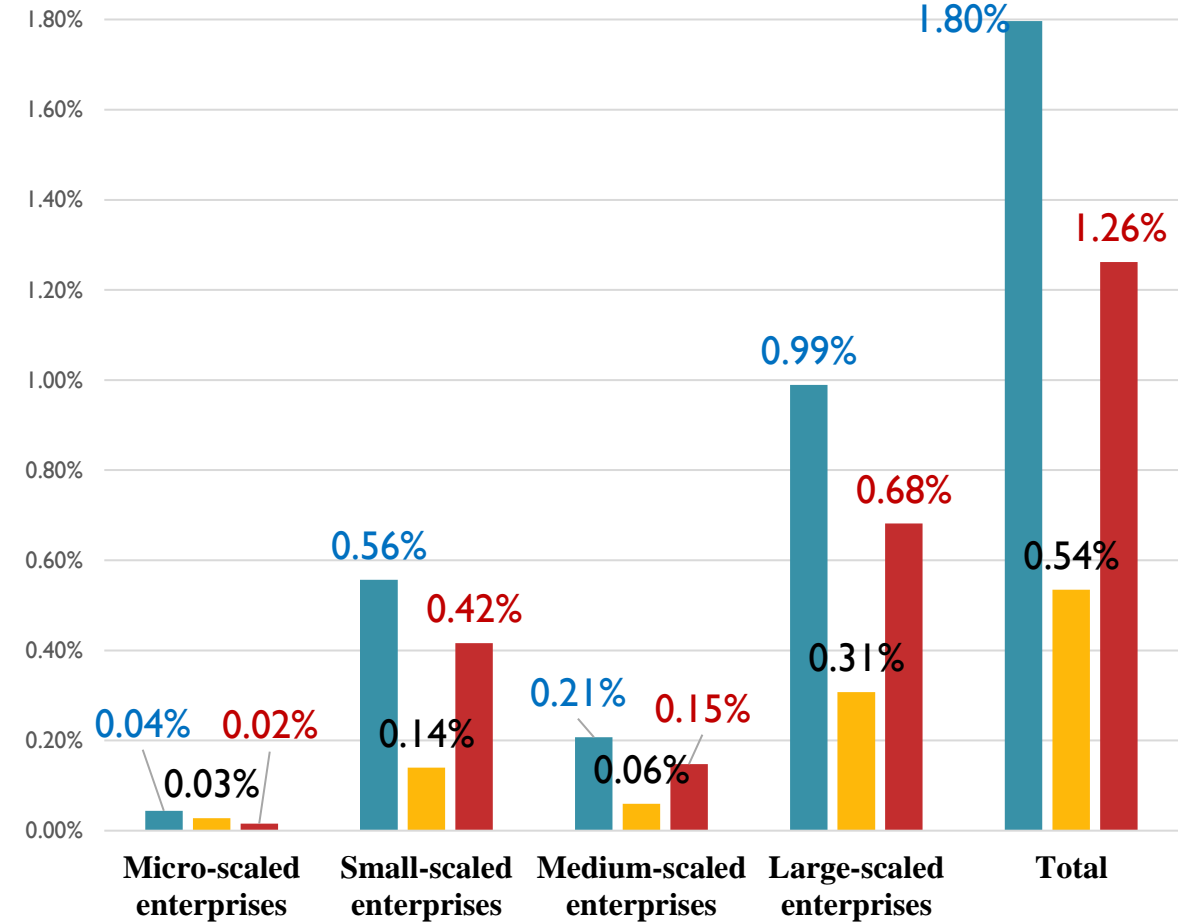
# Business Performance Efficiency of Garment and textiles industry in 2021, Potential Growth of Vietnam's economy

Efficiency  $\in (0, 1)$



- Technical efficiency (TE)
- Pure technical efficiency (PTE)
- Scale efficiency (SE)

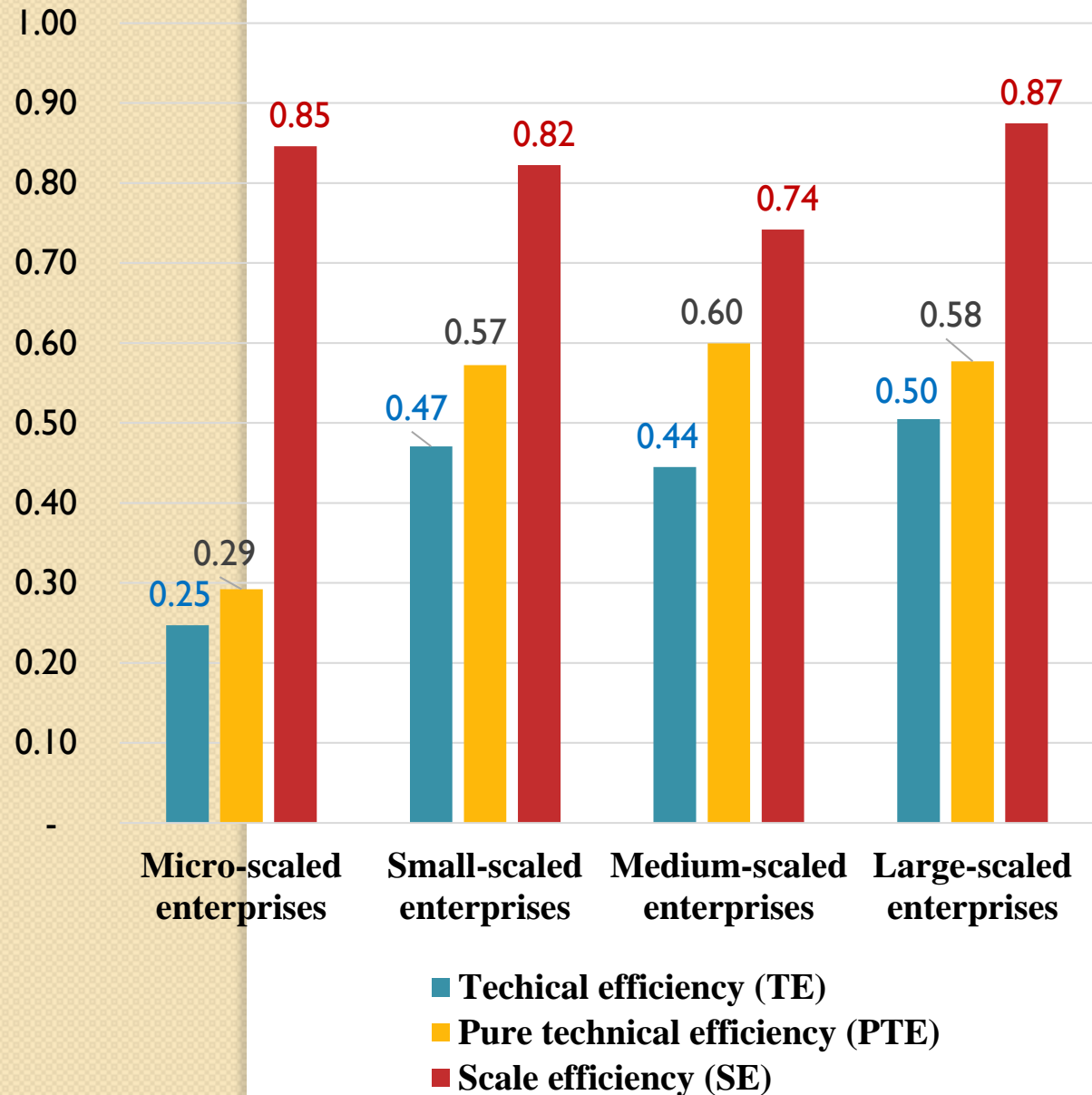
Total VA shortfall due to inefficiency/GDP



