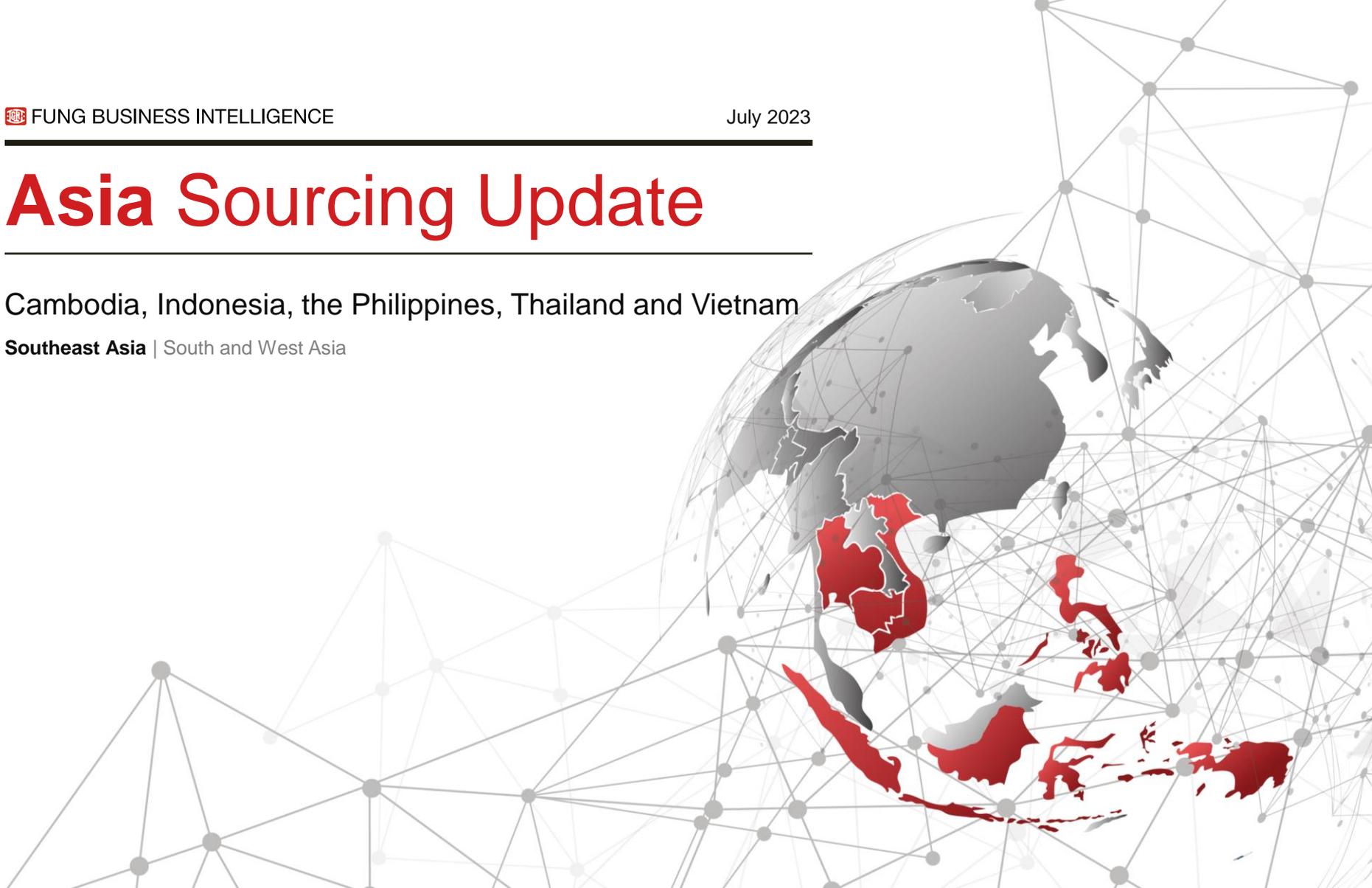


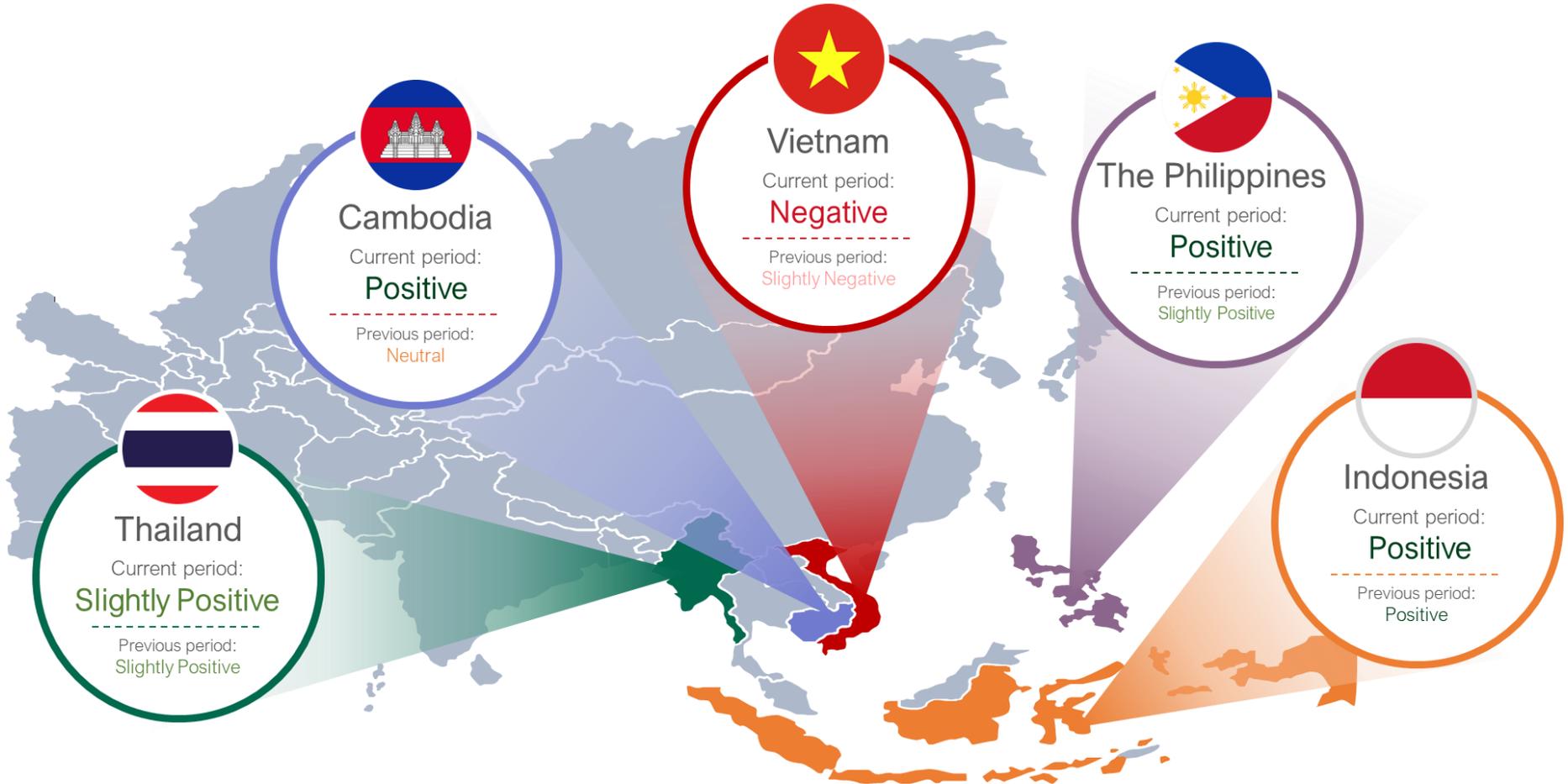
Asia Sourcing Update

Cambodia, Indonesia, the Philippines, Thailand and Vietnam

Southeast Asia | South and West Asia

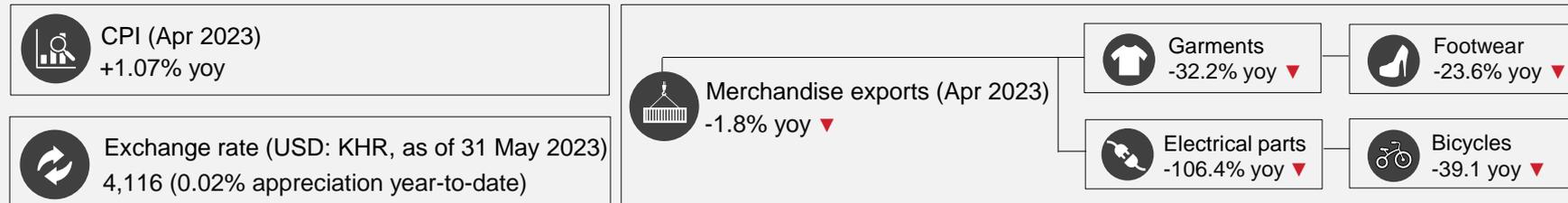


Highlights: 12-month sourcing outlook



Cambodia

Fast facts



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

12-Month Sourcing Outlook: Positive

The Cambodian economy grew 5.2% yoy in 2022, mainly driven by tourism, domestic consumption, and garment exports. However, exports of the country have continued to decline since the start of 2023 due to sluggish demand in both the EU and the US markets. Exports of the GFT sector (garments, footwear, travel goods and other textile-related products), Cambodia's largest foreign exchange earner, slumped by 24.6% yoy in the first four months of 2023. Cambodian industry experts expected that orders for GFT goods would not revive until mid-2023, as retailers in the EU and the US are clearing the stocks of unsold goods from the previous seasons.

