

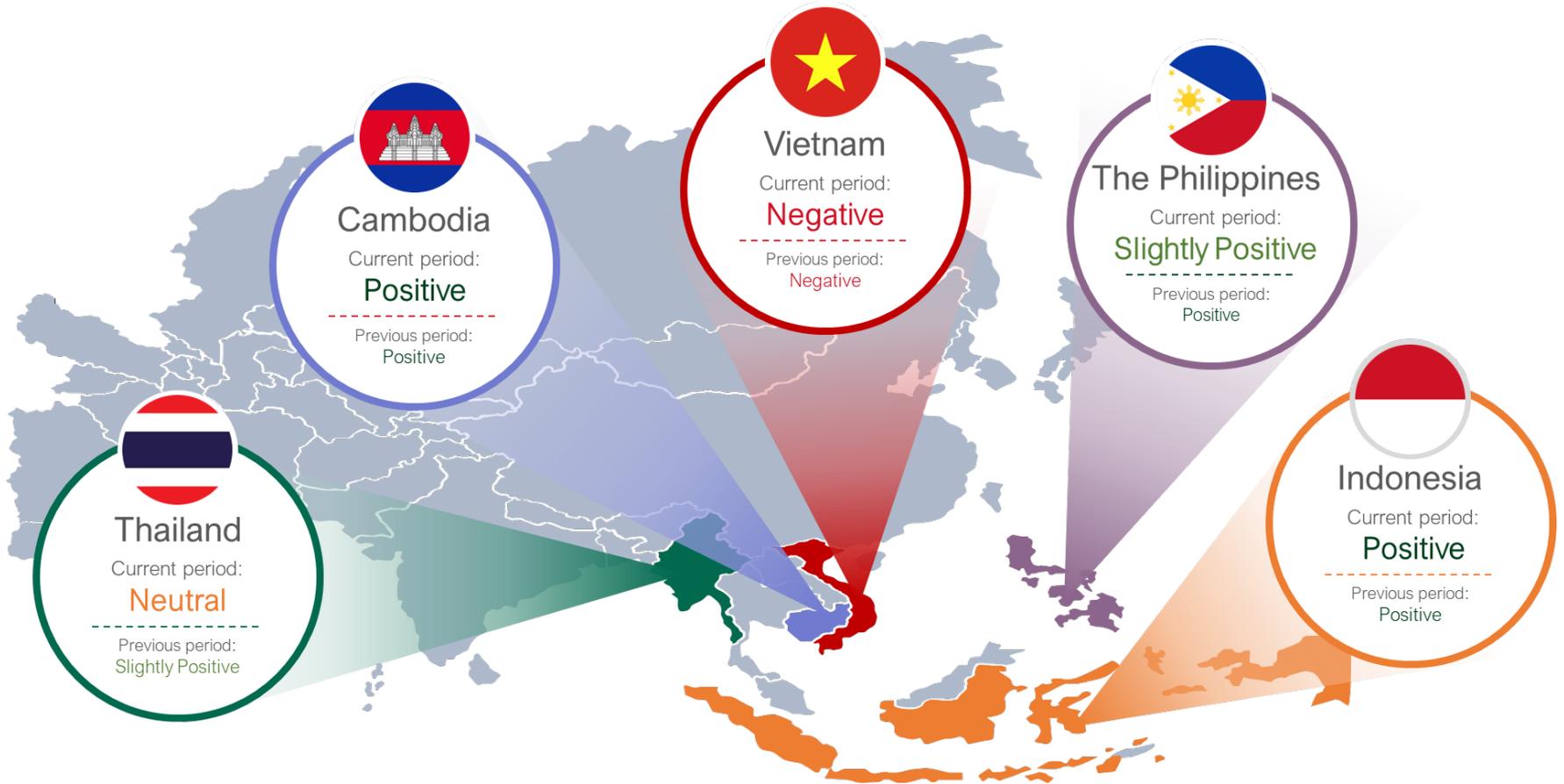
Asia Sourcing Update

Cambodia, Indonesia, the Philippines, Thailand and Vietnam

Southeast Asia | South and West Asia



Highlights: 12-month sourcing outlook



Cambodia

Fast facts



CPI (Jun 2023)
+0.07% yoy



Exchange rate (USD: KHR, as of 31 July 2023)
4,130 (0.21% depreciation year-to-date)



Merchandise exports (Jul 2023)
-12.9% yoy ▼



Garments
-25.8% yoy ▼



Footwear
-45.1% yoy ▼



Electrical parts
82.5% yoy ▼



Bicycles
-66.1% yoy ▼

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 20.4% yoy in the first seven months of 2023, leading to the closure of several factories and the loss of jobs for thousands.