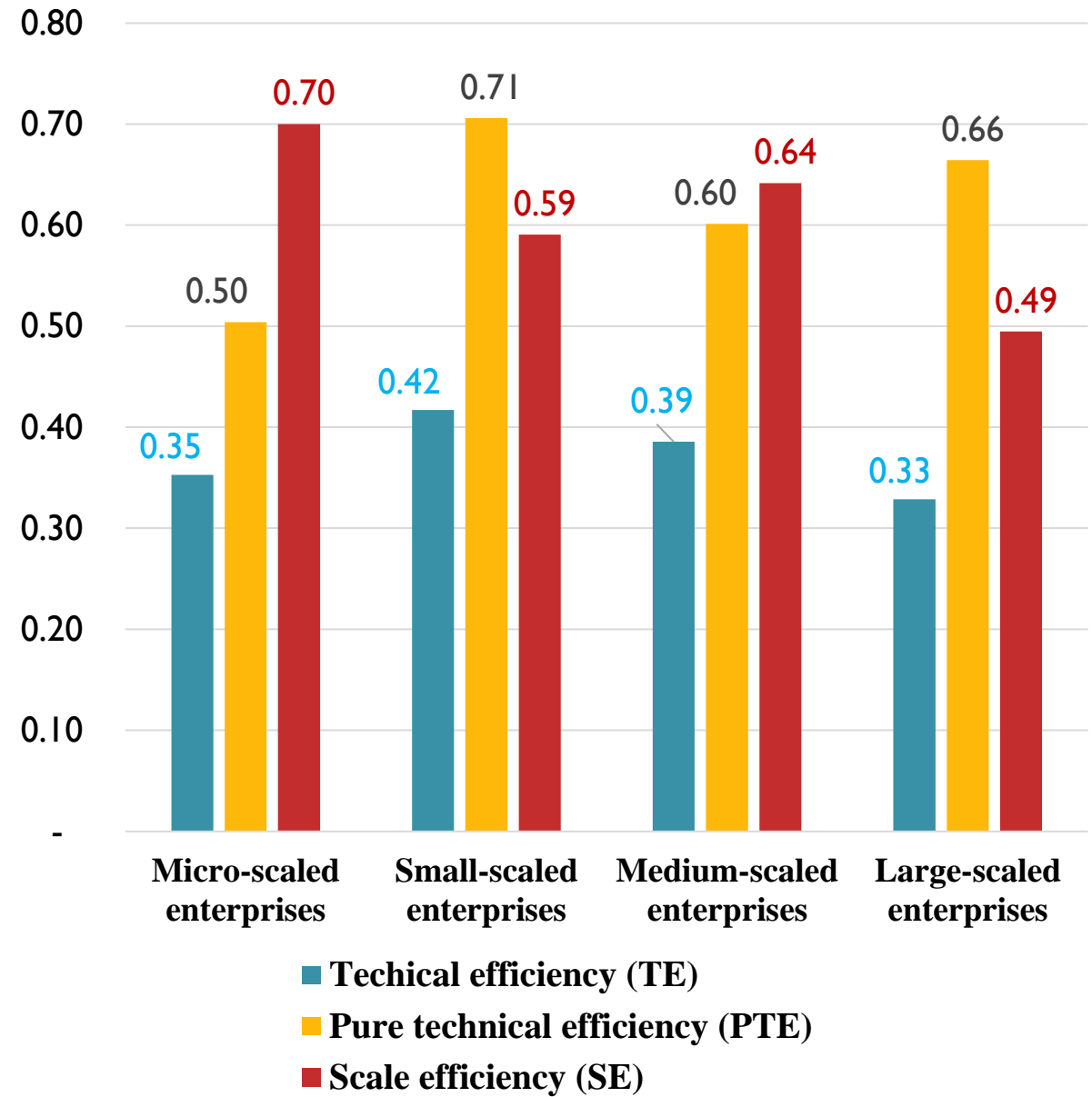
- Total VA shortfall due to technical inefficiency/GDP 2021
- Total VA shortfall due to Pure technical inefficiency/GDP 2021
- Total VA shortfall due to scale inefficiency/GDP 2021