Despite the difficulties in the export sector, the overall economic prospect for Cambodia is promising this year because of the robust tourism recovery and the expected high growth in the services and agricultural sectors. The World Bank, in its latest *Cambodia Economic Update* published in May 2023, sets Cambodia's economic growth in 2023 at 5.5%, saying Cambodia's economy is firmly on a path to recovery.

Cambodia

Latest Developments

FBIC's take

Macroeconomic Trends

Cambodia's goods exports decreased by 4.9% yoy to US\$7.2 billion in the first four months of 2023, according to the General Department of Customs and Excise.

During this period, the exports of the GFT sector decreased by 24.6% yoy to US\$3.1 billion, but still accounted for 42.9% of Cambodia's exports. Electric machinery, equipment and parts were the second largest export category, which increased by 94.2% yoy to US\$979.1 million, accounting for 13.5% of Cambodia's exports in the same period.

The US remained the biggest market for Cambodia's exports during the January-April period, with an export value of US\$2.5 billion (accounting for 33.9% of Cambodia's total exports), followed by Vietnam (US\$1.2 billion, 16.3%) and China (US\$439.5 million, 6.1%).

- Cambodia's exports have dropped for four consecutive months since the start of 2023, on a year-on-year basis.
- Exports of Cambodia's GFT sector, Cambodia's largest foreign exchange earner, dropped substantially in the first four months of 2023 due to an economic slowdown in its major export markets. Exports of the sector decreased by 28.0% yoy in January, 24.5% yoy in February, 14.6% yoy in March, and 30.4% yoy in April. According to industry experts in Cambodia, orders for GFT goods would not revive until mid-2023, as retailers in the EU and the US are clearing stocks of unsold goods from the previous seasons.

Cambodia

Latest Developments

FBIC's take

Policy & Regulations

Cambodian's new Law on Taxation was enacted on 22 May 2023 after King Norodom Sihamoni signed a Royal Code promulgating the new law.

The King's endorsement came after the draft of the law was approved by the Cabinet on 31 March, by the National Assembly on 19 April and then by the Senate on 2 May.

The law consists of 20 chapters and 255 articles, expanded from seven chapters and 155 articles in the previous version. It fills up the gaps in the existing fiscal laws and amalgamates regulations on 15 tax categories into a single law, according to industry experts.

On 19 May 2023, the Cambodia government approved a draft law on rules of origin (the bill hereafter) during a Council of Minister meeting chaired by Prime Minister Hun Sen.

The bill, which has nine chapters and 35 articles, establishes the principles and rules of origin for imported and exported goods that fully comply with the Rules of Origin Agreement of the World Trade Organization (WTO), according to chief government spokesman Phay Siphon.

Its main objectives are to facilitate origin verification procedures; to boost imports and exports, especially those involving preferential treatment; and to provide anti-counterfeit protections.

- The law has improved the compliance of the Cambodian tax regime with international standards and economic conditions and encourages accountability, effectiveness and transparency in the collection process.
- The law facilitates, improves, and ensures consistency by compiling a set of tax laws and regulations under a single decree and achieves uniformity with the country's other key laws such as the Law on Investment, the Law of Commercial Enterprises, and the Labour Law.
- Specifically, the law provides clarity on tax-related incentives for potential investors to choose targeted industries.

- The bill establishes a clear legal foundation for authorities in charge of determining the origins of goods and issuing certificates of origin, and therefore, provides an additional warrant for Cambodia-exported goods to enjoy trade preferences provided by relevant countries via free trade agreements.
- The draft bill will need to be adopted by the National Assembly and finally reviewed by the Senate before being submitted to Cambodian King Norodom Sihamoni for endorsement.

Cambodia

Latest Developments

FBIC's take

FTAs, Trade Preferences and Investment Agreements

On 8 June 2023, Cambodian Minister of Commerce and the Emirati Minister of State for Foreign Trade signed the Cambodia-United Arab Emirates Comprehensive Economic Partnership Agreement (CAM-UAE CEPA) in Phnom Penh. The agreement aims to increase and diversify bilateral trade by substantially eliminating tariffs, reducing non-tariff trade barriers and promoting trade in goods, services and investment.

The CAM-UAE CEPA focuses on trade in goods, trade in services, technical barriers to trade, rules of origin, customs and trade facilitation, sanitary and phytosanitary measures, trade remedies, electronic commerce, investment, and intellectual property.

