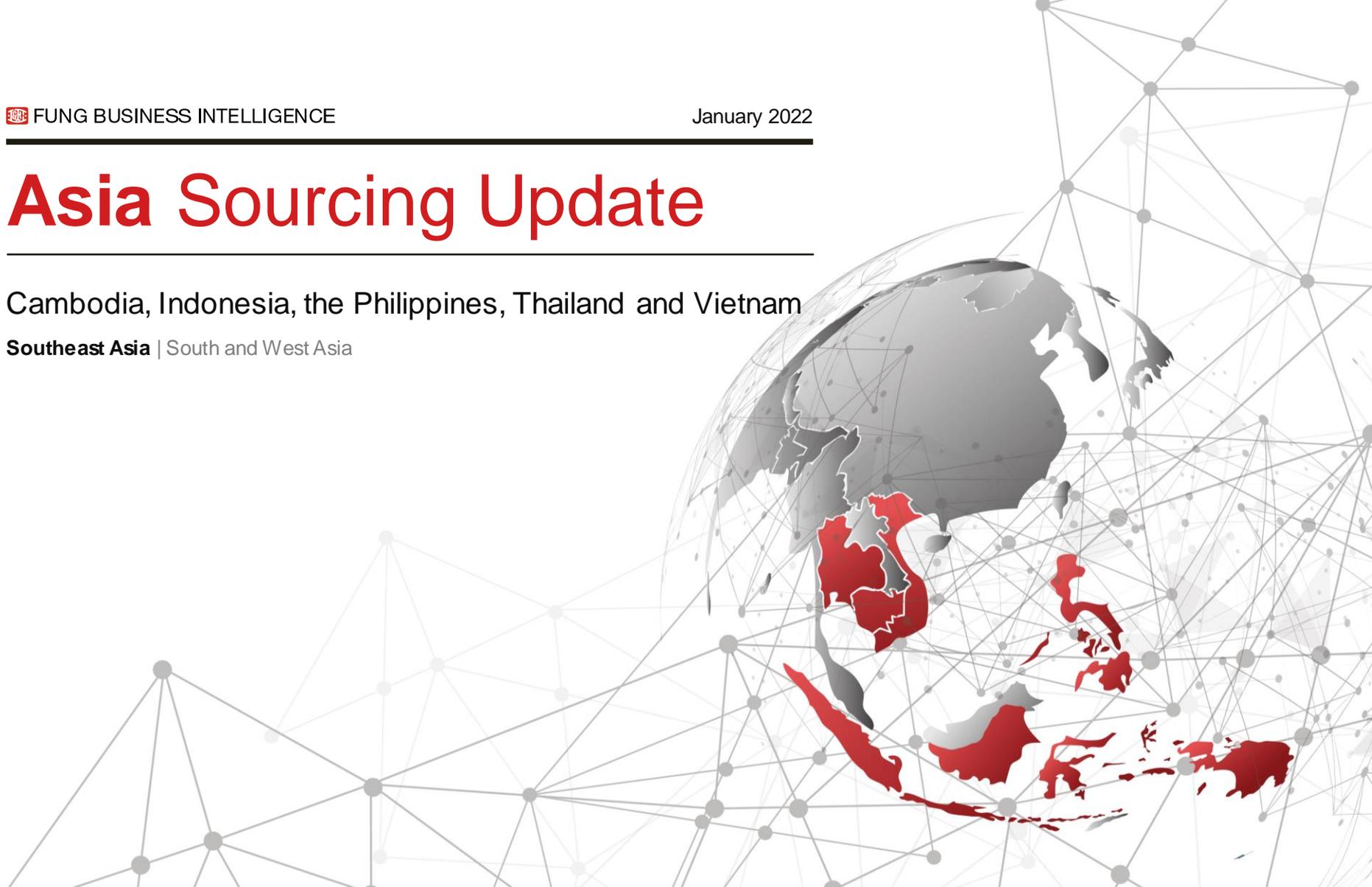


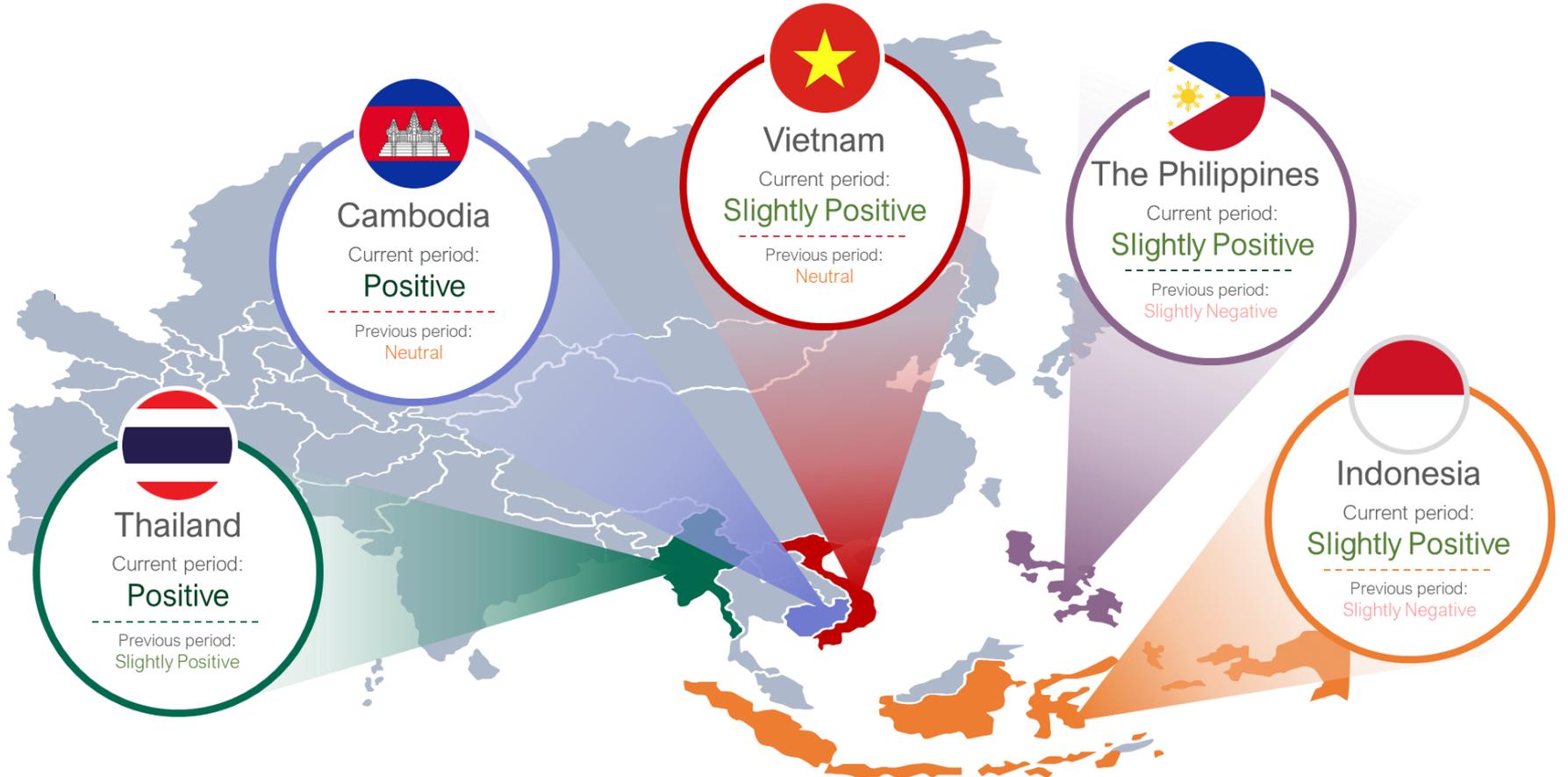
Asia Sourcing Update

Cambodia, Indonesia, the Philippines, Thailand and Vietnam

Southeast Asia | South and West Asia



Highlights: 12-month sourcing outlook



Cambodia

Fast facts



CPI (Sep 2021)
+2.96% yoy



Exchange rate (USD: KHR, as of 29 Nov 2021)
4,069 (0.6% depreciation year-to-date)



Merchandise exports (Sep 2021)
+10.2% yoy ▲



Garments
+35.0% yoy ▲



Footwear
+65.2% yoy ▲



Electrical parts
+25.6% yoy ▼



Bicycles
+20.6% yoy ▼

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period

Source: National Bank of Cambodia

12-Month Sourcing Outlook: Positive

Cambodia's economy is projected to grow 2.2% in 2021 and 4.5% in 2022, according to the latest *Economic Update for Cambodia* released by the World Bank in December 2021. The World Bank adjusted downward its earlier forecast for the country's 2021 growth on account of the slow growth in the service sector and in the construction and real estate sector. However, the strong growth in Cambodia's manufacturing sector, especially the garment, travel goods, footwear, and bicycle manufacturing, as well as agriculture, will support the continuous recovery of the Cambodian economy in the coming months.

Cambodia

Latest Developments

FBIC's take

Macroeconomic Trends

Cambodian merchandise exports (excluding gold) increased by 23.0% yoy to US\$12.6 billion in the first nine months of 2021.

During the first nine months of 2021, garment, the largest export category of Cambodia and accounting for 45.9% of Cambodia's total goods exports, grew by 6.8% yoy to US\$5.8 billion.

