

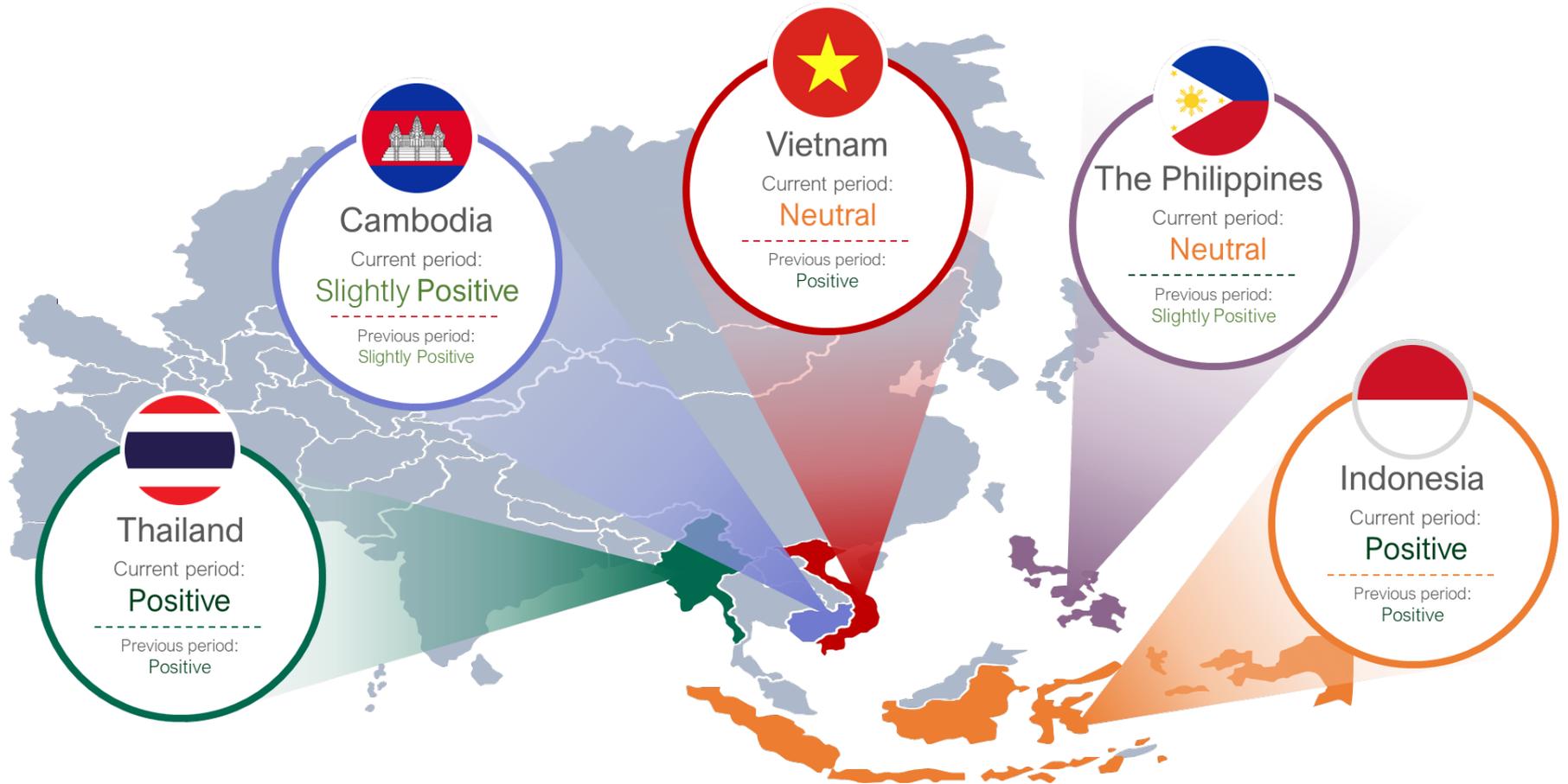
# Asia Sourcing Update

Cambodia, Indonesia, the Philippines, Thailand and Vietnam

**Southeast Asia** | South and West Asia



# Highlights: 12-month sourcing outlook



# Cambodia

## Fast facts



CPI (Dec 2022)  
+2.86% yoy



Exchange rate (USD: KHR, as of 31 Jan 2023)  
4,104 (0.3% appreciation year-to-date)