Other areas incorporated in the agreement include economic and technical cooperation, SMEs, transparency, dispute settlement, administrative and institutional provisions, general provisions and exceptions, and final provisions.

- The trade pact was concluded after three rounds of formal negotiations between the two countries held, in Abu Dhabi on 24-26 October 2022, Phnom Penh on 19-21 December 2022, and Dubai on 20-22 February 2023, respectively. It is Cambodia's third bilateral trade agreement, following the ones with China and South Korea which came into force in 2022.
- Key Cambodian export items that will benefit from the agreement include agricultural products, bicycles, electronic vehicles, travel bags, footwear and garments. The UAE will benefit from its exports of services in construction, engineering and environment-protection, as well as professional and business services.
- In 2022, Cambodia's goods and services trade with the UAE was US\$105 million, with an export value of US\$70 million to the UAE market and the value of imports from the UAE at US\$35 million.

Indonesia

Fast facts



GDP (Jan-Mar 2023)
5.0% yoy



Manufacturing PMI (May 2023)
50.3 ▼



CPI (May 2023)
+4.00% yoy



Merchandise exports (Apr 2023)
-29.4% yoy ▼



Textiles and textile products
-43.8% yoy ▼



Footwear
-38.3% yoy ▼



Sports requisites
-47.0% yoy ▼



Furniture
-51.2% yoy ▼



Exchange rate (USD: IDR, as of 31 May 2023)
15,003 (3.9% appreciation 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

In the first quarter of 2023, Indonesia's economy grew by 5.0% yoy, surpassing the global average. In addition, the manufacturing sector has been expanding for 21 consecutive months, with a Purchasing Managers' Index (PMI) level of 52.5 in June, reflecting Indonesia's resilience to withstand global economic uncertainties. However, economic analysts predict that the country's growth momentum may slow down in the coming months as prices for its key export commodities are decreasing and global monetary tightening continues to dampen global demand.

Indonesia

Latest Developments

FBIC's take

FTAs, Trade Preferences and Investment Agreements

Indonesia and the EU completed the 14th round of negotiations for the Indonesia-EU Comprehensive Economic Partnership Agreement (IEU-CEPA) in Belgium in mid-May.

In this round of negotiations, 18 primary issues were discussed, including trade in goods, rules of origin, trade in services, trade security, investment, government procurement, transparency and regulatory practice, dispute resolution, institutional provisions, and intellectual property rights.

The 15th round of the negotiations is scheduled to take place in July 2023 in Indonesia.

On 23 May, Indonesia and Iran signed a Preferential Trade Agreement (PTA) after seven rounds of negotiations over the course of three years.

Under the PTA, Iran will expand market access for Indonesian imports, including processed food, rubber, pharmaceutical products, paper, textiles, footwear, palm oil, coffee, and spices, while Indonesia will offer reduced tariffs for Iran's imports, including fossil fuel, oil, and aluminum.

- Negotiations for the IEU-CEPA have been ongoing since 2016. Indonesia and the EU are aiming to conclude the negotiations by the end of this year.
- It is noteworthy that, while the two sides are negotiating the IEU-CEPA, they are also suing one another at the World Trade Organization (WTO). On one hand, the EU is complaining against Indonesia for banning exports of nickel ores. On the other hand, Indonesia sued the EU for alleged discrimination against its palm oil and oil palm crop-based biofuels in 2019.
- Representatives from both sides have stated that the disputes have had no effect on the IEU-CEPA negotiations, and the trade agreement is expected to further boost bilateral trade between the two parties.
- In 2022, Indonesia's exports to the EU amounted to US\$21.5 billion, with palm oil and its fractions, industrial monocarboxylic fatty acids, coal, copper, and leather vamp as its major export items.
- During the same period, Indonesia's imports from the EU reached US\$11.7 billion. Key import items included iron and steel pipes, medicines, vaccines, pulp-making machines, and recycled paper or cardboard.

- The PTA is Indonesia's second trade deal in the Middle East. The first one was the comprehensive economic partnership agreement with the United Arab Emirates (UAE), which is scheduled to be ratified by the end of this year.
- Indonesia expects that the PTA will serve as a gateway for the country to further access Central Asia, particularly Armenia, Azerbaijan, Afghanistan, and Turkey.
- In 2022, the trade value between Indonesia and Iran reached US\$257.2 million, up by 23% yoy.

Indonesia

Latest Developments

FBIC's take

FTAs, Trade Preferences and Investment Agreements

Coordinating Economic Minister Airlangga Hartarto participated in the Indo-Pacific Economic Framework for Prosperity (IPEF) ministerial meeting in Detroit on 26-27 May.

During the meeting, the minister emphasized the importance of critical minerals and proposed that the issue should be included in the discussion of Pillar I of the IPEF Trade.

