

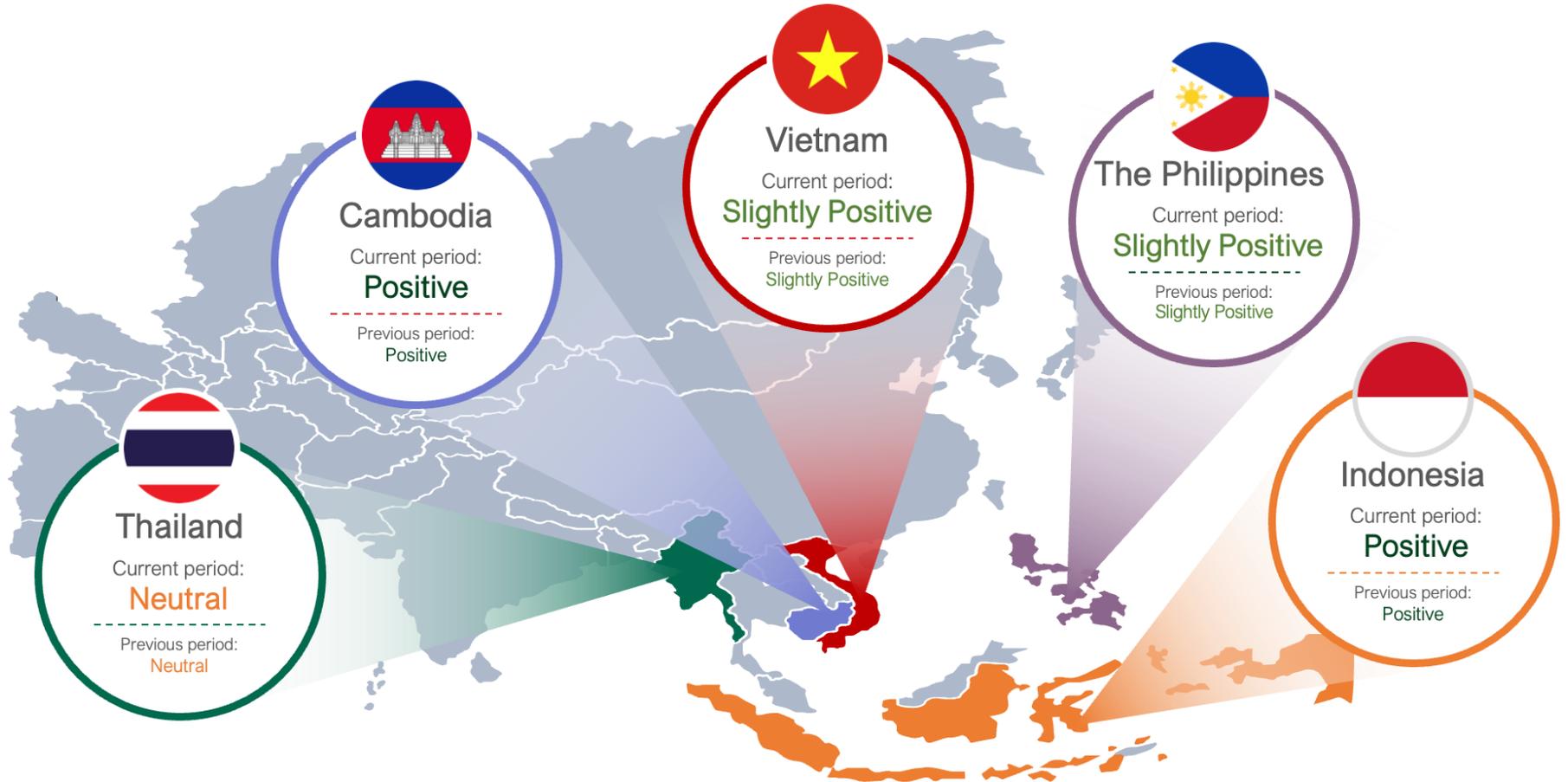
Asia Sourcing Update

Cambodia, Indonesia, the Philippines, Thailand and Vietnam

Southeast Asia | South and West Asia



Highlights: 12-month sourcing outlook



Cambodia

Fast facts



CPI (Mar 2024)
+0.03% yoy



Exchange rate (USD: KHR, as of 30 Apr 2024)
4,064 (0.52% Appreciation year-to-date)