# Efficiency of Footwear and Electronics Industries in 2021, Potential Growth of Vietnam's economy

## Efficiency of Footwear $\in (0,1)$

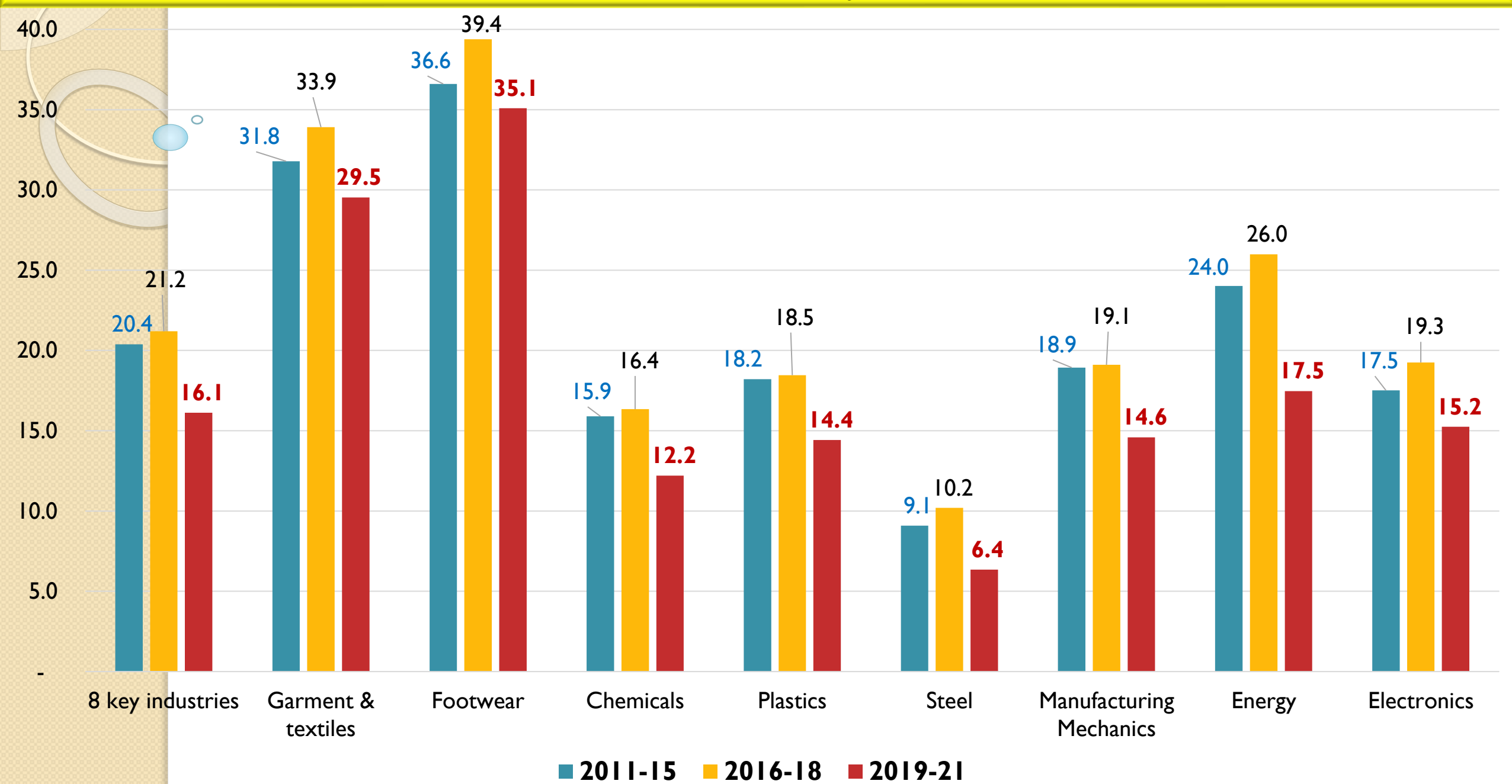


## Efficiency of Electronics $\in (0,1)$

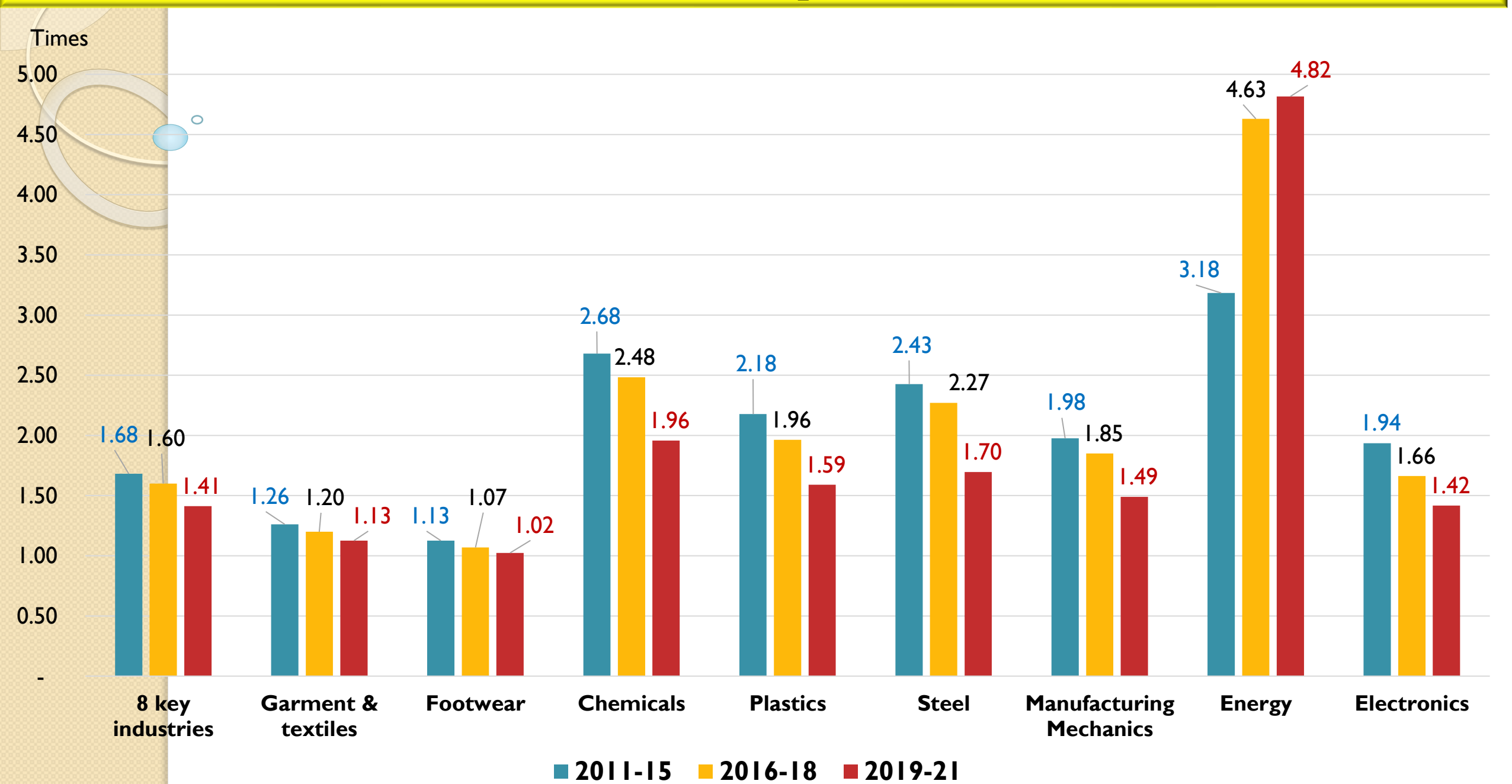


Internal factors of enterprises in key industries (Business's self-assessment/Maximum scale (%))									
	8 key industries	G&T	Footwear	Chemicals	Plastics	Steel	Manuf. Mechanics	Energy	Electronics
<b>1. LEADERSHIP (2)</b>	<b>53,0</b>	<b>48,2</b>	<b>56,9</b>	<b>53,8</b>	<b>47,9</b>	<b>58,7</b>	<b>54,6</b>	<b>65,3</b>	<b>54,0</b>
1.2. Social responsibility and community	40,6	42,2	46,1	42,0	36,3	45,6	39,9	45,2	39,6
<b>2. CUSTOMERS (4)</b>	<b>56,9</b>	<b>51,2</b>	<b>64,4</b>	<b>58,3</b>	<b>64,5</b>	<b>55,4</b>	<b>56,7</b>	<b>61,4</b>	<b>56,6</b>
2.4. Customer satisfaction	39,1	30,1	47,9	46,3	49,6	40,7	36,0	54,0	38,2
<b>3. HUMAN RESOURCES/LABOR FORCE (5)</b>	<b>65,8</b>	<b>62,8</b>	<b>72,0</b>	<b>64,5</b>	<b>65,7</b>	<b>69,6</b>	<b>67,9</b>	<b>63,4</b>	<b>65,3</b>
3.2. Human resource development	47,7	43,3	59,4	45,8	47,0	50,5	50,7	39,3	48,4
3.4. Training activities	41,7	45,1	46,4	33,8	42,8	40,9	43,4	28,6	41,4
<b>4. PROCESSES (8)</b>	<b>58,0</b>	<b>56,1</b>	<b>59,8</b>	<b>51,1</b>	<b>59,4</b>	<b>61,1</b>	<b>59,2</b>	<b>48,2</b>	<b>60,0</b>
4.4. Information technology utilization	52,9	47,8	45,0	45,0	48,5	59,3	51,9	52,4	60,1
4.6. Leveraging and utilizing databases to support production and business operations	53,8	50,0	53,1	49,3	57,6	63,9	57,5	50,0	51,5
<b>5. IMPROVEMENT, INNOVATION, AND KNOWLEDGE MANAGEMENT</b>	<b>18,2</b>	<b>13,8</b>	<b>22,0</b>	<b>16,8</b>	<b>15,4</b>	<b>20,5</b>	<b>24,0</b>	<b>15,5</b>	<b>17,5</b>
5.1. Product research and development	30,0	24,1	37,0	27,7	26,8	37,2	36,4	26,2	29,0
5.2. Annual rewards for improvement activities	8,1	6,0	10,9	6,3	8,2	9,7	11,4	6,0	7,2
5.3. Savings and profits from improvements	11,4	7,5	12,5	11,1	7,6	9,3	17,9	9,5	11,2