Merchandise exports (Dec 2022)  
-1.5% yoy ▼



Garments  
-19.6% yoy ▼



Footwear  
-0.1% yoy ▼



Electrical parts  
+160.8% yoy ▲



Bicycles  
-2.9 yoy ▼

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period  
Source: National Bank of Cambodia

## 12-Month Sourcing Outlook: Slightly Positive

The Cambodian economy grew 5.1% yoy in 2022, mainly driven by tourism, domestic consumption, and garment exports. In January 2023, the government downgraded its economic growth forecast for 2023 from 6.6% to 5.6% due to global uncertainties including the ongoing Ukraine-Russian conflict, inflation, and increase in interest rates.

Cambodia's good export performance is expected to sustain this year with the Cambodia-Korea Free Trade Agreement entering into force last December and the signing of a series of cooperation agreements with China this February, one of which aims to promote the exports of Cambodian agro-products to China. The recovery in the tourism sector will also inject additional growth momentum to the Cambodian economy.

# Cambodia

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Cambodia's merchandise exports increased by 16.4% yoy to US\$22.5 billion in 2022, according to the General Department of Customs and Excise.

During this period, the exports of the GFT sector (garments, footwear, travel goods and other textile-related products) increased by 14.9% yoy to US\$12.6 billion, accounting for 56.2% of Cambodia's total goods exports. Electric parts was the second largest export category in the period, which increased by 84.8% yoy to US\$2.0 billion.

The US remained the biggest market for Cambodia's exports in 2022, with an export value of US\$9.0 billion (accounting for 39.9% of Cambodia's total exports in the period), followed by Vietnam (US\$2.2 billion; 9.6%) and China (US\$1.2 billion, 5.5%).

- Cambodia maintained a good export performance in 2022, achieving double-digit growth in exports to its major developed markets such as the US (19.7% yoy), the EU (25% yoy), and the UK (21.1% yoy).
- The growth momentum of Cambodia's exports weakened a bit in the later months of 2022 due to sluggish world demand. Cambodia's exports increased only 2.0% yoy in December last year and decreased 13.9% yoy this January. However, with the Cambodia-Korea Free Trade Agreement entering into force last December and the signing of a series of economic cooperation agreements with China during Prime Minister Hun Sen's visit to Beijing this February, it is expected that Cambodia's exports to the Asian markets will increase this year, partly compensating for the decreasing demand from the US and European markets.

# Cambodia

## Latest Developments

## FBIC's take

### FTAs, Trade Preferences and Investment Agreements

On 10 February, Cambodia and China signed the Action Plan on Trade and Economic Cooperation 2023-2024 (the Plan) in Beijing.

The Plan aims to ensure that preferential arrangements granted by the Cambodia-China Free Trade Agreement (FTA), the ASEAN-China FTA, and the Regional Comprehensive Economic Partnership (RCEP) would be fully utilized to boost trade and investment between Cambodia and China.

The Plan also endeavors to bring more Cambodian agricultural goods to China, and to attract Chinese investment to Cambodia to promote Cambodia's exports, especially exports to China. Measures include identifying and promoting potential Cambodian goods that will be welcomed by Chinese consumers and strengthening legal protection of Chinese and Cambodian businessmen and investors.

On 1 December 2022, the Cambodia-Korea Free Trade Agreement (CKFTA) came into force.

Under the CKFTA, Cambodia imports over 95% of the tariff lines from South Korea and exports 92% of all its goods to South Korea at zero customs duty.

- The Plan is one of the 12 bilateral cooperation agreements the two countries signed during Prime Minister Hun Sen's three-day visit to China in the month, to further deepen the comprehensive strategic partnership of the two countries.
- The Plan sets up the mechanisms to achieve its goals and will be updated every year. Mechanisms in this year's Plan include jointly establishing a "Fish and Rice Corridor" in the Tonle Sap Lake area in northwestern Cambodia to develop modern ecological agriculture and to facilitate the import and export of fish and milled rice; establishing an industrial development corridor to serve as a model for the planned multi-purpose economic zone in Preah Sihanouk province; and supporting Cambodian firms to participate in the China Export and Import Fair.
- This action plan is another concrete step by Cambodia to build close trade relations with China, so as to diversify its exports and tap into the huge, promising China market.