Merchandise exports (Apr 2024)
-4.6% yoy ▼



Garments
+9.6% yoy ▼



Footwear
-5.8% yoy ▼



Electrical parts
-40.3% yoy ▲



Bicycles
-28.5% 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 grew by 5.5% yoy in 2023, despite weakening global demand and a slowdown in the real estate sector. Consumer Price Index increased by 0.03% yoy in March, the first positive growth since the start of 2024. The country's export sector also demonstrated resilience, registering double-digit growth for eight consecutive months from August 2023 to March 2024. This growth momentum is expected to continue despite a drop in April as American and European buyers in the GFT sector (garments, footwear, travel goods and other textile-related products) have been placing back orders since the start of 2024.

In its latest report issued in May 2024, the National Bank of Cambodia projects that Cambodia's economy will grow by 6.0% yoy in 2024. This confidence stems from the belief that the implementation of drastic measures aimed at improving business environment, upgrading infrastructure and logistics, and developing practical skills in the human resources sector will accelerate the economic growth. The International Monetary Fund, in its most recent forecast published in April, also projects the country's economic growth to reach 6.0% yoy in 2024, based on the anticipated recovery of regional and global economies.

Cambodia

Latest Developments

FBIC's take

Macroeconomic Trends

Cambodia's exports increased by 15.2% yoy to US\$8.0 billion in January to April 2024, according to the General Department of Customs and Excise.

During this period, the exports of the GFT sector increased by 17.3% yoy to US\$3.6 billion, accounting for 45.4% of Cambodia's total exports. Cereals were the second largest export category of the country with an export value of US\$835.3 million, up by 23.8% yoy and accounting for 10.4% of Cambodia's total exports in the same period. Electric machinery, equipment and parts ranked the third with an export value of US\$630.8 million, representing a share of 7.9% in total exports.

The US remained the biggest market for Cambodia's exports in the first four months of 2024, with an export value of US\$2.6 billion (accounting for 32.7% of Cambodia's total exports), followed by Vietnam (US\$1.7 billion, 21.4%), China (US\$486.7 million, 6.1%), and Japan (US\$436.9 million, 5.5%).

- Cambodia's exports had maintained growth momentum for eight months from August 2023 to March 2024, but decreased by 4.6% yoy in April 2024.
- Despite the decrease in April, Cambodia economic experts remain optimistic about the prospect of the country's export sector. According to the Sustainability and Garment Expert of the European Chamber of Commerce in Cambodia, American and European buyers in the GFT sector have been placing back orders since the start of 2024, and the trend may well extend to June or July this year.
- Secretary of State and spokesman of the Ministry of Commerce, Penn Sovicheat pointed out that the implementation of the Cambodia-China Free Trade Agreement (FTA) and the Regional Comprehensive Economic Partnership (RCEP) agreement added momentum to the country's export growth. In the first four months of 2024, Cambodia's exports to RCEP members jumped by 16.2% yoy and to China increased by 10.7% yoy.
- Meanwhile, the Cambodian government is focusing on improving trade infrastructure and enhancing the ease of doing business in the country. In addition, both the Cambodia-United Arab Emirates Comprehensive Economic Partnership Agreement, effective this January, and the ongoing negotiations for the Cambodia-EU FTA are expected to open new avenues for trade expansion.

Cambodia

Latest Developments

FBIC's take

FTAs, Trade Preferences and Investment Agreements

On 16 May 2024, Cambodian Prime Minister Hun Manet and South Korean President Yoon Suk Yeol witnessed the signing of four Memoranda of Understanding (MoUs), one agreement and one letter of intention aimed at expanding cooperation between the two countries in financial development, investment flow, intellectual property, drug management, vocational training and concessional loan for rural development.

The six documents were signed as part of the initiatives during Prime Minister Hun Manet's official trip to Seoul in 15-18 May with the intention to deepen partnerships and elevate multifaceted cooperation of the two countries to new heights.

During his trip, Prime Minister Hun Manet also raised two initiatives to promote trade and investment of Korean investors in Cambodia.

- Create a consultative mechanism by which Korean businesses can engage with the Council for the Development of Cambodia (CDC) twice a year. Such arrangements have been offered to firms and investors from Japan, the US and Europe.
- Create an exclusive special economic zone for Korean firms. This aims to foster an ecosystem for Korean businesses to create a supply chain model, and enable the Cambodian government to provide timely, custom-made solutions to the Korean business communities.