# Value added/revenue ratio of 8 key industries in Vietnam



# Labor Cost Competitiveness

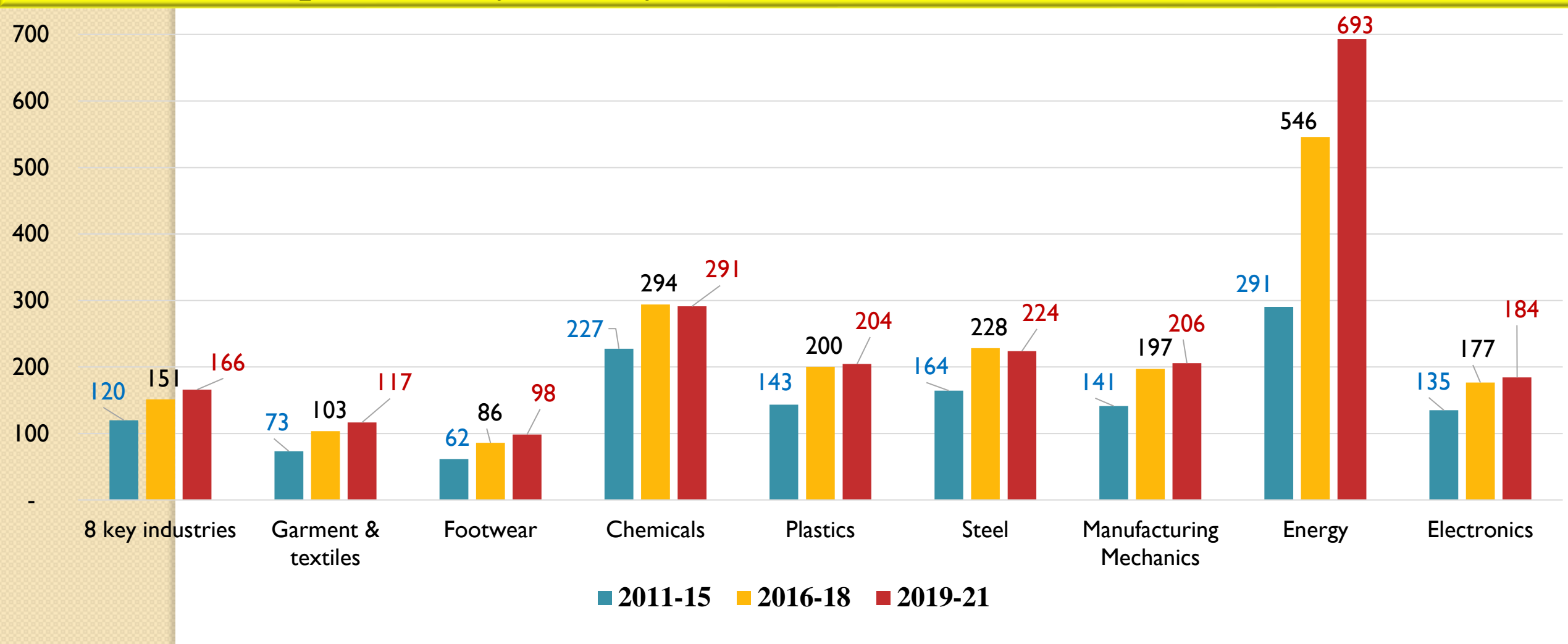


# Capital intensity (technology level; technical equipment (fixed asset) per worker) [VND million/worker]

	8 key industries	T&G	Footwear	Chemicals	Plastics	Steel	Manufacturing Mechanics	Energy	Electronics
2011	136	58	45	248	160	304	189	1.548	232
2012	136	57	40	264	196	319	212	1.341	206
2013	143	63	47	245	208	326	213	1.372	213
2014	156	59	39	279	220	298	206	1.733	276
2015	190	77	48	612	215	493	230	2.250	251
2016	183	80	60	265	229	362	234	2.792	246
2017	206	89	63	376	263	391	245	3.158	257
2018	230	102	69	370	305	429	276	3.415	274
<b>2019</b>	<b>282</b>	<b>111</b>	<b>76</b>	<b>395</b>	<b>358</b>	<b>500</b>	<b>339</b>	<b>5.982</b>	<b>286</b>
<b>2020</b>	<b>328</b>	<b>126</b>	<b>87</b>	<b>431</b>	<b>368</b>	<b>573</b>	<b>363</b>	<b>7.371</b>	<b>296</b>
<b>2021</b>	<b>397</b>	<b>133</b>	<b>97</b>	<b>473</b>	<b>387</b>	<b>450</b>	<b>368</b>	<b>7.370</b>	<b>310</b>
<i>Annual growth rate by period (%)</i>									
2011-18	4,7	5,8	3,6	3,3	7,0	2,5	2,9	5,8	-0,1
2011-21	6,5	4,4	3,8	2,5	4,9	<b>-0,1</b>	2,7	10,9	<b>-1,1</b>
<i>Average capital intensity over periods (VND million per worker)</i>									
2011-15	152	63	44	330	200	348	210	1.649	235
2016-18	206	90	64	337	266	394	252	3.122	259
<b>2019-21</b>	<b>336</b>	<b>124</b>	<b>87</b>	<b>433</b>	<b>371</b>	<b>508</b>	<b>357</b>	<b>6.908</b>	<b>297</b>
2011-21	217	87	61	360	264	404	261	<b>3.485</b>	259

