

Media title: Vietnam to become next outsourcing hotspot

Author: Nam Phuong

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Vietnam to become next outsourcing hotspot

The latest report by PwC forecasts that outsourcing will be among the top five most attractive sectors for foreign investment in Vietnam.



PwC experts discussed the report's findings in Ho Chi Minh City

In a new report titled 'Spotlight on Vietnam' by PwC, business process outsourcing is highlighted as a key opportunity for foreign investors in the country, together with renewable energy, luxury hotels, modern agribusiness and the food sector, and retail banking.

The report, which was developed on the account of Vietnam's hosting of the APEC Economic Leaders' Week next month, pointed out that there is "tremendous room for growth" in Vietnam-based outsourcing. The industry has grown between 20 and 35 per cent annually over the past decade, reaching \$2 billion of revenue in 2015.

The two key drivers for outsourcing in Vietnam, according to PwC, are the rise of skilled workforce and improvements in infrastructure. Specifically, Vietnam welcomes 40,000 new IT graduates every year and 45 per cent of Vietnamese people are under 35 years of age. This demographic provides a steady supply of educated, young, and low-cost workforce for the country, which is also ideal for knowledge-intensive outsourcing services.

Regarding infrastructure, Internet and mobile phone connectivity in Vietnam has expanded dramatically. In fact, in only less than five years, more than 55 per cent of the Vietnamese population have come own a smartphone. This fast pace of connectivity provides a strong foundation for outsourcing work, said PwC.

"In the past decade, Vietnam has usually been known as a cheap production base for garment, textiles, and electronics parts. These activities provide no added value to the company and the country, while business process outsourcing does. The next generation of well-trained workers and

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better infrastructure can bring Vietnam up to higher-value-added outsourcing services,” said Dinh Thi Quynh Van, general director of PwC Vietnam.

In many countries around Asia, outsourcing has been an important contributor to economic development. The two most prominent destinations are India and the Philippines, which provide outsourcing services in IT, call centres or data management for North American, Australian, and European countries. These two countries boast a skilled workforce with good command of English and low wages.

In fact, it is estimated that outsourcing in IT takes up 5 per cent of India's GDP, generating close to \$150 billion of revenue for the country every year. Around three million people are employed in IT outsourcing alone, according to reports by India's outsourcing association.

Although smaller in scale, outsourcing also reached \$25.5 billion of revenue per annum in the Philippines, attracting 1.4 million workers.

According to Van, Vietnam will go through a similar development phase and emerge as the next hotspot for outsourcing. This is especially true as the wages in India and the Philippines are rising due to higher costs of living. Moreover, Vietnam has one added advantage as an upcoming manufacturing hub for companies moving out of China.

“The growth so far has been encouraging—Vietnam is already the second largest outsourcing partner for Japanese IT firms, just behind India. We hope to see many more industries in the future,” said Van.

Apart from ‘*Spotlight on Vietnam*,’ PwC will also publish the APEC CEO Survey on November 8. These reports are carried out as part of the firm's role as knowledge partner to the APEC CEO Summit 2017.

By Nam Phuong