Considering the difficulties in the export sector and the worsened global economic and political environment, the National Bank of Cambodia prudently revised the country's GDP growth forecast for 2023 from 5.6% to 5.5% in July. Nevertheless, the overall economic prospect for Cambodia is still promising this year because of the stable domestic political environment, the robust tourism recovery and the expected high growth in the services and agricultural sectors.

Cambodia

Latest Developments

FBIC's take

Macroeconomic Trends

Cambodia's exports decreased by 1.8% yoy to US\$13.5 billion in the first seven months of 2023, according to the General Department of Customs and Excise.

During this period, the exports of the GFT sector decreased by 20.4% yoy to US\$6.3 billion, but still accounted for 46.4% of Cambodia's total exports. Electric machinery, equipment and parts were the second largest export category, which increased by 100.6% yoy to US\$1.9 billion, accounting for 13.7% of Cambodia's total exports in the same period. Cereals ranked the third with an export value of US\$910.1 million and an export share of 6.7%.

The US remained the biggest market for Cambodia's exports during the January-July period, with an export value of US\$5.2 billion (accounting for 38.3% of Cambodia's total exports), followed by Vietnam (US\$1.6 billion, 11.8%), China (US\$814.7 million, 6.0%), and Japan (US\$655.2 million, 4.8%).

- Driven by the surge in the exports of electric machinery, equipment and parts, Cambodia's exports increased again in May and June after having registered negative year-on-year (yoy) growth for four consecutive months since the start of 2023. However, exports dropped again in July, with a negative yoy growth of 12.9%.
- Exports of Cambodia's GFT sector, Cambodia's largest foreign exchange earner, continues to face economic headwinds due to an economic slowdown in its major export markets in Europe, the US, and Canada, as well as competition from other garment-producing nations like Vietnam and Bangladesh. The slowdown in GFT exports led to the closure of several factories and the loss of jobs for thousands in the sector. The Ministry of Labour and Vocational Training reported in July that another 7,696 GFT workers from 15 factories have lost jobs since March this year.

Cambodia

Latest Developments

FBIC's take

Policy & Regulations

On 18 August 2023, the National Bank of Cambodia (NBC) and Bank of the Lao PDR (BOL) launched the first phase of cross-border QR code payments between the two countries, which allows Cambodian tourists, traders and mobile banking users who visit Laos to make cross-border payments in Riel, the national currency of Cambodia, via scanning LAO QR Code with merchants or shops in Laos.

The two central banks, NBC and BOL, are working together on the second phase that will reciprocally allow Lao visitors to pay for goods or services in their local currency Kip by scanning KHQR code with merchants or shops in Cambodia.

- The launch of this cross-border payment connectivity is the first step by the two countries to implement the memorandum of understanding (MoU) on collaboration in financial innovation and payment system development that was signed on 21 November 2022.
- Cambodia is the first country that has successfully connected and developed cross-border payment via QR Code with Laos. Apart from Laos, Cambodia also has cross-border QR code payment cooperation with its neighboring country Thailand.

Infrastructure & Environmental Sustainability

On 13 July 2023, the Monetary Authority of Singapore (MAS) announced that it has signed an MoU with the National Bank of Cambodia (NBC) to collaborate on a Financial Transparency Corridor (FTC) initiative.

The initiative aims to establish supporting digital infrastructures to facilitate trade and related cross-border financial services between small- and medium-sized enterprises (SMEs) in Singapore and Cambodia.

The supporting digital infrastructures under the FTC initiative aims to:

- Establish a consent-based digital infrastructure to facilitate information exchange between participating financial institutions in Singapore and Cambodia, to support the provision of cross-border financial services to SMEs.
- Support financial institutions' loan assessments for trade financing and an SME's compliance with anti-money laundering rules to mitigate risks and potential trade disputes.