Indonesian Minister of Trade Zulkifli Hasan and Malaysian Minister of International Trade and Industry Tengku Zafrul Aziz signed an update to the Indonesia-Malaysia Border Trade Agreement (BTA) in Kuala Lumpur on 8 June.

The BTA update is expected to benefit citizens living in the border areas of both countries.

- Critical minerals are the essential materials for developing defense and green technology industries. Their supplies may be disrupted by geological scarcity, geopolitical uncertainties, and other instabilities.
- According to the US Inflation Reduction Act 2022, nickel is classified as a critical mineral, which is important for Indonesia's development of the electric vehicle ecosystem, particularly as a major exporter of electric vehicle batteries to the US and other markets.
- Indonesia has the world's largest reserves of nickel, which can be used for electric vehicle batteries, and is currently the world's largest nickel manufacturer, producing around one million metric tons per year.

- The BTA, which was originally put into effect in 1970, has been revised to reflect the latest circumstances and conditions, with a focus on meeting the needs of the people, facilitating trade, improving regulatory mechanisms, and enhancing supervision.
- Although both Indonesia and Malaysia are ASEAN members and no customs duties should have been applied, the BTA includes several exceptions to export and import requirements, aiming to alleviate the burden on people at the border. After signing the BTA, both countries will ratify it according to their respective provisions before it can be implemented.

The Philippines

Fast facts



GDP (Jan-Mar 2023)
+6.4% yoy ▼



Manufacturing PMI (May 2023)
52.2 ▲



CPI (May 2023)
+6.1% yoy



Merchandise exports (Apr 2023)
-20.2% yoy ▼



Woodcrafts and furniture
-39.0% yoy ▼



Garments
-25.8% yoy ▼



Travel goods and handbags
-23.9% yoy ▲



Exchange rate (USD: PHP, as of 31 May 2023)
56.260 (0.25% 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: Positive

The Philippines' economic prospects look encouraging. Gross domestic product (GDP) grew 6.4% yoy in the first quarter of 2023. Manufacturing sector registered a further expansion in May. The S&P Global Philippines Manufacturing Purchasing Managers' Index increased to 52.2 in May from 51.4 in April, staying above the crucial 50.0 neutral threshold for the sixteenth consecutive month. Headline inflation rate eased for the fifth straight month to 6.1% in May, which is expected to spur domestic consumption. Unemployment rate dropped to 4.5% in April from 5.7% in the same month last year.

The Philippine government expects the country's GDP to grow 6-7.0% in 2023, citing the expected slowdown of domestic inflation, the recovery of tourism, employment and retail trade, the continued growth of the manufacturing sector, and the government's bid to further increase infrastructure investment as the main driving factors. The World Bank, in its latest *Philippine Economic Update* published in June, also raised its growth projection for the Philippine economy in 2023 to 6.0% from 5.7%.

The Philippines

Latest Developments

FBIC's take

Macroeconomic Trends

The Philippines' exports decreased by 14.9% yoy to US\$21.8 billion in the first four months of 2023.

During January-April 2023, electronic products was the country's top exports, with a total export value of US\$11.7 billion, accounting for 53.6% of the country's total exports. This was followed by other manufactured products (US\$1.2 billion, accounting for 5.7% of the total export value), and other mineral products (US\$965.0 million, 4.4%).

China was the Philippines' largest export market during this period, accounting for 16.1% of the total export value of the Philippines (US\$3.5 billion), followed by Japan (US\$3.3 billion, 15.2%), the US (US\$3.1 billion, 14.2%), Hong Kong SAR, China (US\$2.2 billion, 10.2%), and Singapore (US\$1.3 billion, 5.9%).

In the first quarter of 2023, net foreign direct investment (FDI) into the Philippines decreased by 19.6% yoy to US\$2.0 billion.

Japan was the top source of FDI pledges in the January-March period (US\$128.8 million), followed by Singapore (US\$46.2 million), the US (US\$26.4 million), Malaysia (US\$15.2 million), and Hong Kong SAR, China (US\$8.5 million).

The net FDI inflows were directed mainly to the sectors of manufacturing (US\$142.3 million), information and communications (US\$34.1 million), wholesale and retail trade (US\$31.7 million), real estate (US\$28.1 million), and electricity, gas, steam and air conditioning supply (US\$16.0 million).

- In April, the Philippines' exports decreased for the fifth consecutive month since last December and posted the biggest drop since August 2020, due to the deterioration in the world market.
- Economists in the Philippine government revised downward export growth for 2023 from 3% yoy to 1% yoy in June, as the soft overseas demand amidst the worldwide economic recession will further weaken the export performance of the Philippines in the coming months.