- South Korea is the 12th largest trading partner of Cambodia, with a bilateral trade of US\$751 million in 2023. Cambodia's exports to South Korea surged by 20.3% yoy to US\$281 million in 2023 after the Cambodia-South Korea FTA came into force in December 2022. Foreign direct investment stock from South Korea to Cambodia reached US\$5 billion in 2023, making South Korea the 9th largest investor in Cambodia.
- Among the six signed documents is an MoU on the amendment of the project framework between the Cambodian and South Korean governments on the financing of the Economic Development Cooperation Fund (EDCF) for 2022 to 2026. The Korean government established the EDCF programme in 1987 with the purpose of promoting economic cooperation between Korea and developing countries. With the newly signed MoU, the cooperation period of the EDCF has been extended from 2026 to 2030 and the size of concessional loans to the Cambodian government under the EDCF has increased from US\$1.5 billion in 2022-2026 to US\$3 billion in 2022-2030.
- As for the two initiatives, Prime Minister Hun Manet views them as Cambodia's innovative approach to catering to the specific needs of South Korean businesses, thereby enhancing the country's attractiveness to the South Korean business community.

Cambodia

Latest Developments

FBIC's take

Infrastructure

On 2 April 2024, the Cambodian government unveiled plans to commence construction work on the Cambodian Funan Techo Canal project this year after a 26-month detailed study.

Stretching 180 kilometers from the Takeo canal of the Mekong River to the coastal province of Kep, the proposed inland waterway will be 80-100 metres wide, with a navigation depth of 4.7 metres. It will accommodate two-way traffic and can carry ships with up to 3,000 Deadweight Tonnage.

The construction is expected to be completed in 2028 at a cost of US\$1.7 billion. In October 2023, Cambodia signed an agreement with China Bridge and Road Corporation to invest in the project under a Build-Operate-Transfer (BOT) contract model.

- The project was approved at the Sixth Plenary Session of the National Assembly on 19 May 2023.
- The planned Funan Techo Canal traverses four provinces from Kandal, Takeo, Kampot, to Kep and would link some of Cambodia's key ports to the Gulf of Thailand. To be specific, it would allow direct access between Phnom Penh and Sihanoukville Autonomous Port, currently the country's only deep-sea port, as well as a new port to be built in Kampot province. This will reduce Cambodia's dependence on Vietnamese ports to ensure the adequate flow of trade and reduce the transport costs as well.
- Funan Techo Canal project can be regarded as Cambodia's endeavor to transform itself to be the economic and cultural gateway of the Mekong.

Indonesia

Fast facts



GDP (Jan – Mar 2024)
+5.1% yoy ▲



Manufacturing PMI (Apr 2024)
52.9 ▼



CPI (Apr 2024)
+3.0% yoy



Merchandise exports (Feb 2024)
-9.9% yoy ▼



Textiles and textile products
+3.8% yoy ▲



Footwear
+13.9% yoy ▲



Sports requisites
-34.4% yoy ▼



Furniture
+2.2% yoy ▲



Exchange rate (USD: IDR, as of 30 Apr 2024)
16,276 (5.1% depreciation year-to-date)

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

Source: Statistics Indonesia, Bank Indonesia, IHS Markit

12-Month Sourcing Outlook: Positive

Indonesia's economic growth in the first quarter of 2024 reached 5.11%, slightly higher than the 5.08% projected by Bank Indonesia (BI). This positive outlook is driven by various factors, including consumer expenditure, manufacturing output, and foreign direct investment. Moreover, the country's Finance Minister attributed the trade surplus and effective monetary policies implemented by the central bank as contributing factors in mitigating the impact of the strong dollar.

Meanwhile, Indonesia's manufacturing sector continues to show resilience. Indonesia's manufacturing Purchasing Manager's Index (PMI) has been consistently at an expansionary level for 33 consecutive months. Although May's PMI slightly decreased to 52.1, it still remained at a healthy and solid level.

Indonesia

Latest Developments

FBIC's take

Macroeconomic Trends

In March 2024, Indonesia recorded a trade surplus of US\$4.5 billion, a significant increase from the surplus of US\$1.7 billion in March 2023, marking the country's 47th consecutive monthly surplus.

During the same month, Indonesia's export value reached US\$22.4 billion, down 4.2% yoy, while import value was US\$18.0 billion, down 12.8% yoy.