- The FTC between the two countries is the MAS' first such arrangement in Asia. It will support open trade flows for businesses, in particular SMEs, through enhancing financial trust data for financial services between Singapore and Cambodia.
- Under the FTC, a Cambodian financial institution supporting a Cambodian seller can obtain trusted information on the Singapore buyer and vice versa. Such enhanced information flows can help SMEs in Cambodian and Singapore to access broader digital trade networks such as the Business Sans Border Proxtera global network, and provide SMEs with greater trade connectivity within the ASEAN and other growth regions.
- In March this year, the two countries collaborated on cross-border sharing of individual consumer credit profiles that makes it easier for citizens from both countries to access financial services in their countries of residence. The FTC initiative will further extend the two countries' cross-border information sharing to businesses and SMEs to enhance their abilities to access financing beyond the border.

Indonesia

Fast facts



GDP (Apr-Jun 2023)
5.2% yoy ▲



Manufacturing PMI (Jul 2023)
53.3 ▲



CPI (Jul 2023)
+3.1% yoy



Merchandise exports (Jun 2023)
-21.2% yoy ▼



Textiles and textile products
-43.8% yoy ▼



Footwear
-18.7% yoy ▼



Sports requisites
-19.2% yoy ▼



Furniture
-37.4% yoy ▼



Exchange rate (USD: IDR, as of 31 Jul 2023)
15,092 (3.3% 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

The World Bank has maintained its projection for Indonesia's economic growth at 4.9% for 2023. The country witnessed a significant economic growth of 5.3% in 2022, a substantial increase compared to the 3.7% growth in 2021. The World Bank forecasted that Indonesia's GDP growth would further improve to an average of 5% for 2024 and 2025.

In July, Indonesia has once again been categorized by the World Bank as an 'upper-middle income country' after losing the status in 2021 due to the COVID-19 pandemic. Despite this positive trend, the Indonesian President Joko Widodo has warned of challenges arising from ongoing global economic instability and geopolitical tensions.

Indonesia

Latest Developments

FBIC's take

Macroeconomic Trends

In June, both exports and imports of Indonesia saw a double-digit decline: Exports plunged by 21.2% yoy to US\$20.6 billion, while imports dropped by 18.3% yoy to US\$17.2 billion.

Indonesia posted a US\$3.4 billion trade surplus in June, marking the 38th consecutive month of trade surplus for the country since May 2020.

During the first half of 2023, Indonesia attracted around US\$45.2 billion in foreign and domestic investments, reflecting a year-on-year increase of 16.1%. This amount represented 48.5% of its target for 2023.

- The decline in export orders and commodity prices amid the global economic slowdown led to the latest double-digit contraction in Indonesia's exports. As the country reduced its purchase of raw materials, its imports also decreased substantially.
- Regarding the trade surplus in the non-oil and gas sector, Indonesia saw the largest surplus with India, reaching US\$1.2 billion in June. The country's surplus with the US and the Philippines reached US\$1.2 billion and US\$827 million, respectively.

- Over the past years, Singapore has been Indonesia's top source for foreign direct investment (FDI). FDI from Singapore amounted to US\$9.4 billion in 2021 and increased to US\$13.3 billion in 2022.
- In January-June this year, Singapore remained the largest contributor of foreign investment to Indonesia, reaching US\$7.7 billion. It was followed by China with US\$3.8 billion, Hong Kong SAR, China with US\$3.5 billion, and Japan with US\$2 billion.
- During this six-month period, the majority of FDI inflows went to basic metals, metal goods, non-machineries, and equipment industry, with a total value of US\$5.4 billion. The transport, warehouse, and telecoms sector ranked second, attracting FDI inflows of US\$3.2 billion.
- Besides, West Java province attracted the largest amount of FDI, reaching US\$4.5 billion in the first half of 2023.

Indonesia

Latest Developments

FBIC's take

Other Topics

Indonesia regained its upper-middle income status after losing it in 2021 due to the COVID-19 pandemic. In July, the World Bank released its country classifications by income level and upgraded Indonesia's status to an 'upper-middle income country' from a 'lower-middle income country'.