During the same period, exports of travel goods were up 47.3% yoy to US\$4.0 billion, surpassing the export earnings of footwear products and becoming the second-largest export item of Cambodia (accounting for 8.2% of total exports). Exports of footwear products ranked third, reaching US\$1.0 billion (7.9% of total exports) with a 17.9% yoy increase. The fourth-largest manufacturing export category is bicycles, exports of which amounted to US\$0.5 billion, up 24.1% yoy.

- Cambodia's exports have accelerated further since the start of the second half of 2021 thanks to the improved external demand. In September, goods exports to the US, Cambodia's largest export market, surged 31.9% yoy to US\$3.4 billion.
- However, it should also be noted that, as new COVID-19 variants continue to emerge, any renewed spread of the virus could put the country's export growth at risk.

Labour and Compliance

The monthly minimum wage for factory workers in the garments, textiles and footwear sectors has been set at US\$194, effective since 1 January 2022, following days of tripartite talks between employers, unions and the government in September 2021. The figure represents a US\$2 increase from last year's minimum wage. The 2021 minimum wage is US\$192 per month, up from US\$190 in 2020, US\$182 in 2019, and US\$170 in 2018.

- Cambodia's garment, textile, and footwear industries are vital to the country's economy, as they account for some 80% of total exports and employ over 700,000 workers, making them Cambodia's largest employer.
- The increase in minimum wages has long been a balancing act for the Cambodian government who is keen to keep costs low for investors and businesses while also trying to satisfy influential unions who have held strikes in previous years.
- Representatives of national unions had asked for an increase to US\$204 per month, but this was ultimately declined.

Cambodia

Latest Developments

FBIC's take

Policy and Regulations

Cambodia's first Law on Competition was approved by the Senate on 20 September and came into effect on 6 October. The law is composed of seven chapters and 41 articles. It addresses three key prohibitions: anti-competitive agreements, abuses of a dominant position, and anti-competitive business combinations (behaviours that significantly prevent, restrict, or distort competition in the market). The law also sets the framework for investigations, decisions, penalties and the regulatory authorities.

On 15 October, Cambodia promulgated its new Law on Investment. This law consists of 12 chapters and 42 articles. The law brings a new legal framework conducive to foreign investment, notably by establishing an important investment incentive scheme for 19 sectors, including investment in digital infrastructure; environmental management, protection, and energy efficiency; tourism; training and upskilling; logistic supply chains; research and development; infrastructure; and many others.

Sihanoukville Autonomous Port (PAS) has extended the storage grace period from five to seven days from 1 October 2021 for export containers passing through the Cambodia's sole deep-sea port, which will ease the burden for exporters.

- Adopting a competition law was one of Cambodia's key commitments to the Association of Southeast Asian Nations (ASEAN) and the World Trade Organization. Cambodia has been working on its competition law since 2006. With the passage of Cambodia's competition law this year, all ten members of the ASEAN now have competition laws in place.

- From its promulgation date, the new investment law replaces the existing 1994 Law on Investment and the 2003 Law on the Amendment to the Law on Investment.
- It is designed to provide a comprehensive, transparent and predictable legal framework to attract both domestic and foreign investment to support the socio-economic development of the country.

- The two-day extension of the demurrage-free period was motivated by a meeting between PAS and representatives of shipping companies back on 30 August, with an aim to support business and trade, and to address some of the challenges facing the transportation and logistics sectors.

Cambodia

Latest Developments

FBIC's take

Policy and Regulations

Cambodian government rolled out the 10th round of economic relief measures in October 2021. The relief measures are targeted on the severely-hit textile, garment, footwear, travel goods and tourism sectors. Unemployed workers in the garment, footwear and travel goods sectors would continue receiving US\$40 from the government and US\$30 from the suspended factory per month for another three months from October to December, while the jobless in tourism would receive US\$40 a month from the government for the same period.

The government also extended tax holidays for airline companies and tourism-related businesses for another three months from October to December 2021.

- This round of measures is another effort of the Cambodian government to mitigate the impact of COVID-19 crisis on social and economic sectors and to support and restore businesses as the country still grapples with the pandemic.
- The supporting package was generally welcomed by business communities. They agreed that it will help relieve the burdens on workers and employees in tourism and garment and textile sectors. But they also hoped that the government could consider providing financial assistance or low-interest loans to the business owners as they were also suffering from the pandemic.

FTAs & Trade Agreements

The Cambodia-Korea Free Trade Agreement (CKFTA) was signed on 26 October 2021 and will enter into force 60 days after both sides have deposited their instrument of ratification.