In the first quarter of 2024, Indonesia recorded foreign direct investment (FDI) worth 204.4 trillion rupiah, approximately US\$12.5 billion, up by 15.5% yoy.

- Non-oil and gas commodities contributed US\$6.5 billion to the trade surplus in March 2024. These commodities included mineral fuels, fats and vegetable oils, as well as iron and steel. On the contrary, oil and gas commodities recorded a trade deficit of US\$2.0 billion.
- The three countries contributing the largest trade surplus in the month are the US, amounting to US\$1.5 billion, India (US\$1.4 billion), and the Philippines (US\$771.7 million). Commodities contributing to the surplus with the US included machinery and electrical equipment, non-knitted clothing and accessories, and footwear.
- In terms of the countries contributing to the country's deficit in the same month, Thailand topped the list with US\$383.9 million, followed by Brazil (US\$359.0 million) and Australia (US\$265.6 million). Indonesia's deficit with Thailand is mainly driven by certain commodities, including cereals, sugar, molasses, and vehicles.

- During the first quarter, Singapore was Indonesia's largest foreign investor, with an investment value of US\$4.2 billion, followed by Hong Kong SAR, China (US\$1.89 billion), the Chinese Mainland (US\$1.87 billion), the US (US\$1.1 billion), and Japan (US\$1.0 billion).
- In terms of provinces, West Java was the most popular destination for foreign investors, attracting FDI worth US\$2.7 billion, followed by Central Sulawesi at US\$1.7 billion.
- The manufacturing industry received 55% of the FDI, amounting to 112.5 trillion rupiah during the quarter. Infrastructure and services attracted FDI worth 64.7 trillion rupiah, accounting for 31.7% of the total FDI. The primary sector, which includes mining and plantation, attracted an investment value of 27.2 trillion rupiah.
- President Jokowi expects Indonesia to attract a total investment value of 1,650 trillion rupiah in 2024. According to the latest figures, Indonesia has already achieved 24.3% of Jokowi's target.

Indonesia

Latest Developments

FBIC's take

Macroeconomic Trends

In April 2024, Indonesia recorded a monthly inflation rate of 0.25%. According to Bank Indonesia (BI), April's inflation remained within the central bank's target range, reflecting the success of consistent monetary policy and close collaboration in inflation control between BI and the government.

- The main driver of April's inflation was transportation, primarily due to the Eid exodus. Transportation experienced a 0.93% inflation rate, contributing 0.12% to the overall inflation rate of April. Other commodities that significantly contributed to the inflation in April included food, cigarettes, ground coffee, rent, cars, gold jewelry, and others.
- By the end of April, the BI increased the benchmark rate by 25 basis points to 6.25%. This decision was made in response to escalating geopolitical tensions in the Middle East and high interest rate in the US, which caused the rupiah to weaken. This rate hike aims to strengthen the rupiah exchange rate amidst worsening global risks and to ensure that inflation remains within the target range. This increase in the benchmark rate marks the first interest rate hike since October 2023.

Industry Development

This April, Microsoft announced its plans to invest US\$1.7 billion in artificial intelligence (AI) and cloud services in Indonesia. The investment is intended to focus on the development of AI and cloud infrastructure, providing AI skills training for 840,000 individuals, supporting the developer community, and constructing data centers within Indonesia.

- This investment represents the largest single investment Microsoft has made in Indonesia throughout its 29-year history in the country.
- Microsoft believes these investments, which encompass digital infrastructure, skill development, and developer support, will contribute to Indonesia's success in this new era.

The Philippines

Fast facts



GDP (Jan-Mar 2024)
+5.7% yoy ▲



Manufacturing PMI (Apr 2024)
52.2 ▲



CPI (Apr 2024)
+3.8% yoy



Merchandise exports (Mar 2024)
-7.3% yoy ▼



Woodcrafts and furniture
-22.0% yoy ▼



Garments
-8.8% yoy ▲



Travel goods and handbags
-19.4% yoy ▼



Exchange rate (USD: PHP, as of 30 Apr 2024)
57.697 (2.62% 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 Philippines' GDP grew 5.7% yoy in the first quarter of 2024, higher than the 5.5% yoy recorded in the previous quarter. The S&P Global Philippines Manufacturing Purchasing Managers' Index registered 51.9 in May 2024, marking the ninth consecutive month of expansion of the country's manufacturing sector. The headline inflation rate increased to 3.9% in May but was still on par with the lowest level in the previous year, which was 3.9% in December 2023.