- The World Bank issues the country classification every July, categorizing countries into four groups based on their gross national income (GNI) per capita, converted into US dollars under the latest exchange rate. The groups are low income (US\$1,135), lower-middle income (US\$1,136-4,465), upper-middle income (US\$4,446-13,845), and high income (over US\$13,845). These classifications determine a country's eligibility to use the World Bank facilities, such as loan pricing.
- Indonesia's GNI per capita surged by 9.8% to US\$4,580 in 2022 from US\$4,170 in 2021, as reported by the World Bank. The upgrade in country status reflects Indonesia's economic resilience and sustainable growth in recent years.
- The new country status is expected to boost confidence among investors and trading partners, attract more investments, improve the current account performance, enhance economic competitiveness, and strengthen financial support for Indonesia.

On 20 July, Coordinating Minister for Economic Affairs Airlangga Hartarto announced that Indonesia is actively pursuing membership in the Organization for Economic Cooperation and Development (OECD).

According to the minister, Indonesia believes it deserves to be an OECD member because it regained the status as an upper middle-income country, successfully organized the G20 Summit in 2022, and led the ASEAN Summit amid difficult situations such as the COVID-19 pandemic, geopolitical tensions, and climate change.

- To attain OECD membership, Indonesia will adopt higher standards in its legislative processes, including the development of laws and the enforcement of regulations and standards across multiple ministries and institutions. These elevated benchmarks aim to ensure improved quality and effectiveness in the country's legislative procedures.
- If Indonesia becomes an OECD member, it would be the third Asian country, following Japan and South Korea, to join the organization.

The Philippines

Fast facts



GDP (Apr-Jun 2023)
+4.3% yoy ▼



Manufacturing PMI (Jul 2023)
51.9 ▼



CPI (Jul 2023)
+4.7% yoy



Merchandise exports (Jun 2023)
0.8% yoy ▼



Woodcrafts and furniture
-36.0% yoy ▼



Garments
-20.1% yoy ▼



Travel goods and handbags
-35.3% yoy ▼



Exchange rate (USD: PHP, as of 31 Jul 2023)
54.847 (2.32% 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: Slightly Positive

The Philippines' gross domestic product (GDP) grew 4.3% yoy in the second quarter of 2023, lower than expected and the 6.4% growth in the first quarter. The slower growth was due to smaller expansion in household consumption and lower government spending, among others. The S&P Global Philippines Manufacturing Purchasing Managers' Index was 51.9 in May, staying above the crucial 50.0 neutral threshold for the eighteenth consecutive month. Headline inflation rate eased for the seventh straight month to 4.7% in July and is expected to decline further in the coming months. Nevertheless, the Philippine central bank prudently maintains its policy rate at 6.25% and does not exclude further rate hikes if the upside risks to inflation materialize.

Due to the weaker economic growth in the second quarter, the Philippine government's target of 6.0-7.0% yoy GDP growth for 2023 looks out of reach if no aggressive stimulus measures are adopted in the following months. Several international banks have lowered their economic growth forecasts for the Philippines after the disappointing GDP expansion in the second quarter. HSBC, for example, slashed its GDP growth forecast for the Philippines from 5.2% yoy to 4.8% yoy for 2023, while Oxford Economics trimmed their forecast from 5.4% yoy to 4.5% yoy.

The Philippines

Latest Developments

FBIC's take

Macroeconomic Trends

The Philippines' exports decreased by 9.3% yoy to US\$34.9 billion in the first half of 2023.

During this period, electronic products was the country's top exports, with a total export value of US\$19.3 billion, accounting for 55.3% of the country's total exports. This was followed by other manufactured products (US\$1.9 billion, accounting for 5.5% of the total export value), and other mineral products (US\$1.6 billion, 4.6%).

China was the Philippines' largest export market during this period, accounting for 16.0% of the total export value of the Philippines (US\$5.6 billion), followed by the US (US\$5.2 billion, 14.9%), Japan (US\$5.18 billion, 14.8%), Hong Kong SAR, China (US\$3.8 billion, 11.0%), and Singapore (US\$1.8 billion, 5.3%).

In the first five months of 2023, net foreign direct investment (FDI) into the Philippines decreased by 20.8% yoy to US\$3.4 billion, according to the Bangko Sentral Ng Pilipinas.

Japan was the top source of FDI in the January-May period (US\$268.0 million), followed by Germany (US\$140.9 million), Singapore (US\$80.3 million), the US (US\$50.6 million), and South Korea (US\$22.7 million).