According to the spokesman of the Cambodian Ministry of Commerce, the agreement would provide more than 10,000 Cambodian goods duty-free access to South Korea, creating huge opportunities for Cambodian agricultural and agro-industrial goods; finished textile-based products such as garments, footwear and travel bags; rubber; spare parts and electronic components; and light industrial products.

Phnom Penh and Beijing agreed in November to bring the bilateral Cambodia-China Free Trade Agreement (CCFTA) into force in January 2022. The two sides also renewed a pledge to boost bilateral trade to US\$10 billion per annum, according to Cambodian Prime Minister Hun Sen.

- The idea of signing a bilateral free trade agreement between the two countries was raised by the Cambodia Prime Minister Hun Sen in March 2019 and the negotiations were concluded on 3 February 2021.
- The CKFTA will help to revive Cambodia's economy through the promotion of free trade between the two nations, creating incentives for foreign investors to look into Cambodia for investment, especially at a time when Cambodia's duty-free access to the European Union under the Generalized System of Preferences (GSP) was partially withdrawn. On the other hand, South Korea is keen to promote its cooperation with Southeast Asian states under its 'New Southern Policy' to reduce its economic and political reliance on China and the US.
- The CCFTA was signed on 12 October 2020. After taking effect, it will bring the proportion of zero-tariff products in the goods being traded between China and Cambodia to more than 90% for both countries.
- This can be considered as another effort of Cambodia to diversify its economic partnership and to expand its export markets and support its export sector.

Cambodia

Latest Developments

FBIC's take

Infrastructure

Phnom Penh Autonomous Port (PPAP) has officially opened its new container terminal on 18 September 2021, upgrading the port's full capacity in handling container from 300,000 twenty-foot equivalent units (TEUs) to 400,000 TEUs per year. The construction of the US\$18.4 million container terminal began in 2019 and was completed in mid-2021, according to the Director General of the PPAP.

In October 2021, the first month after the new terminal was in operation, the throughput of the PPAP increased 57% yoy to 32,441 TEUs.

In October, Cambodia's Ministry of Economy and Finance entered into a consultancy contract with the Urban Planning and Design Institute of Shenzhen, China for the transformation of the Sihanoukville province, also known as Preah Sihanouk province, into a multi-purpose special economic zone (SEZ), after Cambodian Prime Minister Hun Sen signed a sub-decree to upgrade the Preah Sihanouk province to a multi-purpose SEZ on 9 June 2021

The multi-purpose SEZ aims to become a major economic zone in Southeast Asia, empowered by smart technology, as well as an advanced industrial zone serving regional and global production chains.

- The new terminal in the PPAP was built to cope with the ongoing growth of container traffic at the port. In the first 10 months of 2021, container throughput of the port rose more than 19% yoy to 288,848 TEUs.
- According to the Director General of the PPAP, a new project has been planned to further expand the annual capacity of the container terminal to 500,000 TEUs. The construction of the project is designed to start in 2022. The PPAP is also setting a long-term goal of upgrading the port's annual handling capacity to 900,000 TEUs.

- Sihanoukville province's new status as a multi-purpose SEZ reflects the Cambodian government's ambitions to further develop the province into a major player in export-driven manufacturing and trade.
- It should be noted that the current Sihanoukville SEZ located inside the Sihanoukville city, the capital of Sihanoukville province, has already been Cambodia's largest SEZ, contributing to the city's emergence as an economic centre alongside Phnom Penh, the capital city, and Siem Reap, the second-largest city of the country.
- With greater investments in infrastructure and incentives by the government, the Sihanoukville province stands to become one of the most attractive locations for foreign investment into Cambodia.

Indonesia

Fast facts



GDP (Jul-Sep 2021)
3.5% yoy ▼



Manufacturing PMI (Nov 2021)
53.9 ▲



CPI (Nov 2021)
+1.8% yoy



Merchandise exports (Oct 2021)
+53.3% yoy ▼



Textiles and textile products
+31.5% yoy ▼



Footwear
+28.2% yoy ▲



Sports requisites
+34.5% yoy ▼



Furniture
+16.5% yoy ▼



Exchange rate (USD: IDR, as of 30 Nov 2021)
14,320 (1.5% depreciation year-to-date)

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period

Source: StatisticsIndonesia, BankIndonesia, IHS Markit

12-Month Sourcing Outlook: Slightly Positive

After achieving a strong economic growth of 7.1% in the second quarter of 2021, an all-time high record in nearly two decades, Indonesia's economy growth slowed down to 3.5% yoy in the third quarter amid the new wave of COVID-19. The economy has started to recover following the easing of pandemic lockdown in the later part of the third quarter, with several indicators showing improvement including loan demand, export earnings and business confidence.