Fearing that the accelerating inflation and high interest rates may drag down economic growth, the Philippine government in April lowered the country's economic growth target for 2024 from 6.5-7.5% to 6.0-7.0%. However, forecasts from multiple organizations indicate that the country's economy remains buoyant, allowing the Philippines to continue being one of the fastest-growing Asian economies in 2024. For example, the International Monetary Fund, in its latest *Regional Economic Outlook for Asia and Pacific* released on 29 April 2024, projects the country's economy to grow 6.2% in both 2024 and 2025, and the ASEAN+3 Macroeconomic Research Office, in its *ASEAN+3 Regional Economic Outlook 2024*, projects a 6.3% growth in 2024 for the country.

The Philippines

Latest Developments

FBIC's take

Macroeconomic Trends

The Philippines' exports increased by 4.8% yoy to US\$18.0 billion in January-March 2024. In March 2024, the exports decreased by 7.3% yoy to US\$6.1 billion.

During the January-March period, electronic products were the country's top exports, with an export value of US\$10.5 billion, accounting for 58.2% of the country's total exports. This was followed by other manufactured products (US\$860.4 million, accounting for 4.6% of the total export value), and machinery and transport equipment (US\$629.5 million, 3.5%).

The US was the Philippines' largest export market during this three-month period, with an export value of US\$2.8 billion, accounting for 15.6% of the total export value of the Philippines, followed by Japan (US\$2.5 billion, 14.0%), Hong Kong SAR, China (US\$2.4 billion, 13.4%), and the Chinese Mainland (US\$2.2 billion, 12.0%).

In January-February 2024, net foreign direct investment (FDI) into the Philippines surged by 48.2% yoy to US\$2.2 billion, according to the Bangko Sentral Ng Pilipinas (BSP).

The Netherlands was the top source of FDI into the Philippines during the January-February period (US\$735.3 million), followed by Japan (US\$27.2 million), the US (US\$14.6 million), Malaysia (US\$7.7 million), and Singapore (US\$3.9 million).

The net FDI inflows were directed mainly to the sectors of financial and insurance (US\$705.5 million), manufacturing (US\$71.9 million), construction (US\$20.9 million), and real estate (US\$14.7 million).

- The Philippine exports fell in March after growing for two months since the start of this year. However, Philippine experts are in general optimistic about the country's export performance in 2024. For example, the Philippine Exporters Confederation Inc. expects the country's exports to grow by 5-6% yoy in 2024.
- Reasons for the optimism include the expected recovery of the US economy, the expansion of exports into new markets in South America and the Middle East, the government's efforts to forge more free trade agreements with various countries in the coming year, as well as the energy subsidy provided by the government to the export sector.

- The surge in net FDI inflows in the first two months of 2024 reversed its downward trajectory in the previous two years. The BSP said bulk of the FDI inflow during the two-month period came from the Netherlands, with investments directed mostly to the financial and insurance industry. This raises the doubt whether the growth could be sustained in the remaining of the year.
- However, analysts in BMI, a Fitch Solutions company, expected that the country's FDI inflow will continue to grow in the second half of 2024 with the easing of monetary policy globally. BMI believes that the Marcos administration's "business-friendly environment" will also contribute to attracting foreign investments in 2024.
- In March, US Commerce Secretary Gina Raimondo announced over US\$1 billion worth of investments in the Philippines from certain US companies. In the same month, President Ferdinand Marcos Jr. secured investment deals worth at least US\$4 billion during his visit to Germany. Both indicate a potential increase in FDI inflows this year.

The Philippines

Latest Developments

FBIC's take

Infrastructure

On 10 April 2024, the Philippines, Japan and the US agreed to develop the “Luzon corridor”, which will connect Subic Bay, Clark, Manila, and Batangas in the Philippines.

The development of the Luzon corridor will include investments in ports, rail, clean energy, semiconductors, supply chains, and other forms of connectivity in the Philippines.

The Development Finance Corporation - the US' financing arm for developing nations - will be standing up an office in the Philippines to help to steer this work.