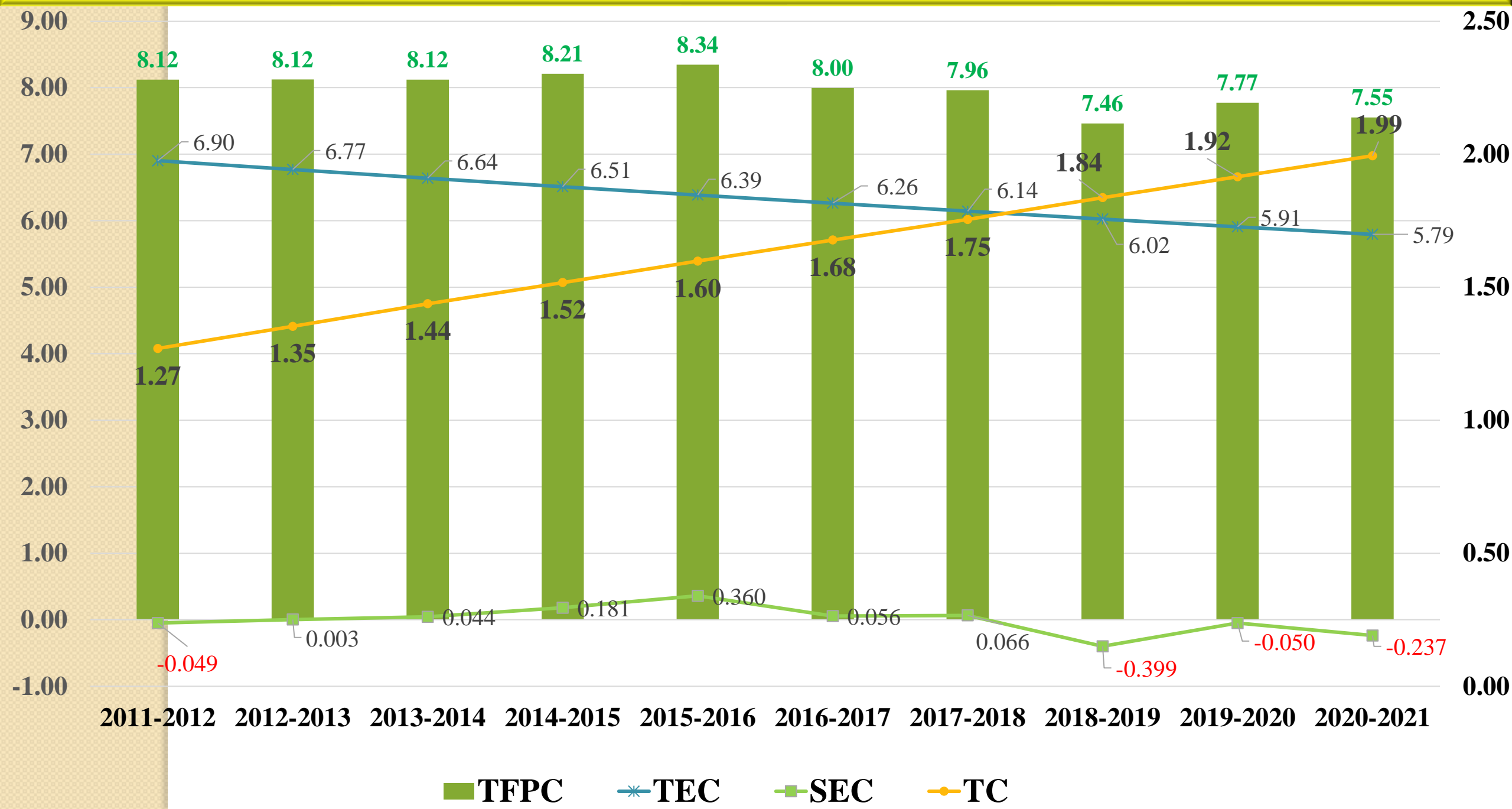


# Labor productivity of 8 key industries in Vietnam (VND million/worker)

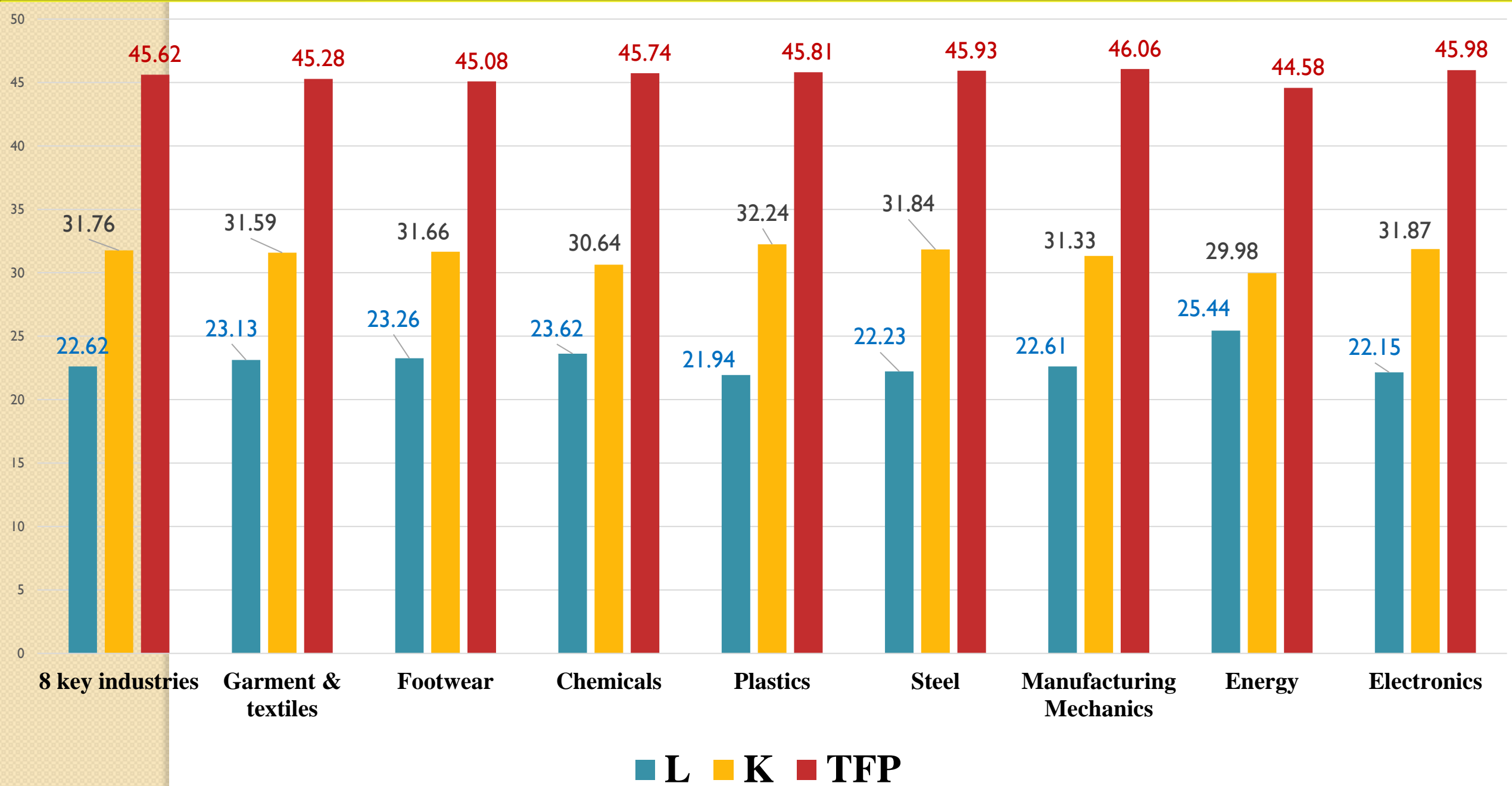


	8 key industries	Garment & textiles	Footwear	Chemicals	Plastics	Steel	Manufacturing Mechanics	Energy	Electronics
2019	137	102	88	247	174	193	178	417	154
2020	177	120	103	318	227	248	219	872	200
2021	184	127	103	309	213	231	219	791	199