The government is optimistic that the Indonesian economy would grow around 5.5-6% in the fourth quarter, driven by the increase in exports, consumption and investment, and the support of the COVID-19 vaccination scheme and stimulus policies.

Indonesia

Latest Developments

FBIC's take

Macroeconomic trends

Indonesia's exports reached US\$22.0 billion in October 2021, up by 53.4% yoy, an all-time high record. During the same month, oil and gas exports surged by 66.8% yoy. Non-oil and gas exports also jumped by 52.8% yoy.

- In October 2021, the country recorded a trade surplus of US\$5.7 billion, a surplus record in 18 consecutive months.
- The US, China and the Philippines were the largest contributors to the trade surplus.
- In terms of commodities, the major contributors to the trade surplus were fuels, vegetable and animal fats and oils, as well as iron and steel.

Trade Dispute

Indonesia attended a session held by the World Trade Organization in November 2021 as a follow-up to a law suit filed by the EU against Indonesia's nickel ore export ban. As nickel ore is a vital ingredient for stainless steel production, the nickel ore export ban may affect the overseas stainless steel industry.

- Nickel is one of the important strategic commodities for Indonesia's national economy. Indonesia bans the exports of nickel ore, effective on 2 January 2020, and requires nickel to be processed in Indonesian smelters before being sold overseas.
- Indonesia's President claims that the nickel ore export ban is aimed at developing the country's nickel downstream industry for the sake of its people and sustainability. Instead, he welcomes foreign businesses to establish or invest in smelter facilities in Indonesia.
- The President also notes that Indonesia will also ban raw material exports of bauxite and copper in the future, once the installation of the refining and processing smelters has been completed.

Indonesia

Latest Developments

FBIC's take

Policies and regulations

The Indonesian government launched the National Economic Recovery (PEN) programme in 2020. The total budget for the PEN stimulus is 744.8 trillion rupiah (US\$52.1 billion). As of 19 November 2021, 67% of the budget had been realised. Deputy Finance Minister Suahasil Nazara expected a 95% realization of the PEN stimulus to be achieved by the end of 2021.

- The deputy minister expected high realisation of stimulus for various areas by the end of 2021, including business incentives, micro-, small- and medium-sized companies (MSMEs) and cooperatives, the healthcare sector and social protection.
- As of 19 November 2021, 99.4% of the PEN stimulus for business incentives had been realized. The high realisation in business incentives drives a significant boost for economic activities, despite mobility restrictions in summer 2021. According to the deputy minister, the stimulus for business incentives may surpass 100% realization of the budget of 62.4 trillion rupiah (US\$4.4 billion) by year-end of 2021.
- In contrast, the PEN realisation for MSMEs and cooperatives was only 50.4% at 81.8 trillion rupiah (US\$5.8 billion). The deputy minister projected that the PEN realisation for MSMEs and cooperatives would reach 90% of the budget target of 162.4 trillion rupiah (US\$11.5 billion) by year-end of 2021.

Indonesia's Constitutional Court found that the Job Creation Law, passed in October 2020, was not deliberated and thus declared the law unconstitutional on 25 November 2021. The court ordered the government to amend the law within two years.

- The law, ratified in 2020, was met with widespread opposition, particularly from labour unions, students and environment activists. The critics argued that the law, mainly focus on streamlining bureaucratic procedures and boosting investment, would undermine job security, wages and labour rights and damage the environment.
- The law has been given a reprieve and will remain valid for a grace period of two years. If there is no improvement after the grace period, the law will be permanently unconstitutional.

The court suspended all strategic and significant actions and policies, including not issuing new regulations related to the law during the amendment period. All derivative articles of the law that have not been issued will be postponed.

The Philippines

Fast facts



GDP (Jul–Sep 2021)
+7.1% yoy ▼



Manufacturing PMI (Nov 2021)
51.7



CPI (Nov 2021)
+4.2% yoy



Merchandise exports (Oct 2021)
+2.0% yoy ▼



Woodcrafts and furniture
-0.1% yoy ▼



Garments
-14.0% yoy ▼



Travel goods and handbags
+83.5% yoy ▼



Exchange rate (USD: PHP, as of 29 Nov 2021)
50.458 (4.81% depreciation year-to-date)

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period

Source: Philippine Statistics Authority, IHS Markit, Bangko Sentral ng Pilipinas

12-Month Sourcing Outlook: Slightly Positive

The Philippine economy grew by 7.1% yoy in the third quarter of 2021, after a high growth of 12.0% in the second quarter. The economy grew at an average of 4.9% for the first three quarters of 2021, in line with the government target of an average of 4% to 5% growth for 2021.

The IHS Markit's Philippines Manufacturing PMI stood at 51.7 in November, an eight-month high, signaling a recovery in operating conditions in the Philippines manufacturing sector. A series of relaxations of COVID-19 restrictions will further boost the economy. However, we should also note that firms will continue to face global shortages of raw materials with delivery delays and intense cost pressures in the coming months.