- The Luzon corridor project is part of the Partnership for Global Infrastructure and Investment (PGI) initiated by the Group of Seven countries* in 2022. It is said to be the first corridor of the PGI in the Indo-Pacific.
- The project was announced during the first-ever trilateral summit held in Washington in April 2024 among Japan, the Philippines, and the US, as the three countries formed a trilateral partnership to “deter China’s expansionist agenda in the South China Sea”.
- As for the investment, Philippine Ambassador to the US Jose Manuel Romualdez said that Tokyo and Washington are expected to pour in at least US\$100 billion worth of investments in Manila in the next 5 to 10 years.
- Philippine Trade Secretary Alfredo Pascual revealed that the projects offered to American and Japanese investors in the economic corridor include the Subic-Clark-Manila-Batangas railway system, expansion of the Clark International Airport, and the Clark National Food Hub.

(*Note: Group of Seven countries refer to Canada, France, Germany, Italy, Japan, the UK and the US.)

Thailand

Fast facts



GDP (Jan-Mar 2024)
+1.5% yoy ▼



Manufacturing PMI (Apr 2024)
48.6 ▼



CPI (Apr 2024)
+0.2% yoy



Merchandise exports (Mar 2024)
-10.9% yoy ▼



Textiles and apparel
-3.1% yoy ▼



Furniture
-0.8% yoy ▼



Footwear
-19.8% yoy ▼



Exchange rate (USD: THB, as of 30 Apr 2024)
37.225 (7.62% 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: Neutral

Thailand's GDP increased by 1.5% yoy in the first quarter of 2024, lower than the 1.7% year-on-year growth recorded in the previous quarter, but higher than analysts' expectation of 0.8% yoy, as shown by a Reuters poll. The overall economic expansion has remained slow. However, there are some positive signs: The headline S&P Global Thailand Manufacturing PMI rose to 50.3 in May, ending a nine-month-long sequence of contraction. Exports rose 6.8% in April from a year earlier, beating expectations. Consumer price index increased by 0.2% yoy in April, the first increase in seven months.

Given that the Thai economy is still vulnerable to negative factors like weak domestic consumption and sluggish production, the Fiscal Policy Office of Thailand's Ministry of Finance in April downgraded its economic growth forecast for the country in 2024 to 2.4% from 2.8% it projected in this January, while the International Monetary Fund in the same month reduced its forecast for Thailand's GDP growth in 2024 to 2.7%, from 3.2% it projected in October last year.

Thailand

Latest Developments

FBIC's take

Macroeconomic Trends

Thai exports increased by 1.6% yoy to US\$80.0 billion in the first quarter of 2024. In March alone, exports decreased by 10.9% yoy to US\$25.0 billion.

During the January-March 2024 period, the US was Thailand's biggest export market, accounting for 17.8% of Thailand's total export value, followed by the Chinese Mainland (10.4% of total export value), Japan (8.3%), Australia (4.6%), and Hong Kong SAR, China (4.4%).

Key export products in January-March 2024 included automotive (US\$10.9 billion, 15.4% of total export value), agro-manufacturing products (US\$9.5 billion, 13.4%), electronics (US\$8.4 billion, 11.8%), electrical appliances (US\$7.0 billion, 9.9%), and machinery and equipment (US\$5.9 billion, 8.3%).

- The decline in exports in March is the first decline in eight months since August 2023. The Thai National Shippers' Council (TNSC) attributed this temporary decline mainly to the delay in exports of agricultural crops, especially the delayed durian harvests caused by extreme hot weather. As a result, agricultural outputs that should have been included in exports in the first quarter will instead be pushed to the second quarter.
- The Trade Policy and Strategy Office (TPSO) believes that Thai exports would bounce back in the second quarter driven by agricultural products, especially fruit, during the 2024 harvest which is slated for shipment at the end of April, along with computers and parts, and products related to clean energy.
- The TNSC's forecast in May for Thailand's year-on-year export growth in 2024 remains at 1-2%, unchanged from its projection in February. However, the Finance Ministry cautiously cut its 2024 export growth forecast to 2.3% in May, from a previous expectation of a 4.2%.

Thailand

Latest Developments

FBIC's take

Macroeconomic Trends

In the first quarter of 2024, Thailand's Board of Investment approved 472 foreign investment projects, with a total investment value of 198.3 billion baht (about US\$5.4 billion). Comparing with the same period in previous year, the number of projects increased by 41.3% and the value increased by 13.4%.