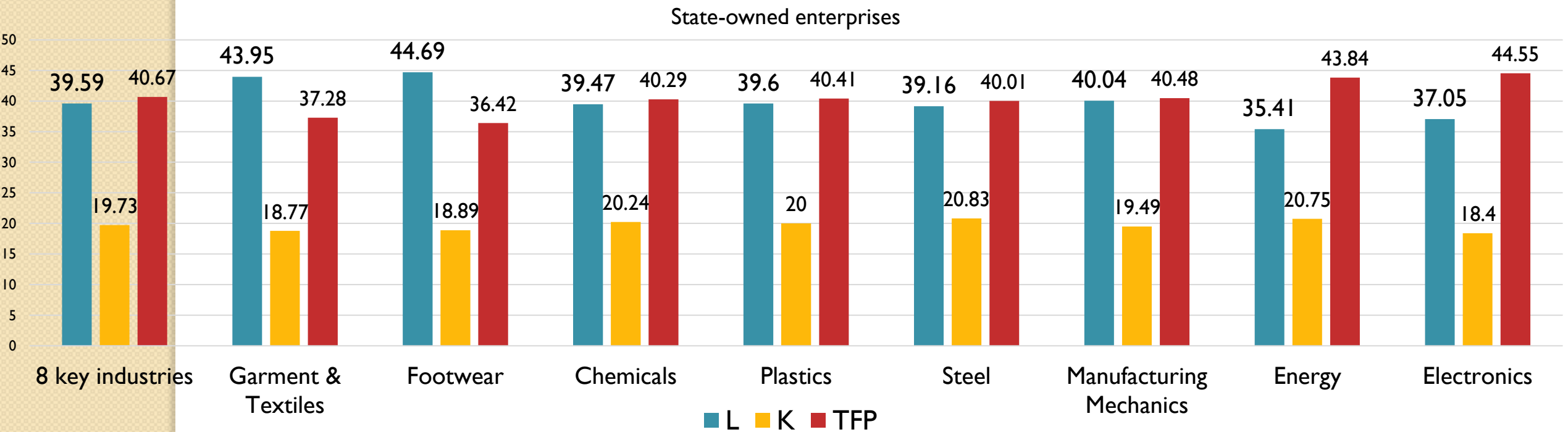
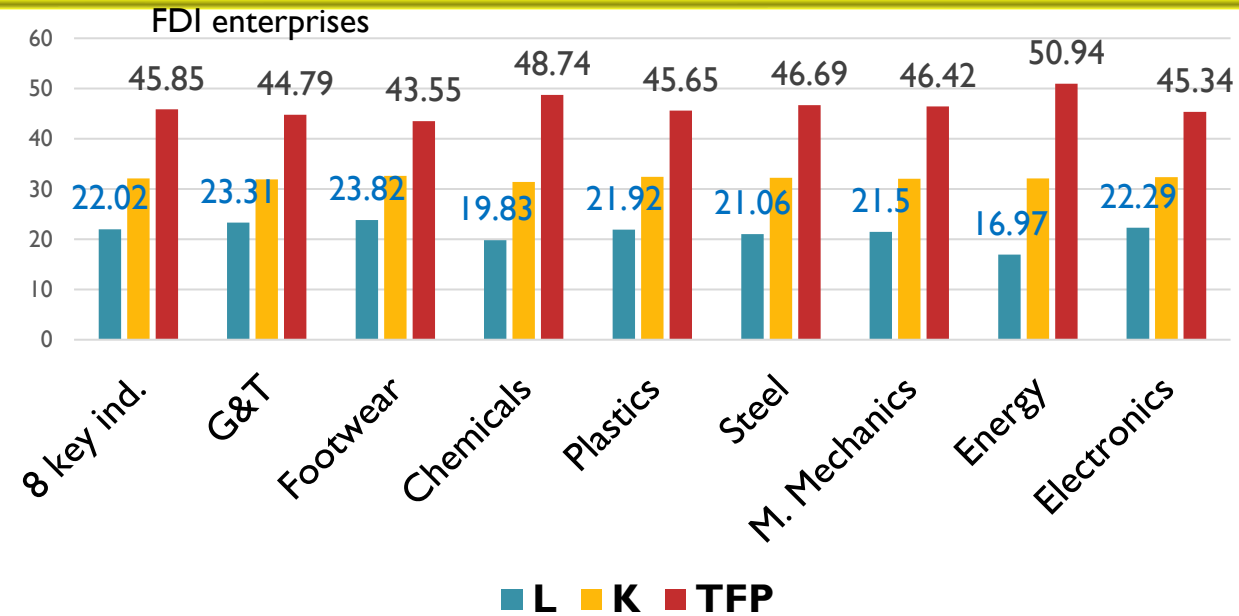
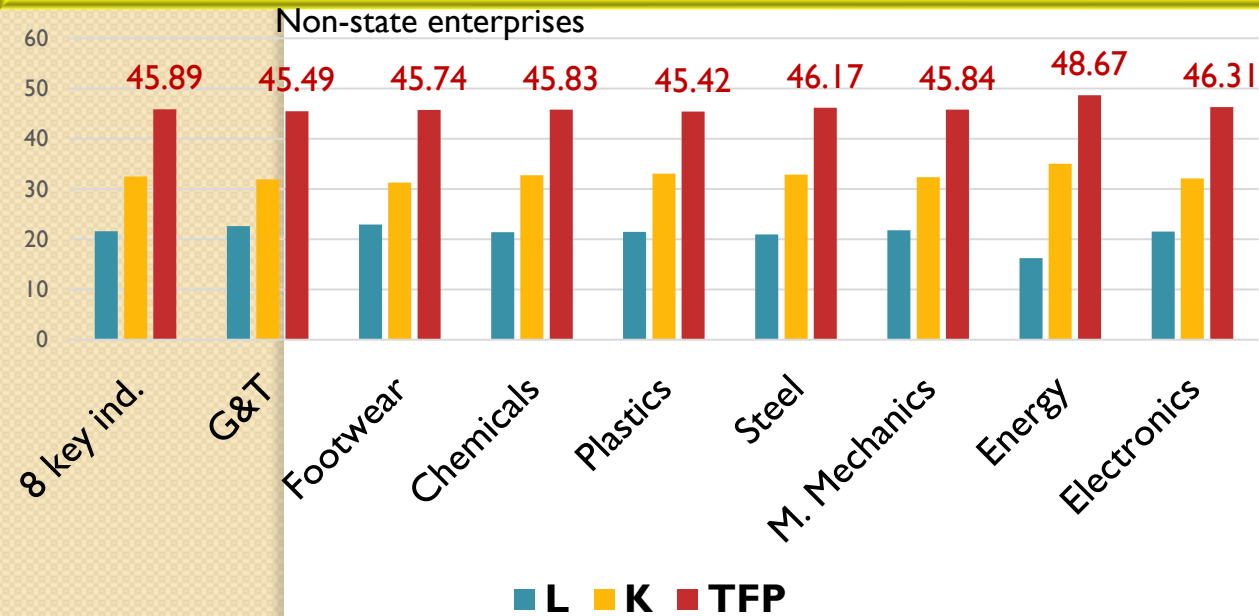
# TFP Growth and TFP Growth Decomposition of 8 key industries, 2011-2021 (%)



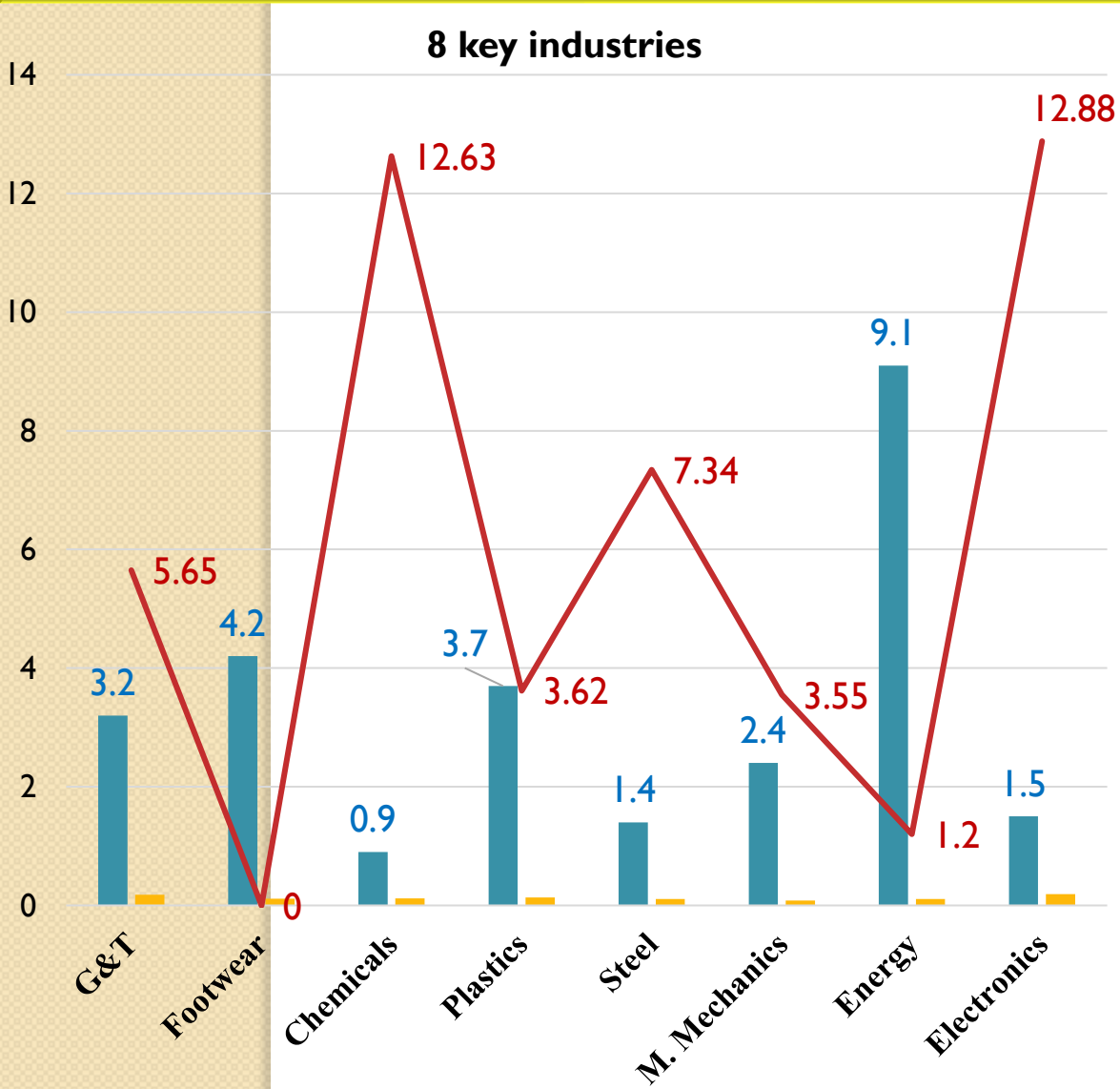
# Contributions of L, K, & TFP to VA growth in 8 key industries, 2011-2021 (%)