The net FDI inflows were directed mainly to the sectors of manufacturing (US\$423.1 million), real estate (US\$45.5 million), information and communications (US\$40.2 million), wholesale and retail trade (US\$37.9 million), and transportation and storage (US\$31.9 million).

On the other hand, in the first half of 2023, approved foreign investments surged to 423.0 billion pesos (US\$7.6 billion) from 7.9 billion pesos (US\$142.5 million) in the same period in 2022, mainly driven by investments in the renewable energy sector, especially in offshore wind projects, according to the Board of Investments (BOI).

- The Philippines' exports registered positive growth in May and June (2.4% yoy and 0.8% yoy respectively) after decreasing for five consecutive months since last December.
- However, the Philippine exports continue to face economic headwinds given the slowdown of the global economy. In June, economists in the Philippine government revised downward export growth forecast for 2023 from 3% yoy to 1% yoy, saying that the soft overseas demand amidst the worldwide economic recession will further weaken the export performance of the Philippines in the coming months.

- Net FDI inflows of the Philippines in January-May of 2023 remained subdued due to relatively higher price and interest rate levels globally, according to the Philippines central bank. Under global economic uncertainties, the Philippines is facing increasing competitive pressure from other countries in the region. Some Philippines-specific factors, such as high electricity rates, inadequate infrastructure and red tape make countries like Indonesia, Thailand and Vietnam more attractive to foreign investors.
- However, figures of the approved FDI indicate an encouraging prospect of the country's FDI inflows. This is partly due to the government's unswerving effort to improve investment environment in recent years.

The Philippines

Latest Developments

FBIC's take

Policy & Regulations

On 13 July 2023, the Philippine government formally launched its Green Lanes for Strategic Investments to expedite, streamline, and automate government approval and registration process of priority investments and strategic investments. Strategic investments are those in line with the Philippine Development Plan 2023-2028.

With the “green lanes” strategy, a One-Stop-Action-Center for Strategic Investments (OSAC-SI) will be established at the BOI, which will serve as the single point of entry for all projects qualified as strategic investments.

Investors with projects considered as strategic investment should come to the BOI to get its Certificate of Endorsement to be presented to national government agencies and local government units to expedite the processing of their permits and licenses.

- The “green lanes” strategy is another effort of the Philippine government to attract FDI to the country after the latest amendment to the country’s Foreign Investment Act in March 2023 that allows international investors to set up and fully own domestic enterprises enterprises in the Philippines.
- The Philippines has traditionally lagged behind its neighbours in Southeast Asia in terms of attracting foreign investments and has been criticized as having Asia’s most restrictive foreign investment laws. The government hopes that the “green lanes”, together with continuous amendments to the country’s foreign investment laws, will attract more capital to the country.

Thailand

Fast facts



GDP (Apr-Jun 2023)
+1.8% yoy ▼



Manufacturing PMI (Jul 2023)
50.7 ▼



CPI (Jul 2023)
+0.4% yoy



Merchandise exports (Jun 2023)
-6.4% yoy ▼



Textiles and apparel
-17.1% yoy ▼



Furniture
-10.0% yoy ▲



Footwear
-12.2% yoy ▼



Exchange rate (USD: THB, as of 31 Jul 2023)
34.411 (0.39% 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: Slightly Positive

Thailand's GDP increased by 1.8% yoy in the second quarter of 2023, below the 3.1% growth expected by economists in a Reuters poll. Exports, a key driver of growth, have contracted since October 2022, indicating weak global demand. The headline S&P Global Thailand Manufacturing PMI was 50.7 in July, the lowest monthly level since July 2022. As a tourism-driven economy, Thailand predicts to receive 29 million tourists this year, still well below pre-pandemic levels.

The Thai government revised downwards Thailand's GDP growth for 2023 to 2.5-3.0% yoy from the previous estimate of 2.7-3.7% yoy, citing slower exports as a key factor. However, the uncertainty around the formation of a new coalition government since the general election on 14 May ended finally when Srettha Thavisin was elected as Thailand's new prime minister on 22 August 2023, which is good for investment sentiment and enables the country to focus back on economic development.

Thailand

Latest Developments

FBIC's take

Macroeconomic Trends

Thai exports decreased by 5.4% yoy to US\$141.2 billion in the first half of 2023. In June alone, exports decreased by 6.4% yoy to US\$24.8 billion.

