The Construction and Building Materials in Vietnam

Overview

Vietnam is a rapidly emerging market, offering ground floor and growing opportunities for U.S. exporters and investors. Vietnam’s economic growth rate has been among the highest in the world in recent years, expanding annually at 6.5-8.3 percent, while industrial production has been growing at around 14-15 percent a year. This economic growth has been accompanied by a surge in construction activities, which has created a strong demand for building and construction materials.

A construction boom has been pushing the demand for construction materials far beyond locally produced supplies. As a result, prices have risen and builders have been forced to import huge quantities of cement, iron and glass.

According to the U.S. Statistics Office, building and construction material imports from the U.S. to Vietnam stood at US$28 million in 2006 and US$90 million in 2007, and industry experts estimate U.S. exports to increase to US$100 million in 2008. The U.S. currently supplies about 5% of this $2 billion market, and there continue to be significant selling opportunities in Vietnam for U.S. companies.

Market Demand

Currently, the most common types of buildings being constructed in Vietnam are large hotels, offices and residential housing projects. This new construction requires large quantities of interior finishing materials as well as core building materials. In addition to hotels, commercial real estate and residential housing, there are many projects being planned for large scale department stores, shopping malls, entertainment parks, karaoke lounges, bars and restaurants.

In recent years, Vietnam's building materials manufacturers have been unable to meet the demand from contractors for more and better hardware. While Vietnam claims abundant potential for
production of building materials, including limestone used in cement production; white sand for glass; and granite and marble, it lacks the required technology to refine these resources into usable products. Local manufacturers have supplied mostly low-priced and low-end interior finishing products to developers of residential and office projects. It is estimated that 20% of the overall building and construction market is served by local production and 80% is served by imported products.

Due to the lack of advanced technology equipment to manufacture high end products, domestic manufacturers of basic building and construction materials are unable to satisfy demand in the whole of the country. As a result, domestic producers are unable to compete for well over a billion dollars of business that goes to foreign manufacturers.

As a result, on August 29, 2008, the Prime Minister approved the Master Plan to develop the building materials industry through 2020. According to the plan, the government will focus on investing and developing a number of basic building materials such as: cement, ceramic bricks, sanitary wares, construction glass, building materials, roofing material, marble, interior finishing products, and new and friendly environmental materials. One of the key components of the plan is that the indigenous building material manufacturing industry should meet an increasing amount of local market demand and select key products to produce for export.

_by Ngo Minh Phuong_

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