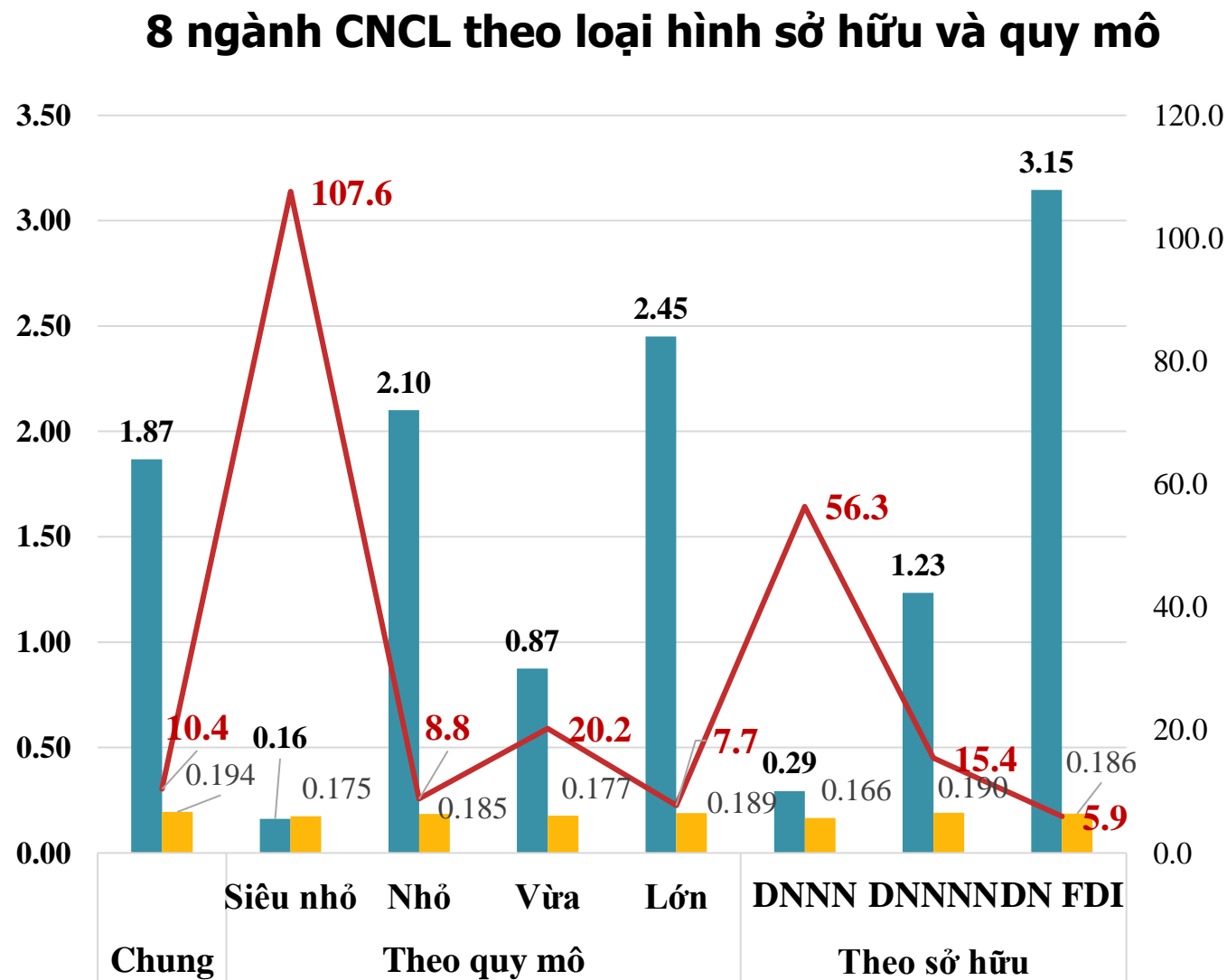
# Đóng góp của L, K và TFP vào tăng trưởng GTGT theo loại hình sở hữu, giai đoạn 2011-2021 (%)