The foreign direct investment (FDI) approved during the period was mainly in the electrical appliances and electronics industry (43.8% of the total value of the FDI projects approved), machinery and vehicles industry (16.1%), metal products and machinery industry (9.8%), and high value services (9.6%).

In terms of investment value, the top five foreign investors in the first quarter of 2024 were the Chinese Mainland (68.3 billion baht, 164 projects), Singapore (53.9 billion baht, 63 projects), Hong Kong SAR, China (24.3 billion baht, 30 projects), Australia (14.8 billion baht, 5 projects), and Japan (12.9 billion baht, 87 projects).

- The continued growth in the approved FDI demonstrates Thailand's position as the most attractive investment destination in the Southeast Asian region because of its relatively more advanced economy and its competitive programmes supporting FDI, as compared with other countries in the region.
- Like in the previous year, the Chinese Mainland came first in the ranking of FDI sources in terms of approved investment value, mainly boosted by Chinese investments in the electronics industry and the automotive supply chain, including electric vehicles. Singapore was the second largest source of approved FDI, with a focus on solar cells and electronics.
- It should also be noted that, in the first quarter of 2024, Thailand received 35.9 billion baht (US\$982.8 million) in FDI, with Japan as the largest source (19.0 billion baht), accounting for 52.9% of the total FDI in Thailand in the period.
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Thailand

Latest Developments

FBIC's take

Infrastructure

On 1 May 2024, Microsoft announced its first data centre investment in Thailand.

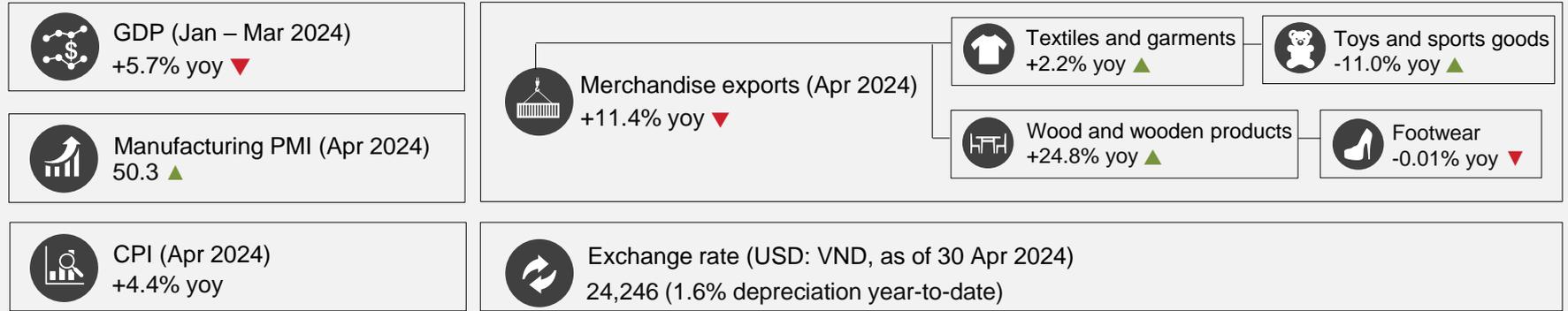
The data centre would be located in the Eastern Economic Corridor with an estimated investment of US\$1 billion.

According to Microsoft, the Thai data centre will expand the availability of hyperscale cloud services, offering enterprise-grade reliability, performance and compliance with data residency and privacy standards.

- Microsoft is the latest US tech titan announcing a significant commitment to build new cloud and artificial intelligence (AI) infrastructure in Thailand after Amazon Web Services and Google.
- The move is also part of Microsoft's Asia Pacific expansion strategy to capitalize on the growth of AI-driven transformation in Southeast Asia. Microsoft chairman and chief executive officer Satya Nadella, on his three-nation tour of Indonesia, Thailand and Malaysia in the same week, also announced the company's plans to invest US\$1.7 billion in Indonesia and US\$2.2 billion in Malaysia to build cloud computing and AI infrastructure in the respective countries.
- According to research by the management consultancy Kearney, AI could contribute nearly US\$1 trillion to Southeast Asia's GDP by 2030, in which Thailand could capture US\$117 billion.
- Microsoft has also committed to provide 2.5 million people in ASEAN with AI skills by 2025, covering Thailand, Indonesia, Malaysia, the Philippines and Vietnam. More than 100,000 people in Thailand are expected to benefit.