- The CKFTA was signed on 26 October 2021 and is the second bilateral FTA for Cambodia, following the bilateral FTA it signed with China on 22 October 2021 (which took effect on 1 January 2022).
- CKFTA covers some tariff lines, tariff rates and preference conditions that are not included in the RCEP and therefore helps Cambodia further expand its exports in the South Korean market.
- The agreement is hailed by Cambodian private firms as another gateway for their exports, especially as Everything But Arms (EBA) has been suspended by the EU and the tax preferences offered by the US to Cambodia under the Generalised System of Preferences (GSP) have not been renewed yet.

# Indonesia

## Fast facts



GDP (Oct-Dec 2022)  
5.0% yoy ▼



Manufacturing PMI (Jan 2023)  
51.3 ▲



CPI (Jan 2023)  
+5.28% yoy



Merchandise exports (Nov 2022)  
+5.5% yoy ▼



Textiles and textile products  
-15.2% yoy ▲



Footwear  
-6.8% yoy ▼



Sports requisites  
-13.6% yoy ▲



Furniture  
-28.2% yoy ▼



Exchange rate (USD: IDR, as of 31 Jan 2023)  
14,992 (4.0% appreciation year-to-date)

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

Source: StatisticsIndonesia, BankIndonesia, IHS Markit

## 12-Month Sourcing Outlook: Positive

Indonesia's economy grew by 5.3% yoy in 2022, significantly improving from the GDP growth of 3.7% in 2021. In the fourth quarter of 2022, many sectors, including the processing industry, wholesale and retail services, and information and communications, showed positive performance. Bank Indonesia projects that the country's economic growth will remain strong in the range of 4.5%-5.3% in 2023.

Even so, the country is facing several external challenges, including global economic slowdown and high inflation which may lead to a decline in exports and investment. To sustain its economic growth, the government set out to develop the downstream processing industries of its natural resources, instead of just exporting natural resources, in the hope of increasing the value-added of its exports and attracting more foreign investment.

# Indonesia

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Indonesia's exports in 2022 were US\$292.0 billion, up by 26.1% yoy. Trade surplus hit a record high of US\$54.5 billion, up by 53.8% yoy, mainly due to high commodity prices and higher global demand for commodities such as coal, crude palm oil, and iron. The country has enjoyed a trade surplus for 32 consecutive months.

- Indonesia enjoyed the largest trade surplus of US\$19.2 billion with the US, followed by India (US\$16.5 billion) and the Philippines (US\$11.5 billion). Knitted clothing and accessories was the largest category exported from Indonesia to the US, with a total value of US\$2.9 billion, followed by machinery and electrical equipment, at US\$2.8 billion.
- Excluding oil and gas products, Indonesia experienced the most significant trade deficit of US\$6 billion with Australia, mainly due to its imports of coal (US\$1.9 billion) and cereal (US\$1.7 billion) from Australia. The country also incurred high trade deficits with Thailand and China.

### Industry Developments

According to Coordinating Minister for Maritime Affairs and Investment, Indonesia's exports of processed nickel ballooned to US\$33.8 billion in 2022, up from US\$8.1 billion in 2021.

In 2022, President Joko Widodo banned exports of nickel ore, but allowed exports of higher value nickel products, forcing companies to process and manufacture onshore.

- The aim of the export ban on nickel ore is to strengthen domestic processing facilities, bring back the downstream part of the nickel supply chain to Indonesia, and spur job creation and economic development in Indonesia.
- Besides, Indonesia is trying to make itself indispensable for the electric vehicle (EV) battery industry, which uses the metal extensively.
- The Indonesian government has revealed its ambition to become one of the world's top three EV battery manufacturers by 2027. To fulfill its aspiration, Indonesia earnestly attracts investment in EV batteries and other EV sectors by leveraging its rich nickel resources.
- In terms of developing the EV ecosystem in Indonesia, several companies have already shown great interest in investment, such as LG from South Korea, Contemporary Amperex Technology Co. Limited (CATL) from China, and Britishvolt from the UK. In terms of the amount, LG will provide an investment of US\$9.8 billion and CATL around US\$6 billion to Indonesia.
- Besides, the Indonesian government is finalizing agreements with the Chinese carmaker BYD and the American carmaker Tesla to invest in EV production facilities in Indonesia.