The Philippines

Latest Developments

FBIC's take

Macroeconomic Trends

The Philippines' exports from January to October 2021 increased by 16.1% yoy to US\$62.1 billion. In October alone, exports increased by 2.0% yoy to US\$6.4 billion.

Electronic products continued to be the country's top exports in October, with total export value of US\$3.7 billion, up 2.0% yoy. This amount accounted for 57.0% of the country's total exports during the month. This was followed by other manufactured goods (US\$350.2 million, accounting for 5.5% of the total export value); other mineral products (US\$298.5 million, 4.7%); machinery and transport equipment (US\$227.7 million, 3.6%); and chemicals (US\$178.2 million, 2.8%).

China is the Philippines' largest export market, accounting for 15.8% of the latter's total exports value in October (US\$1.0 billion), followed by the US (US\$962.3 million, 15.0%), Hong Kong (US\$865.6 million, 13.5%), Japan (US\$859.7 million, 13.4%), and Singapore (US\$390.6 million, 6.1%).

The Philippines' net inflow of foreign direct investment (FDI) during the period of January – September 2021 increased by 43.8% yoy to US\$7.3 billion. In September 2021, net FDI inflow to the Philippines jumped 30.4% yoy to US\$659.6 million, the fourth straight month of growth after a fall of 21.7% yoy in May.

Singapore was the largest foreign investor, with a net FDI inflow of US\$505.5 million in January – September 2021; followed by Japan (US\$400.0 million), the US (US\$86.6 million) and Hong Kong (US\$41.7 million).

The FDI inflows were directed mainly to manufacturing, real estate, professional, scientific and technical, and construction sectors.

- The Philippines' exports have been increasing for eight consecutive months since March. The year-to-date figure from January to October also exhibits continued recovery momentum after hitting a trough in 2020, sustaining an upward trend with the expansion of global trade.
- However, it should also be noted that the year-on-year growth rates slowed in September and October, indicating that the outlook on goods trade may be tentative as it continues to be clouded by uncertainty over the pace of global and domestic recovery, especially amidst the emergence of the new COVID-19 Omicron variant.

- FDI to the country grew strongly in the first three quarters of 2021, surpassing the target set for the year (US\$7 billion FDI inflows) by the government. The surge in FDI inflows indicated a recovered confidence of foreign investors in the country's economic future.

The Philippines

Latest Developments

FBIC's take

Industry development

The Department of Science and Technology (DOST) announced in December that the Philippine government is preparing to set up a new Regional Yarn Production and Innovation Center (RYPIC) in Northern Luzon, after one was set up in Iloilo. The government has also planned to set up four more such centers across the country in the next four years.

- The RYPIC projects are part of the DOST Inclusive Innovation Textiles Empowering Lives Anew (i2TELA) program, led by the DOST and the Philippine Textile Research Institute (DOST-PTRI). The RYPIC is a microscale yarn spinning facility, which aims to produce crafted yarns from different blends of natural textile fibers.
- Aside from yarn production, the RYPIC in the Northern Luzon will also serve as an innovation hub to promote textile research and development activities in the region and provide technical support to micro, small, and medium enterprises in the fashion industry.

Infrastructure

On 8 November 2021, the Bangko Sentral ng Pilipinas (BSP) and the Monetary Authority of Singapore (MAS) signed an enhanced FinTech Cooperation Agreement (CA) to facilitate interoperable payments between Singapore and the Philippines. The enhanced CA builds on the earlier 2017 agreement to broaden the scope of FinTech collaboration and partnership between MAS and BSP.

- The enhanced CA will facilitate the linkage of both countries' real-time and QR payment systems, so as to provide instant, seamless and low-cost cross-border payments.
- As Singapore is one of the key trading partners and major source of remittances of the Philippines, seamless e-payment linkages between the two countries will benefit overseas Filipinos and the Philippines' trading and tourism businesses.
- The Governor of the BSP described the linkage of the two countries' payment systems as the first step of the Philippines' initiative to connect its payment system with those of the rest of the ASEAN members.

Thailand

Fast facts



GDP (Jul–Sep 2021)
-0.3% yoy ▼



Manufacturing PMI (Nov 2021)
50.6 ▼



CPI (Nov 2021)
+2.7% yoy



Merchandise exports (Oct 2021)
+17.3% yoy ▲



Textiles and apparel
+11.8% yoy ▼



Furniture
+12.2% yoy ▲



Footwear
+37.6% yoy ▲



Exchange rate (USD: THB, as of 30 Nov 2021)
33.690 (11.1% depreciation year-to-date)

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period

Source: National Economic and Social Development Council, Ministry of Commerce, Bank of Thailand, IHS Markit

12-Month Sourcing Outlook: Positive

Thailand's GDP decreased by 0.3% yoy in the third quarter of 2021, in contrast to an increase of 7.5% yoy in the second quarter. The contraction resulted mainly from the ongoing and widespread outbreaks of the COVID-19 in the third quarter.