Vietnam

Fast facts



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 achieved a GDP growth of 5.7% in the first quarter of 2024, the highest rate compared to the same period in the years 2020 to 2023. During the first three months of 2024, exports were beginning to recover, and there was gradual growth in consumption and private domestic investment. The Asian Development Outlook 2024, released in April, projects the Vietnamese economy to grow 6.0% in 2024 and 6.2% in 2025.

However, there are still concerns regarding the vulnerability of Vietnam's foreign trade to external shocks, as major export markets face potential challenges arising from geopolitical tensions or economic downturns. Additionally, fluctuations in global commodity prices could have an impact on the country's export performance, particularly in the electronics and textiles sectors.

Vietnam

Latest Developments

FBIC's take

Macroeconomic Trends

In the first four months of 2024, Vietnam witnessed a total trade revenue of US\$238.9 billion, up 15.2% yoy, with a trade surplus of US\$8.4 billion, up by 9.7% yoy.

In April alone, exports reached US\$31.1 billion, up 11.4% yoy, contributing to a total export value of US\$124.0 billion in the first four months of this year, up by 15.1% yoy.

As of 20 April, Vietnam attracted nearly US\$9.3 billion in foreign direct investment (FDI) so far this year, up 4.5% yoy. Of which, approximately US\$1.2 billion was added to 345 existing projects, down 25.6% yoy.

The disbursed FDI in the first four months increased by 7.4% yoy to US\$6.3 billion, marking the highest FDI recorded in the past five years.

- In April, 21 items from the processing and manufacturing industry achieved an export value of over US\$1 billion each, accounting for 86.4% of total exports. Among them, five export items recorded an export value of over US\$5 billion each, accounting for 57.8% of total exports.
- During January to April, the US was Vietnam's largest export market with an export value of US\$34.1 billion, up 19.1% yoy, followed by China with US\$18 billion, up 14.4% yoy, and the EU with US\$16.4 billion, up 15.0% yoy.
- In terms of imports, China remained the largest import partner of Vietnam with an import value of US\$41.6 billion, up 28.4% yoy during the four-month period. South Korea was Vietnam's second largest import partner with an import value of US\$17.1 billion, while Vietnam also imported US\$15.6 billion worth of goods from ASEAN countries.

- The manufacturing and processing sector took the lead with registered capital of approximately US\$5 billion, accounting for 70.2% of the total newly registered capital. Real estate came second with a value of US\$1.6 billion, followed by wholesale and retail, and scientific and technological activities.
- Among the 50 countries and territories that invested in Vietnam, Singapore topped the list with US\$2.6 billion, representing 36.4% of the total FDI. Hong Kong SAR, China came second with US\$898.6 million, followed by Japan with US\$814.1 million, the Chinese Mainland with US\$740.2 million, Turkey with US\$730.1 million, and Taiwan, China with US\$512.3 million.

Vietnam

Latest Developments

FBIC's take

Industry Development

Vietnam's FPT Corp, a major tech company, announced a strategic partnership with US chipmaker Nvidia this April. Under this partnership, FPT will invest US\$200 million in the construction of an artificial intelligence (AI) factory, utilizing Nvidia's technology.

The partnership will focus on three key sectors, i.e. automotive, manufacturing, and banking/financial services/insurance. This collaboration will not only strengthen FPT's AI labs but also introduce new software frameworks.

- The objective of this partnership is to provide a comprehensive AI and Cloud solution, covering AI products, graphics processing unit infrastructure, and expert support for clients in Vietnam and other areas where FPT operates.
- As part of the collaboration, FPT has become a Service Delivery Partner in the Nvidia Partner Network. FPT aims to offer end-to-end generative AI services, enabling businesses to enhance productivity and automation. And the company targets to become a Global Systems Integrator, leveraging Nvidia's products and technologies to develop tailored cloud services, hardware, software and, most importantly, generative AI solutions.
- FPT also plans to incorporate Nvidia's training content into university and high school curricula, with the goal of developing a skilled workforce in high-tech fields. The target is to have at least 30,000 students participating in the program within five years. Additionally, FPT and Nvidia will collaborate on the development of cloud gaming in Vietnam using Nvidia's GeForce Now service.
- By working together, FPT and Nvidia seek to drive transformation and promote Vietnam's emergence as an AI-powered nation.

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