# Indonesia

## Latest Developments

## FBIC's take

	Latest Developments	FBIC's take
<b>Policies and Regulations</b>	<p>Effective June 2023, the Indonesian government will ban bauxite ore exports and further encourage the development of the domestic bauxite processing and refining industry.</p> <p>Besides, President Joko Widodo announced in early February that he would shortly reveal another policy to ban the exports of raw copper in 2023.</p>	<ul style="list-style-type: none"> <li>• Instead of exporting domestic natural resources, the Indonesian government has decided to develop the downstream processing industry of domestic natural resources to increase the value added of its exports.</li> <li>• Compared with the exporting of bauxite ores, the downstream processing industries of bauxite will generate higher value added to the economy and create more jobs. Through the industrialization of the bauxite industry, the President expects that the state revenue will enjoy a nearly three-fold increase from 21 trillion rupiahs to 62 trillion rupiahs.</li> </ul>
<b>Labour and Compliance</b>	<p>In December 2022, the Jakarta provincial government issued Jakarta Governor Decree No. 1153 of 2022 regarding the 2023 Jakarta provincial minimum wage (UMP). Under the new regulation, Jakarta's UMP will increase to 4,901,798 rupiahs per month, effective 1 January 2023.</p>	<ul style="list-style-type: none"> <li>• According to local media, apart from the minimum wage adjustment, the government also launched other policies to increase the welfare of workers with Jakarta ID, including assistance for transportation services and education and provision of food at affordable prices.</li> </ul>
<b>Other Topic</b>	<p>Announced in late January 2023, Bank Indonesia (BI) will issue a proof of concept for Digital Rupiah in July 2023.</p> <p>Two types of Digital Rupiah will be issued:</p> <ul style="list-style-type: none"> <li>• Wholesale Digital Rupiah (w-Digital Rupiah) will only be used by central bank-appointed parties and distributed for wholesale transactions</li> <li>• Retail Digital Rupiah (r-Digital Rupiah) will be used by the public and distributed for retail transactions</li> </ul>	<ul style="list-style-type: none"> <li>• The Digital Rupiah project complements various initiatives of the BI in driving the national digital transformation agenda. Through the project, BI aimed to develop a digitized economy through the digitization of payments and decentralization of the rupiah.</li> <li>• The Digital Rupiah is believed to be a safer and more efficient currency than the physical currency and reserve accounts.</li> <li>• The development of the Digital Rupiah comprises three phases.             <ul style="list-style-type: none"> <li>• 1st phase: BI will explore the usage of w-Digital Rupiah with functions for issuance, redemption, and transferring funds between parties</li> <li>• 2nd phase: the functions and services of the w-Digital Rupiah will be expanded for supporting transactions in financial markets</li> <li>• 3rd phase: an end-to-end integration of the w-Digital Rupiah and the r-Digital Rupiah will be tested.</li> </ul> </li> </ul>

# The Philippines

## Fast facts



GDP (Oct–Dec 2022)  
+7.2% yoy ▼



Manufacturing PMI (Jan 2023)  
53.5 ▲



CPI (Jan 2023)  
+8.7% yoy



Merchandise exports (Dec 2022)  
-9.7% yoy ▼



Woodcrafts and furniture  
-5.5% yoy ▲



Garments  
-13.6% yoy ▼



Travel goods and handbags  
-24.5% yoy ▼



Exchange rate (USD: PHP, as of 31 Jan 2023)  
54.545 (2.9% appreciation 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: Neutral

The Philippines' gross domestic product (GDP) grew 7.2% yoy in the fourth quarter of 2022, resulting in a 7.6% yoy growth in 2022. The S&P Global Philippines Manufacturing PMI increased for the third straight month in January 2023 to 53.5, as a strong and accelerated upturn in new orders was reported in the month. However, headline inflation rate continued to grow and reached 8.7% yoy in the same month, the highest rate recorded since November 2008. It is expected that high inflation will persist in the following months, pushing up wages and consumption costs, posing the biggest challenge to the Philippines' economy. A slowdown in the world economy and tightening global monetary conditions will further weigh on the country's economy this year. The Philippine government and various institutions therefore cautiously forecast the country's GDP growth of around 6% for 2023.