However, there are signs of strong recovery of the Thai economy in the next few months: IHS Markit's Manufacturing PMI indicator for Thailand bounced back into expansion territory in October with a value of 50.9 and November with 50.6, signaling the improved health of the Thai manufacturing sector. The five consecutive months prior to October saw PMI values below the neutral point of 50.0. A pilot tourism programme on the islands of Phuket and Samui brought 20,272 foreign visitors to the country in October 2021, up from 1,201 in the same period a year earlier; and more than 100,000 international tourists booked trips to Thailand within two weeks after the quarantine-free reopening on 1 November. Meanwhile, strong export growth also provided substantial support to the recovery of the Thai economy.

Thailand

Latest Developments

FBIC's take

Macroeconomic Trends

Thai exports increased 15.3% yoy in the third quarter of 2021 to US\$67.7 billion.

The US is Thailand's biggest export market in the third quarter, accounting for 15.9% of Thailand's total export value in the period, followed by China (14.8% of total export value), Japan (9.2%), and Hong Kong (4.4%).

Key export products in the third quarter included electronics (US\$10.9 billion, 16.3% of total export value), automotive (US\$9.5 billion, 14.1%), agro-manufacturing products (US\$8.6 billion, 12.8%), and machinery & equipment (US\$5.6 billion, 8.3%).

In the first nine months of 2021, Thailand's Board of Investment (BoI) received applications for 1,273 projects with a total investment value of 520.6 billion baht (about US\$15.3 billion), up 23% yoy and 140% yoy respectively. This value has already exceeded the total investment value of the whole 2020, which was 432.0 billion baht.

The investments pledged were mainly in the electronics and electrical sector, the medical equipment sector and the petrochemical and chemical sector, with a total value of 269.7 billion baht, or 52% of the overall investment value pledged, in the period.

Foreign direct investment (FDI) applications received by the BoI during the first nine months of 2021 increased 220% yoy to 372.1 billion baht (about US\$11.0 billion), with 587 projects in total.

The top three foreign investors in the period were Japan (67.8 billion baht or US\$2.0 billion), the US (26.9 billion or US\$0.8 billion) and Singapore (26.8 billion baht or US\$0.8 billion).

- Thai exports growth maintained its fast pace in the third quarter, despite the tougher COVID-19 restrictions imposed in July and August. The good performance in the third quarter was supported by its trade partners' economic recovery, a weak baht and government trade promotion.
- It is believed that exports would post strong growth in the last quarter of 2021, following September's easing of COVID-19 restrictions, and thus the 4% export target for 2021 set by the government should be well within reach.

- Thailand's investment application boom in the first nine months of this year continued to be driven by the growth in FDI. The value of FDI applications was more than two times over the same period last year and accounted for 71.5% of the total (i.e., domestic and foreign) investment value pledged in the period.
- The encouraging increase in the investment applications demonstrates investors' confidence in Thailand's strengths in key industries, despite the waves of COVID-19 breakouts.

Thailand

Latest Developments

FBIC's take

FTAs & trade preferences

On 28 October 2021, Thailand completed the ratification of the Regional Comprehensive Economic Partnership (RCEP) upon depositing the instrument of ratification with the secretary-general of the Association of Southeast Asian Nations (ASEAN).

- The RCEP is the 14th free trade agreement of Thailand. More than 29,000 Thai export items out of a total of 40,000 will become the first batch to receive a tariff waiver after the RCEP takes effect. The remainder will see their tariffs gradually reduced to zero in 10-20 years, based on the respective conditions of each RCEP member.
- As of 2 November 2021, six ASEAN members (Brunei, Cambodia, Lao PDR, Singapore, Thailand, and Vietnam) and four non-ASEAN countries (Australia, China, Japan, and New Zealand) have ratified the RCEP. The agreement then entered into force on 1 January 2022.

According to Reuters in late November, Thailand deputy government spokeswoman Rachada Dhnadirek said that Thailand was planning to participate in talks to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

- The CPTPP was launched in 2019 to remove trade barriers among 11 nations representing nearly 500 million consumers in Asia Pacific. The pact replaced the Trans-Pacific Partnership, a similar trade deal that had included the US until the Trump administration decided to withdraw.
- The Thai government has continuously expressed interest in joining the CPTPP, amid widespread concern domestically about its harm to the agriculture sector. In April 2020, the cabinet shelved a decision on CPTPP membership following stiff opposition from politicians, civil society groups and prominent social figures. The cabinet then agreed in May 2020 to set up house standing panels to study the impact of joining the pact.
- The latest news indicates the Thai government's determination to join this trade bloc.