- The slump in net FDI inflows of the Philippines in the first quarter reflected the negative impact of global economic uncertainties on investors' confidence in the country's economy.
- However, the improving economic prospect of the country and the relaxation of foreign ownership restrictions in the renewable energy sector* are bringing investors back to the country. According to the Board of Investments (BOI), in January to May, approved foreign investments surged to 403.9 billion pesos (US\$7.2 billion) from 5.6 billion pesos (US\$100.0 million) in the same period in 2022, mainly driven by investments in the renewable energy sector, especially in offshore wind projects.

(*note: In October 2022, the Department of Justice ruled that projects related to natural resources, such as solar, wind, hydro, and ocean or tidal energies, are not covered by constitutional limitations on foreign ownership, and allowed 100% foreign equity in renewable energy projects. Previously, foreign participation in projects involving exploration, development and utilization of natural resources was capped to only 40%.)

The Philippines

Latest Developments

FBIC's take

Policy & Regulations

On 22 May, the House of Representatives approved a bill that would formulate a 30-year national infrastructure program spanning from 2023 to 2052.

House Bill No. 8078, or the 30-Year National Infrastructure Program Act (the bill hereafter) focuses on projects of national significance that will serve as the country's infrastructure backbone.

The program will be an all-encompassing one covering not only public works like roads, bridges, and expressways, but also energy, water resources, information and technology, agri-fisheries, food logistics, and socially oriented structures such as school buildings and other educational facilities.

The bill mandates the National Economic and Development Authority (NEDA), in consultation with implementing agencies and stakeholders, to formulate the 30-year infrastructure program in detail, including measurable targets and the selection, prioritization and phasing of specific projects.

The bill provides that the total annual allocation for the program shall be at least 5% of GDP, provided that the constitutional command giving budgetary priority to education shall be observed. The government may also tap official development assistance as funding source.

The House will transmit the bill to the Senate for further action.

- The bill seeks to provide an overall framework for the desirable locations, magnitudes, interrelationships and timing of public and private investments in major infrastructure in the country over the next three decades, in a way to ensure the continuity in the development and implementation of projects across administrations, regardless of changes in national leadership.
- Representatives believe that the bill is putting in place a long-term system of funding and sustaining public infrastructure projects to support a strong economy that would generate more job and income opportunities for the people, and to build a resilient and reliable national infrastructure network.
- Projects under the program may be undertaken by the national government through its implementing agencies, by the private sector through public-private-partnership (PPP) agreements, PPPs in partnership with local government units, or a combination of the above modalities.
- The program will also encourage private sector participation in infrastructure planning, design, construction, operation, and maintenance.

Thailand

Fast facts



GDP (Jan-Mar 2023)
+2.7% yoy ▲



Manufacturing PMI (May 2023)
58.2 ▼



CPI (May 2023)
+0.5% yoy



Merchandise exports (Apr 2023)
-7.6% yoy ▼



Textiles and apparel
-13.9% yoy ▼



Furniture
-27.1% yoy ▼



Footwear
-16.1% yoy ▼



Exchange rate (USD: THB, as of 31 May 2023)
34.895 (1.00% 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: Slightly Positive

Thailand's GDP increased by 2.7% yoy in the first quarter of 2023, higher than the market consensus of 2.3%, supported by private consumption and tourism. Inflation fell to a 21-month low of 0.5% in May and is expected to remain below 3% for the whole year. The headline S&P Global Thailand Manufacturing PMI was 58.2 in May and higher new orders are expected to sustain the strong expansion of the Thai manufacturing sector in the following months. Thai exports declined for the seventh consecutive month in April, but both the export profession and government officials believe that exports will regain growth in the second half of the year as the public and private sectors have planned aggressive market openings in new regions like the Middle East, China, and India, where the economies are recovering.

While the uncertainty around the formation of a new coalition government after the general election on 14 May would be lingering for several months, the Thai government expects that the economy will grow 2.7-3.7% yoy in 2023, citing a strong recovery in tourism sector, the expansion in both private and public investments, the continued expansion of private consumption, and the favorable growth of the agricultural sector as main factors.

Thailand

Latest Developments

FBIC's take

Macroeconomic Trends

Thai exports decreased by 5.2% yoy to US\$92.0 billion in the first four months of 2023. In April alone, exports decreased by 7.6% yoy to US\$21.7 billion.

In January-April 2023, the US was Thailand's biggest export market, accounting for 16.0% of Thailand's total export value, followed by China (12.4% of total export value), Japan (8.9%), Malaysia (4.1%), and Vietnam (4.0%).

Key export products during the period included automotive (US\$13.4 billion, 14.6% of total export value), agro-manufacturing products (US\$12.8 billion, 14.0%), electronics (US\$10.0 billion, 10.9%), electrical appliances (US\$9.5 billion, 10.3%), and machinery & equipment (US\$7.5 billion, 8.2%).