# The Philippines

## Latest Developments

## FBI C's take

### Macroeconomic Trends

The Philippines' exports increased by 5.6% yoy to US\$78.8 billion in 2022. In December alone, however, exports decreased by 9.7% yoy to US\$5.7 billion.

In 2022, electronic products continued to be the country's top exports, with a total export value of US\$45.6 billion, accounting for 57.8% of the country's total exports in the year. This was followed by other mineral goods (US\$3.84 billion, accounting for 4.9% of the total export value); other manufactured products (US\$3.79 billion, 4.8%); and ignition wiring set and other wiring sets used in vehicles, aircrafts and ships (US\$2.4billion, 3.0%).

The US was the Philippines' largest export market in 2022, accounting for 15.7% of the total export value of the Philippines in 2022 (US\$12.3 billion), followed by Japan (US\$11.1 billion, 14.1%), China (US\$11.0 billion, 13.9%), Hong Kong SAR, China (US\$10.5 million, 13.3%), and Singapore (US\$4.9 billion, 6.2%).

In the first 11 months of 2022, net foreign direct investment (FDI) into the Philippines decreased by 13.4% yoy to US\$8.4 billion. In November 2022 alone, net FDI inflow dropped by 43.6% yoy to US\$793.5 million.

Japan was the top source of FDI pledges in the first 11 months of 2022 (US\$563.0 million), followed by Singapore (US\$363.7 million), the US (US\$245.9 million), and Malaysia (US\$105.9 million).

The net FDI inflows were directed mainly to manufacturing (US\$543.3 million), financial and insurance activities (US\$214.5 million), information and communications (US\$166.4 million), construction (US\$160.2 million), and real estate activities (US\$153.2 million).

- The Philippines' exports in December 2022 reversed a 13.2% yoy gain in November, due to the deterioration in foreign demand. Surveys by the S&P Global showed that export orders logged a contraction for the 10<sup>th</sup> consecutive month in December 2022.
- It is generally expected that more headwinds, such as the high inflation in the Philippines, the interest rate hikes in major developed countries, lower global commodity prices, and the soft overseas demand amidst the worldwide economic recession, will further weaken the export performance of the Philippines in the coming months.

- According to the Philippine central bank, the slump of FDI in November was largely attributable to a fall in non-residents' net investments in debt instruments.
- Still, the sharp drop in net FDI inflows suggests a weakening global outlook, amid the tightening monetary conditions globally to rein in inflation.
- However, the recent foreign trips of President Ferdinand R. Marcos Jr. (to China in January and to Japan in February) posed positive prospects for the country's FDI inflows in 2023. In the first 40 days of 2023, FDI registered with the Philippine Board of Investments (BoI) hit 414 billion pesos (about US\$12.6 billion), already exceeding 40% of the 1 trillion pesos investment target the BoI sets for the year.

# The Philippines

## Latest Developments

## FBIC's take

### Industry development

On 8 January 2023, the Philippine government and the United States Agency for International Development launched Strengthening Private Enterprise for the Digital Economy (SPEED), a five-year program to accelerate and boost digitalization among Filipino small and medium enterprises (SMEs).

The SPEED program plans to help SMEs to adopt digital technology solutions that are safe, reliable, and affordable; expand the use of e-payment systems and encourage fintech innovations; and spur the integration of e-commerce platforms into logistics supply chains.

- The SPEED program is hailed by the Philippine government officials as a strong support to their aspiration to use digital technology to build a more resilient Philippine economy.
- Department of Trade and Industry said the SPEED program is in line with the Department's current programs for the digitalization of micro, small and medium enterprises (MSMEs), such as the launch of an e-commerce roadmap, the cooperation with the Department of Information and Communications Technology in building a free e-commerce platform, and the implementation of the Big Brother-Small Brother Digitalization Project that digitalize supply chains.
- Bangko Sentral ng Pilipinas (BSP) Governor said the SPEED program will complement the central bank's initiatives to facilitate MSMEs' adoption of digital payments and financial services.