Vietnam

Fast facts



GDP (Jul-Sep 2021)
-6.2% yoy ▼



Manufacturing PMI (Nov 2021)
52.2 ▲



CPI (Nov 2021)
+2.1% yoy



Merchandise exports (Nov 2021)
+26.3% yoy ▲



Textiles and garments
+35.9% yoy ▲



Toys and sports goods
+5.2% yoy ▲



Wood and wooden products
+2.9% yoy ▼



Footwear
+3.9% yoy ▲



Exchange rate (USD: VND, as of 30 Nov 2021)
23,139 (0.04% depreciation year-to-date)

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period

Source: General Statistics Office of Vietnam, General Department of Vietnam Customs, IHS Markit, The State Bank of Vietnam

12-Month Sourcing Outlook: Slightly Positive

Vietnam's business has resumed normal operations and the number of export orders has skyrocketed since October 2021. The Vietnam Manufacturing Purchasing Managers' Index increased to 52.2 in November from 52.1 in October, showing a successive improvement in business conditions following a period of decline since the resurgence of COVID-19 began in late April 2021.

During the first 11 months of 2021, the country's trade value surged by 22.3% yoy to US\$599.1 billion. Foreign businesses and investors have also expressed their optimism regarding the development prospects of Vietnam's manufacturing sector. However, the emergence of new COVID variants clouded the near-term outlook of the economy.

Vietnam

Latest Developments

FBIC's take

Macroeconomic Trends

Vietnam exports reached US\$299.7 billion in the first 11 months of 2021, representing a year-on-year growth of 17.5%. In November, exports reached US\$29.9 billion, marking a rise of 18.5% yoy and 3.6% from the previous month .

The US remained the largest market of Vietnamese products, with US\$84.8 billion of Vietnam's exports going to the US in the first 11 months, up by 22.2% yoy. It was followed by China (US\$50.5 billion), the EU (US\$35.7 billion), ASEAN (US\$25.9 billion), the Republic of Korea (US\$20 billion) and Japan (US\$18 billion).

- It is estimated that total trade value of Vietnam will reach between US\$640 billion and US\$645 billion in 2021, and the country is expected to record a trade surplus for 2021, according to the Ministry of Industry and Trade.
- However, the country is facing a number of challenges, which may hinder the economic recovery, including labour shortage, high logistics costs and unsynchronized anti-pandemic measures at localities.

Industry development

In mid-November 2021, the American Chamber of Commerce in Vietnam (AmCham) conducted a survey on over 550 member companies and 2,000 individual representatives of AmCham. Around 80% of the businesses remained optimistic about the medium and long-term prospects of Vietnam.

When asked about the business outlooks for Vietnam, 25% of the enterprises expected the business get back to normal by the end of the year, while 37%, 29%, and 6% of the respondents expected to resume normal operations in the first quarter of 2022, the second quarter of 2022, and the second half of 2022, respectively.

When asked about the business expansion in Vietnam, 29% of the respondents said they were planning to expand operations, 49% said they would stay in Vietnam and increase their investment. 18% said they would stay but target new investments elsewhere. And 3% would stay but would shift part of their production elsewhere.

- According to AmCham, the number of AmCham members continues to grow and quite some companies are keen on injecting additional investment into Vietnam amid the COVID-19 pandemic. It reflects that the Vietnamese market remains attractive to US manufacturers, who seek to diversify their supply chains. And US investors are expecting to benefit from the free trade agreements that Vietnam has signed with other countries.
- However, international and domestic travel restrictions, supply chain disruptions and labour shortages may hinder the development of US businesses in Vietnam. Also, US investors believe that synchronizing the anti-pandemic policies across the country is crucial for the nation's economic recovery.

Vietnam

Latest Developments

FBIC's take

Labour and Compliance

According to a survey conducted by headhunting agency Adecco Vietnam, over 43% of fresh university graduates expect a monthly salary of more than 10 million Vietnamese dong (around US\$435), and 31% want 6 to 10 million Vietnamese dong (around US\$261 to US\$435). However, only 27.5% of employers are willing to offer a job with a salary of over 10 million Vietnamese dong.

- Due to the pandemic, nearly 39% of enterprises have reduced recruitment demand, with nearly 19% reducing the demand by more than half.
- Over 59% of fresh graduates believe there are fewer job opportunities and 37% are worried about labour market instability.
- Adecco predicted that 62% of fresh graduates would seek new jobs in the coming six months, when there are more job openings.

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