- Thailand's exports declined for the seventh straight month in April. Prospects for Thai exports look weak in light of the economic recessions in developed countries, as well as global economic uncertainties resulting from geopolitical conflicts.
- Nevertheless, the Thai government keeps its export growth target for 2023 at 1-2% yoy, believing that its active export promotion efforts will improve export performance in the second half of the year. The government has set up special task forces to ramp up exports for specific products such as rice, food, rubber and sugar to compensate for the decline in hard disk drivers, plastic pellets, textiles and garments.
- The Thai National Shippers' Council (TNSC) also believes that Thai exports can eke out a growth of 0-1% yoy in 2023, citing lower world freight rates and the demand from newly explored markets as the major opportunities. The chairman of the TNSC said both the public and private sectors have planned aggressive market openings in new regions such as the Middle East, China, and Indian, where the economies are recovering.

Industry Development

On 31 May 2023, nine state-owned banks in Thailand signed a memorandum of cooperation to provide 2 billion baht (about US\$58.3 million) in loans to support the rubber industry. The signing ceremony was chaired by Finance Minister Arkhom Termpittayapaisith.

The Thai Chamber of Commerce, Krungthai Bank, the Bank for Agriculture and Agricultural Cooperatives, the Thai Credit Guarantee Corporation and the Export-Import Bank of Thailand are among the signatories.

- The memorandum is to strengthen the competitiveness of Thailand's rubber products in the world markets. Support will cover participants in the whole rubber production chain from rubber tree growing in the upstream, rubber latex and rubber woods processing in the midstream, to the manufacturing of medical products, auto parts, construction materials and other products from rubber latex and wood in the downstream. Most operators at the downstream are small and medium-sized enterprises.
- According to the TNSC, rubber exports of Thailand are valued at 680 billion baht a year, providing jobs for some 6 million people across the rubber production chain. The TNSC expected that rubber exports would grow by 5% yoy in 2023, while exports of many other Thai goods are contracting.

Thailand

Latest Developments

FBIC's take

Other Topic

On 14 May 2023, Thailand held the national election to select the next Thai government, which may end the powers of the military-backed establishment that has governed the country since 2014.

In this election, two opposition parties, the Move Forward Party (MFP) and the Pheu Thai Party, became the largest winners of the election, with the former securing 152 of the 500 seats in the lower house of parliament and the later, 141 seats.

On 22 May, a coalition of eight political parties led by the MFP signed a memorandum of understanding (MoU) as a prelude to setting up the next government. The MFP-led coalition has 313 seats in the lower house of parliament and pledged to support MFP leader Pita Limjaroenrat's bid for premiership.

MFP has positioned itself as a reformist party. Pita Limjaroenrat himself said that his policy priorities over the next four years will be to "demilitarize, demonopolize, and decentralize" Thailand, which, in Thai terms, is a rather radical agenda.

According to Thailand's parliamentary procedures, the Electoral Commission has up to 60 days to certify the results, after which parliament will elect the new prime minister, who will then form a new cabinet for the King to endorse. If everything proceeds along the constitutional steps, the new Thai government would be formed in mid-August.

- The MFP-led coalition is taking shape, but that does not necessarily mean it will get to govern the country for sure.
- For Pita Limjaroenrat to become prime minister, the coalition has to win, additionally, 63 votes from the Senate, which is composed of 250 military appointed members. This is not easy because the senate members are widely expected to support a conservative candidate – or at least block the most radical opposition alternative.
- Besides, Thailand's military rulers have precedents to use coups and court rulings to keep elected opponents out of power. Or, the Bhumjaithai Party, a member of Prime Minister Prayut's ruling coalition with 71 seats in the lower house, and the Senate could jointly establish a minority government. Such possibilities could throw the country into political chaos again like the long-lasting street protests happened in 2020 and 2021.
- The business sector worries that a delay in forming a new government and potential political chaos would damage Thailand's economic recovery. The Joint Standing Committee on Commerce, Industry and Banking (JSCCIB) estimated that this scenario will cut Thai GDP growth by 1-2% yoy.

Vietnam

Fast facts



GDP (Jan-Mar 2023)
+3.3% yoy ▼



Manufacturing PMI (May 2023)
45.3 ▼



CPI (May 2023)
+2.43% yoy



Merchandise exports (May 2023)
-9.3% yoy ▲



Textiles and garments
-8.0% yoy ▲



Toys and sports goods
-12.2% yoy ▲



Wood and wooden products
-23.7% yoy ▲



Footwear
-11.6% yoy ▼



Exchange rate (USD: VND, as of 31 May 2023)
23,714 (0.43% 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: Negative

Global economic slowdown has had a dampening effect on Vietnam's export market. In the first five months of 2023, the country's exports experienced a double-digit decline, falling 14.7% yoy. Moreover, Vietnam's Purchasing Managers' Index (PMI) dropped further to 45.3 in May from 46.7 in April, reflecting the third consecutive month of decline and the lowest index since October 2021. Vietnam is expected to continue to face challenges for the remaining months of 2023, amid the global trade turmoil.