# Thailand

## Fast facts



GDP (Jul-Sep 2022)  
+4.5% yoy ▲



Manufacturing PMI (Jan 2023)  
54.5 ▲



CPI (Jan 2023)  
+5.0% yoy



Merchandise exports (Dec 2022)  
-14.6% yoy ▼



Textiles and apparel  
-17.7% yoy ▼



Furniture  
-20.4% yoy ▼



Footwear  
-15.8% yoy ▼



Exchange rate (USD: THB, as of 31 Jan 2023)  
32.774 (5.4% appreciation 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 increased by 4.5% yoy in the third quarter of 2022, following a rise of 2.5% yoy in the second quarter and a 2.2% in the first quarter. The World Bank estimated that Thailand's economy would grow 3.4% yoy in 2022.

The country's manufacturing sector had a good start to 2023, with the headline S&P Global Thailand Manufacturing PMI rising to 54.5 in January, signalling improved business conditions for the thirteenth consecutive month. It also signalled the second-strongest overall expansion in the sector in the seven-year survey history, behind September 2022 (55.7). Inflation remained high, but fell to a nine-month low of 5.0% in January.

The Thai government expects that the economy will grow 3.8-4.0% in 2023, citing strong fiscal and financial discipline, a boom in tourist arrivals, continued infrastructure development, and the increased investment in new technology and innovation as main factors.

# Thailand

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Thai exports increased by 5.5% yoy to US\$287.1 billion in 2022.

In the past year, the US was Thailand's biggest export market, accounting for 16.6% of Thailand's total export value, followed by China (12.0% of total export value), Japan (8.6%), Vietnam (4.6%), and Malaysia (4.4%).

Key export products during the period included automotive (US\$40.9 billion, 14.3% of total export value), agro-manufacturing products (US\$40.0 billion, 13.9%), electronics (US\$34.3 billion, 11.9%), electrical appliances (US\$26.4 billion, 9.2%), and chemicals & petro-chemical products (US\$24.5 billion, 8.5%).

In 2022, Thailand's Board of Investment (BoI) approved 802 foreign investment projects, with a total investment value of 320.4 billion baht (about US\$9.3 billion). Comparing with 2021, the number of projects increased by 4.0% and the value increased by 14.2%.

The foreign direct investments (FDI) pledged during the period were mainly in the metal products and machinery sector (25.9% of the total value of FDI projects approved), electrical appliances and electronics sector (24.7%), and services sector (18.3%).

In terms of investment value, the top five foreign investors during this period were Japan (50.0 billion baht, 216 projects), Taiwan (45.5 billion baht, 44 projects), the Chinese Mainland (41.7 billion baht, 100 projects), the US (38.2 billion baht, 33 projects) and Singapore (34.2 billion baht, 139 projects).

- Thailand's exports achieved a moderate growth in the past whole year but contracted by 8.5% yoy in the last quarter of 2022 due to the global economic slowdown and currency volatility.
- The Thai National Shippers' Council (TNSC) expects that the Thai exports will continue to contract by 3-5% yoy in the first quarter of this year before starting to recover in the second and third quarters. The recovery will be partially helped by China's reopening, lower world freight rates and the revival of global purchases. The TNSC projects a 1-2% yoy export growth to US\$291-292 billion for 2023.

- Most foreign investment projects approved last year were in sectors that Thailand hopes to develop, such as infrastructure development, electric vehicle (EV) manufacturing, power generation, and data centre businesses, indicating the success of Thai's incentive measures and the potential of these sectors in Thailand.
- Taiwan became the second largest investor of Thailand in the year with only 44 projects, attributable to its investment in a 36.1 billion baht (about US\$1 billion) joint venture to produce EV batteries in Thailand.
- According to the BoI officials, FDI applications last year came in large part from global industry leaders, such as BYD Auto, Foxconn and Amazon Web Services, showing their confidence in Thailand as a resilient and investor-friendly location for industries of the future.