# Đóng góp của khoa học công nghệ vào tăng trưởng NSLĐ giai đoạn 2011-2021 (%)



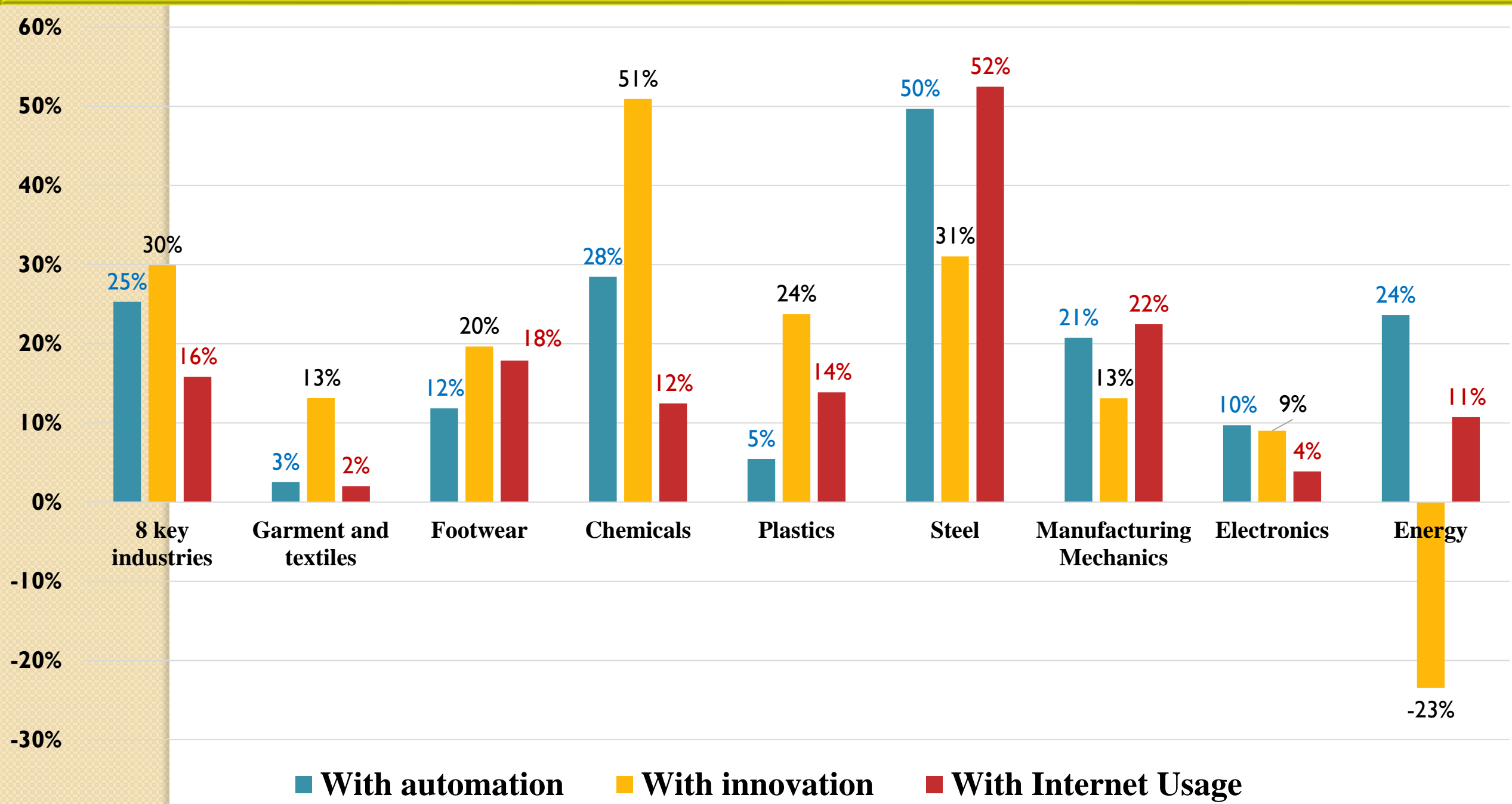
- Average annual aggregate LP growth rate (%)
- Average technological progress (%)
- Contribution of technological progress to LP growth (%)



- Tăng trưởng NSLĐ (%)
- Tiến bộ công nghệ (%), (cột phải)
- Đóng góp của TBCN vào tăng trưởng NSLĐ (%)

	No. of enterprises	% of firms with automation in their business	Firms with Innovation				
			% of firms with product innovation or improvement	% of firms with organizational model innovation or improvement	% of firms with business process innovation or improvement	% of firms with R&D	
						Total	% of firms with in-house R&D
8 key industries	28766	15,1%	25,8%	19,6%	23,1%	7,1%	96,7%
T&G	5509	13,0%	24,2%	19,2%	22,3%	4,7%	91,1%
Footwear	1301	12,5%	24,4%	19,5%	21,7%	7,2%	96,8%
Plastics	3377	17,8%	28,2%	19,9%	24,8%	7,3%	92,3%
Chemicals	2288	15,4%	32,9%	21,7%	27,1%	13,9%	95,6%
Steel	4495	12,7%	22,7%	18,7%	22,1%	4,3%	89,1%
M. Mechanics	8519	13,1%	24,7%	17,9%	21,2%	6,2%	95,1%
Energy	1034	23,5%	10,1%	16,6%	16,0%	4,2%	90,7%
Electronics	2243	25,9%	37,0%	27,4%	31,8%	16,0%	94,7%
	No. of Firms	% of firms using the Internet to support their business	Of which				
			% of firms using the Internet to access online public services	% of firms using the Internet to engage in e-commerce for selling goods and services	% of firms using the Internet to transact with other organizations (banks, securities activities, etc.)	% of firms using the Internet for product promotion and market research	
8 key industries	28766	81,7%	61,1%	16,2%	61,7%	27,3%	
T&G	5509	80,8%	60,9%	15,9%	60,3%	23,7%	
Footwear	1301	76,9%	59,0%	14,5%	57,0%	20,1%	
Plastics	3377	82,2%	62,1%	17,3%	61,0%	31,4%	
Chemicals	2288	82,6%	63,4%	21,9%	60,4%	36,8%	
Steel	4495	79,4%	58,1%	14,7%	60,3%	26,5%	
M. Mechanics	8519	81,6%	59,9%	15,7%	61,8%	28,2%	
Energy	1034	84,0%	63,0%	13,4%	64,4%	13,6%	
Electronics	2243	88,6%	68,4%	16,4%	71,7%	28,7%	

LP Gap between enterprises in 8 key industries WITH and WITHOUT Automation, Innovation, and Internet Usage, 2020 (%)



# POLICY RECOMMENDATIONS

- Ministries and local authorities must effectively implement the Resolutions of the Politburo, the Resolutions and Decrees of the Government, and the Decisions of the Prime Minister related to sectoral development and the application of science and technology in enterprises, such as Resolution 23-NQ/TW, Resolution 124/NQ-CP, Resolution 29-NQ/TW, Resolution 111/NQ-CP, Resolution 52-NQ/TW, Resolution 50-NQ/CP, Decision 1322/QĐ-TTg, Decision 36/QĐ-TTg, and Decision 1305/QĐ-TTg, among others.
- Establish special policies and mechanisms to develop large national corporations and enterprises that lead domestic value chains and play a key role in global value chains, ensuring high productivity and competitiveness. These policies should also enhance the forward and backward linkages between these large national corporations and other domestic enterprises.
- Appropriate policies are required to enhance the efficiency of capital utilization in key industries, particularly in capital-intensive sectors. Enterprises should prioritize the management and utilization of fixed assets within their operations to improve the overall utilization efficiency of capital.
- Implement solutions to improve efficiency (TE, PTE, SE) and TFP (TEC, TC, SEC); improve the institutional environment, promote international integration, effectively respond to external shocks + enhance the internal factors of enterprises, etc. ... ➔ **Increase productivity + Great growth potential of the economy.**
- Promote the application of science and technology:
  - ✓ Encourage the development and implementation of national-level scientific projects to enhance productivity in key industries through the application of science, technology, and innovation. This includes innovations in product development, production processes, business models, marketing, and organizational structures. Identifying the components of these innovations will provide a foundation for establishing productivity measurement criteria linked to science, technology, and innovation activities in these sectors.
  - ✓ Effectively implement the Science, Technology, and Innovation Strategy to support the development of the Industry and Trade sector until 2030 (issued under Decision No. 2795/QĐ-BCT dated October 30, 2023).
  - ✓ Accelerate automation, digital transformation, innovation, Big Data, AI, etc., ➔ **Increase Productivity.**
  - ✓ Upgrade technology towards green production to meet BAM, EUDR, CCA, FPF, MCA standards, and other green initiatives.

## ➤ General solutions for enterprises

- ✓ Identify a suitable production model
- ✓ Improve production management
- ✓ Innovate machinery, equipment, and technological processes
- ✓ Enhance the quality of human resources
- ✓ Improve product quality
- ✓ Develop an ecosystem that supports productivity, quality, and innovation improvements within enterprises
- ✓ Support small and medium-sized enterprises in improving productivity, quality, and innovation
- ✓ Develop supporting industries and increase the value-added ratio/revenue of sectors
- ✓ Participate in productivity benchmarking systems for enterprises



**THANK YOU!**