

Read Vietnam Trend

Declining presence of Japanese companies in Vietnam

Abstract

Japan used to rank first in terms of FDI in Vietnam, however, in recent years, Japan has been overtaken by South Korea and China is closing in behind. By using B&Company's database, we analyzed the presence of Japanese companies in Vietnam in term of revenue and revenue performance relative to the amount invested. The results showed that Japan was lagging behind other countries such as South Korea, Singapore, and China in their presence in Vietnam

Introduction

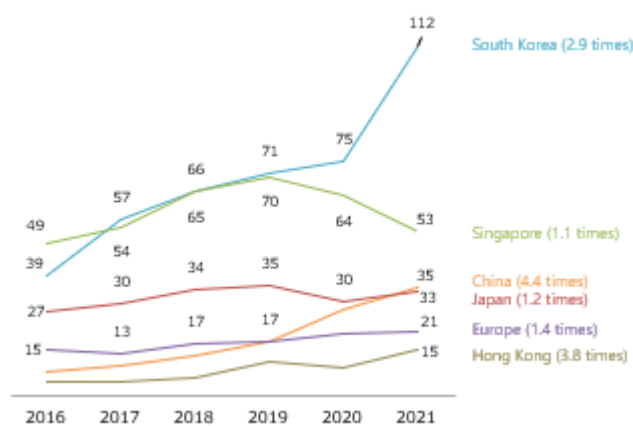
Japan used to rank first in terms of FDI (foreign direct investment) in Vietnam. In recent years, Japan has been overtaken by South Korea, and China is closing in behind. There have been whispers of a decline in Japan's share of not only the amount of FDI and trade, but also in the number of residents in Vietnam.

In term of the presence and business results of foreign countries in Vietnam, FDI enterprises accounted for about 23% of Vietnam's GDP (gross domestic product) in 2022. In this report, we analyzed data on sales, profits, investment, and number of employees of 17,250 FDI enterprises in 2021.

Japanese enterprises were lacking behind

First, by revenue of FDI enterprises, South Korea accounted for the largest proportion with about 30%, and was growing rapidly. China had a similarly high growth rate like South Korea and overtaken Japan in 2021.

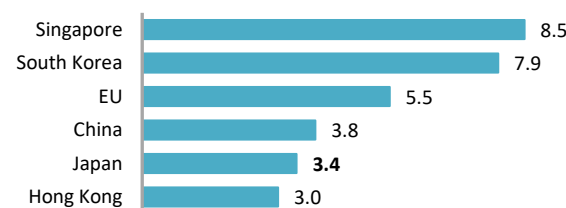
Revenue of FDI enterprises (billion USD) (5-year growth)



Source: B&Company

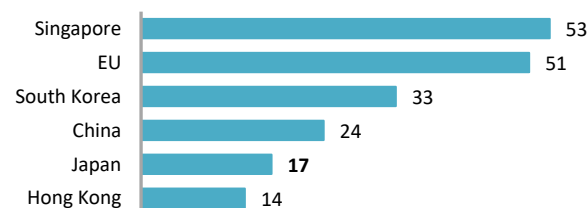
Next, when looking at revenue and profit of FDI enterprises relative to the amount invested in 2021, Singapore ranked first. South Korea was also about twice as large as Japan. On the other hand, EU ranked third in terms of sale/ investment and ranked second in terms of profit/ investment.

Revenue/Investment in FDI enterprises (times)



Source: B&Company

Profit/Investment in FDI enterprises (%)



Source: B&Company

Of course, such comparisons are not simple, and it is impossible to say which management is better without considering differences in industry conditions. However, the result is that Japan had a declining presence in the industry and lags behind in terms of revenue and profits. In recent conversations with Japanese government officials, we heard the opinion that “Japan must increase its earning power”.

Some discussion about Japanese investment

Finally, when looking at the breakdown of large investments. As far as Japan have been able to ascertain since 2017, the largest Japanese investments were in power plants, energy, and real estate development. On the other hand, while South Korea and other top-ranked countries made a smattering of large factory investments of USD 1 billion or more in the manufacturing sector, Japan lags behind in large-scale investments.

What are the reasons for this? One possible factor is that South Korea is increasing its concentration in Vietnam as a trading and investment partner, while Japan is dispersing its investments among ASEAN countries. For this reason, the Vietnamese government has been calling for more active investment by Japan in areas such as semiconductors. In response to these demands, it is tempting to say that Japan has been contributing to infrastructure development, both in the form of ODA (official development assistance) and in the private sector. However, a declining presence is one reality that is casting a shadow over the partnership between Japan and Vietnam. We believe that this time, Japan has once again confirmed how far behind it is in terms of counting corporate activities.

B&Company, Inc.

The first Japanese company specializing in market research in Vietnam.

The company's website publishes the results of industry and consumer surveys in Vietnam.

<https://www.b-company.jp>