# Thailand

## Latest Developments

## FBIIC's take

### FTAs, Trade Preferences and Investment Agreements

On 7 February 2023, Thai Commerce Minister Jurin Laksanawisit announced that Thailand and the United Arab Emirates (UAE) had agreed to form a Comprehensive Economic Partnership Agreement (CEPA) and had signed a memorandum of understanding (MoU) to set up a Joint Business Council to expand bilateral trade and investment cooperation, with the goal of increasing Thai exports to the UAE by 30 billion baht this year.

The two nations planned to complete the details of the agreement within six months.

On the same day, Thai businesses in the logistics and transport sector also signed an MoU on logistics cooperation with Dubai World, a global air freight network with 78 ports and 240 airports around the world.

- The UAE is a major international transit hub for goods bound for Europe, Africa, and Asia. Its ports are among the most efficient in the world. Its major city Dubai is a thriving regional financial centre.
- Many Asian economies including Cambodia, the Chinese Mainland and Hong Kong, China are strengthening economic relationship with the UAE, at a time when capital around the world is in short supply due to interest rate hikes and the global supply chain is fragile. Thailand is just another economy joining this trend in an effort to open up sources of investment and stabilize its supply chains.

### Infrastructure

On 26 December 2022, the Thai deputy government spokesperson announced that the government will invest 1.35 trillion baht to transform the eastern seaboard's Eastern Economic Corridor (EEC) into a regional financial hub and a world-class smart city by 2037.

The plan will be divided into two phases, with the first ten years focusing on developing the financial area, public and private offices, as well as medical and educational facilities. The second phase will focus on building the EEC smart city by 2037.

- The EEC is the country's advanced development zone that spans three eastern provinces: Chon Buri, Rayong, and Chachoengsao.
- The EEC smart city is planned to serve as a model for the development of smart cities across the country.
- It is expected that the smart city will have about 350,000 residents and will create at least 200,000 new jobs by 2032.

# Vietnam

## Fast facts



GDP (Oct-Dec 2022)  
+5.9% yoy ▼



Manufacturing PMI (Jan 2023)  
47.4 ▲



CPI (Jan 2023)  
+4.89% yoy



Merchandise exports (Jan 2023)  
-23.5% yoy ▼



Textiles and garments  
-37.0% yoy ▼



Toys and sports goods  
-8.1% yoy ▼



Wood and wooden products  
-48.0% yoy ▼



Footwear  
-29.4% yoy ▼



Exchange rate (USD: VND, as of 31 Jan 2023)  
23,609 (0.013% appreciation 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: Neutral

Despite facing the prolonged COVID-19 disruption, Vietnam's economy in 2022 grew by 8% yoy, while the country's consumer price index was 3.5%, much lower than most countries worldwide.

In the opening months of 2023, many countries continued tightening monetary policy to address inflation pressure. Facing the risk of the global economic recession, it is challenging for Vietnam to boost trade, attract FDI, and keep the growth momentum. The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI) posted 47.4 in January, up from 46.4 in December 2022. The PMI data reflects a contraction in the manufacturing sector, though the downward pressure eased a bit in January.

# Vietnam

## Latest Developments

## FBI C's take

### Macroeconomic Trends

Vietnam's total trade turnover in 2022 reached US\$730.2 billion, up 9.1% yoy. Export turnover grew by 10.5% yoy to US\$371.3 billion. A trade surplus of US\$12.4 billion was recorded in 2022, more than three times that in 2021.

In January 2023, however, Vietnam's exports dropped by 21.3% yoy to US\$25.1 billion, due to the new year and lunar new year holidays in the month.

- Vietnam's export sector experienced promising growth in the first six months of 2022, as the number of export orders increased sharply. However, in the second half of 2022, the growth momentum weakened, mainly due to the rising inflation pressure facing the major export markets of Vietnam and the fading pent-up consumer demand.
- Despite a substantial drop in export orders, Vietnam's textile and garment exports still reached US\$44 billion in 2022, up by 8.8% yoy. However, it is expected that the industry in 2023 will have to deal with the challenges of lack of orders and extended payment terms.
- Even so, there are still certain bright spots in 2023, since the world is getting used to a new normal in the post-pandemic era and China has relaxed its zero-COVID policy. Once business confidence improves, the demand for Vietnam's exports will recover.
- In early February, the Ministry of Industry and Trade set the 2023 targeted growth rate of exports at 6%.