Vietnam

Latest Developments

FBIC's take

Macroeconomic Trends

Vietnam's trade value in the first five months of 2023 was US\$262.5 billion, down 14.7% yoy. The country maintained a trade surplus of US\$9.8 billion, with an export value of US\$136.2 billion (down 11.6% yoy) and an import value of US\$126.4 billion (down 17.9% yoy).

According to the Foreign Investment Agency under the Ministry of Planning and Investment, Vietnam attracted US\$10.9 billion in foreign direct investment (FDI) in January-May 2023, a decline of 7.3% yoy.

- During the five-month period, the US remained the largest export market for Vietnam with an export value of US\$37.2 billion, while China was the country's largest source of imports with an import value of US\$43.4 billion.
- In terms of product categories, processed commodities were the largest export category, reaching US\$120.3 billion; followed by agro-forestry products at US\$10.8 billion, aquatic products at US\$3.4 billion, and fuel and minerals at US\$1.8 billion.
- The Foreign Investment Agency commented that the attractiveness of FDI in Vietnam has improved, as more small and medium-sized foreign investors are willing to invest in new projects in the country.
- During the January-May period, Singapore was the largest foreign investor among the 82 countries and territories investing in Vietnam, with an investment sum of US\$2.5 billion, accounting for 23.3% of the total FDI but marking a year-on-year decline of 14.3%.
- Japan and the Chinese mainland were the second and third investors with US\$2.1 billion and US\$1.6 billion, respectively, followed by Taiwan, China, Hong Kong SAR, China, and South Korea.
- Processing and manufacturing remained the largest recipient of FDI, receiving nearly US\$6.6 billion, followed by finance and banking with US\$1.5 billion, and real estate with US\$1.2 billion.

Vietnam

Latest Developments

FBIC's take

Industry Development

During the Indo-Pacific Economic Framework on 26 May, Steve Biegun, Boeing's senior vice president for global public policy, discussed an investment plan with Vietnamese Minister of Industry and Trade Nguyen Hong Dien.

The company revealed plans to deepen its aviation business in Vietnam, including increasing investment in aircraft parts and equipment manufacturing, deepening commercial relationship with Vietnamese airlines, and ramping up cooperation in several specific areas, such as helicopters and transportation.

- The Minister of Industry and Trade welcomed Boeing's plans and invited the company to speed up training and technology transfer in the country. According to the Minister, Vietnam's suppliers currently produce some parts for Boeing commercial aircraft, but they mostly engage in making low-value small parts and accessories.
- The high-value aircraft components are mainly manufactured by foreign-invested enterprises of the US, Japan, and South Korea.
- Boeing has been operating in Vietnam since 1995 and has provided technical assistance to the local industry for defense and commercial aviation. The company also assisted Vietnam Airlines in obtaining a license to fly non-stop between Ho Chi Minh City and San Francisco.

FTAs, Trade Preferences and Investment Agreements

Australian Prime Minister Anthony Albanese and Vietnamese Prime Minister Pham Minh Chinh reached an agreement on promoting bilateral cooperation in early June. The two Prime Ministers (PMs) witnessed the exchange of certain cooperation documents between their countries, including:

- A memorandum of understanding (MoU) on setting up the ministerial-level dialogue mechanism on trade
- An MoU on implementing the second phase of the Aus4Innovation Programme, which was announced in 2017, aiming to help Vietnam develop a national innovation system
- Exchanging financial intelligence information related to money laundering and terrorism sponsorship
- Granting scholarships for students of Vietnam at the University of Economics Ho Chi Minh City and the Western Sydney University
- Granting Vietnam Airlines and Vietjet certificates to operate more direct flights between the two countries

- During the meeting, the two PMs support the implementation of the Vietnam-Australia Enhanced Economic Engagement Strategy to achieve the goal of raising bilateral trade value to US\$20 billion, doubling two-way investment.
- They also agreed to expand collaboration in the areas of climate change response, digital transformation, green transition, and circular economy development.
- Besides, Vietnamese PM invited Australian investors to invest in various industries including infrastructure development, telecommunications, finance, education, high-tech agriculture, green transition, digital transformation, and resident data development. He also suggested Australia to facilitate investment from Vietnam in mining, agriculture, e-commerce, aviation, and tourism, and to open further to the Vietnamese exports.

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