# Vietnam

## Latest Developments

## FBIIC's take

### Macroeconomic Trends

In 2022, Vietnam attracted nearly US\$27.7 billion in foreign direct investment (FDI) from 108 countries, only equivalent to 89% of the total FDI in 2021. However, the disbursement of FDI in 2022 stood at US\$22.4 billion, up by 13.5% yoy, the highest record over the past five years.

Singapore was the largest investing country with US\$6.5 billion, followed by South Korea (US\$4.9 billion) and Japan (US\$4.8 billion).

- According to the Foreign Investment Agency under the Ministry of Planning and Investment, Vietnam will likely attract US\$36-38 billion in FDI in 2023.
- The Vietnamese government has implemented numerous supporting policies to attract investment in innovative start-ups and projects related to digital transformation in business. The government has also set an investment supporting plan for the year 2023 and the 2021-2030 period, aiming to attract high-tech projects with modern management and high value-added.
- Many global technology and electronics giants have announced business expansion plans in Vietnam. For instance,
  - Foxconn, Apple's biggest supplier, will launch a MacBook production chain in Vietnam in May 2023.
  - Another Apple supplier, Goertek, has announced its additional US\$300 million investment in Bac Giang Province.
  - Samsung, the largest Korean electronics firm, plans to raise its investment in Vietnam to US\$20 billion, after it launched Southeast Asia's largest R&D centre in Hanoi in December 2022.
  - Another Korean electronics company, LG, is also planning to invest an additional US\$4 billion in Vietnam.
  - Xiaomi, Bosch, Panasonic, Amkor, Sharp, and Compal plan to expand their business in Vietnam.
  - Many other big companies, such as OPPO, HP, and Bose, are also considering the relocation of production plants to Vietnam.

# Vietnam

## Latest Developments

## FBI C's take

### Other Topics

In 2022, Vietnam's urbanization rate reached 41.7%, up by 1.2 percentage points from the previous year.

As of November 2022, Vietnam had 888 urban areas, including two special-type areas, 22 tier-1, 33 tier-2, 47 tier-3, and 94 tier-4 urban areas.

On 17 January 2023, the Central Party Committee agreed that Nguyen Xuan Phuc stopped serving as Vietnam's President, member of the Politburo and the committee, and Chairman of the National Defence and Security Council for the 2021 to 2026 term.

Effective 18 January, Vice President Vo Thi Anh Xuan undertakes the role of acting President of Vietnam until the National Assembly elects a new President.

- The Ministry of Construction (MoC) has targeted to raise Vietnam's urbanization rate to 53.9% in 2023. The Ministry will speed up the planning of the urban and rural systems and launch an inspection plan of state management over urban development in 2023.
- Besides, the MoC will continue to promote green urban areas in Vietnam towards 2030, develop smart sustainable urban areas in the 2018-2025 period, and set up a national urban classification for the 2021-2030 period.

- Serving as Prime Minister (PM) during the 2016 to 2021 period, Phuc was praised for having rather successfully directed and managed the prevention and control of the COVID-19 pandemic.
- However, as a leader, Phuc was also criticized for letting several officials, including two Deputy PMs and three ministers, commit violations with severe consequences. And thus, Phuc decided to resign from his positions and retire. The two Deputy PMs have stepped down from their positions, while two ministers and several other officials are facing criminal charges.

# Contact

## Helen Chin

Vice President

Tel: (852) 2300 2471

Email: [helenchin@fung1937.com](mailto:helenchin@fung1937.com)

## Winnie Lo

Senior Research Manager

Tel: (852) 2300 2488

Email: [winnielowl@fung1937.com](mailto:winnielowl@fung1937.com)

## Sophie Zhang

Senior Research Manager

Tel: (852) 2310 7916

Email: [sophiezhang@fung1937.com](mailto:sophiezhang@fung1937.com)

## Fung Business Intelligence

11/F LiFung Tower

868 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)

W: <http://www.fbicgroup.com>

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