In the first half of 2023, the US was Thailand's biggest export market, accounting for 16.4% of Thailand's total export value, followed by China (12.6% of total export value), Japan (8.9%), Malaysia (4.2%), and Vietnam (3.9%).

Key export products during the period included automotive (US\$20.7 billion, 14.6% of total export value), agro-manufacturing products (US\$19.6 billion, 13.9%), electronics (US\$15.8 billion, 10.9%), electrical appliances (US\$14.4 billion, 11.2%), and machinery & equipment (US\$11.7 billion, 8.3%).

In January-June 2023, Thailand's Board of Investment (BoI) approved 573 foreign investment projects, with a total investment value of 266.2 billion baht (about US\$7.4 billion). Comparing with the same period in 2022, the number of projects increased by 52.8% and the value increased by 78.7%.

During the six-month period in 2023, the BOI received 507 foreign investment project applications, with a total investment value of 304.0 billion baht (about US\$8.5 billion). Comparing with the same period in 2022, the number of projects increased by 33.1% and the value increased by 140.9%.

In terms of investment value, the top five foreign applicants in January-June 2023 were China (61.5 billion baht, 132 projects), Singapore (59.1 billion baht, 73 projects), Japan (35.3 billion baht, 98 projects), South Korea (32.4 billion baht, 9 projects), and the US (24.0 billion baht, 21 projects).

- Thailand's exports in June declined for the ninth straight month. 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.
- Due to the dim global economy prospect and the poor performance of Thai exports in the first half of the year, the Thai government revised its export growth target for 2023 from 1-2% yoy to minus 1.8% yoy.
- The Federation of Thai Industries also predicted the Thai exports to contract 2% in 2023, citing the high interest rate in the US and potentially increasing global energy prices as the major factors.

- The increase in the approved foreign direct investment (FDI) and the FDI applications in the first half of 2023 indicates that, despite the political uncertainty in Thailand in the election year, Thailand remains the most attractive investment destination in the Southeast Asian region with its relatively more advanced economy and its competitive programmes supporting FDI, as compared with other countries in the region.
- The trend of Chinese investors relocating their base from China to Thailand has become increasingly evident. This is partly because Thailand is recognised as a standout player in the EV industry in the region, thanks to clear promotion measures introduced by the government. Several Chinese investors and businesses have already made substantial investments in the Thai EV industry, among them are MG, Great Wall Motors, BYD, and Neta. Two other companies, Chang An Automotive and GAC Ion, have also announced plans to invest in the sector. Besides car production, investors also bring along related industries, such as battery production and other crucial components for EVs.

Thailand

FTAs, Trade Preferences and Investment Agreements

Latest Developments

On 17 August 2023, Thailand signed a so-called mini-free trade agreement (mini-FTA) with China's Yunnan province to build a deeper trade partnership with China. This mini-FTA aims to expand new forms of cooperation in various industries such as logistics and cross-border e-commerce.

According to Phusit Ratanakul Sereroengrit, Director-General of the International Trade Promotion Department of Thailand, the deal will greatly benefit Thailand as a significant exporter of agricultural products and essential food items. The deal is expected to help increase Thailand's exports of fruit and processed fruit to the Chinese market.

FBIC's take

- Yunnan is located in southwest China. It is China's closest province to Thailand, with a driving distance of 4 to 5 hours. Its distinctive geographical location makes it a logistics centre and a distribution centre which connects Thailand with other regions in China.
- In 2022, trade between Thailand and Yunnan amounted to US\$2.3 billion, a 17.9% growth from the previous year.
- Forming mini-FTAs with regions in other countries is a key policy of Thailand to boost trade, investment, and economic cooperation. The mini-FTA with Yunnan is the eighth one Thailand signed. Before it, Thailand has also signed mini-FTAs respectively with Hainan, Gansu, and Shenzhen in China; Kofu in Japan; Telangana in India; and Busan and Gyeonggi in South Korea.

Vietnam

Fast facts



GDP (Apr-Jun 2023)
+4.1% yoy ▲



Manufacturing PMI (Jun 2023)
48.7 ▲



CPI (Jul 2023)
+2.1% yoy



Merchandise exports (Jun 2023)
-10.3% yoy ▼



Textiles and garments
-14.7% yoy ▼



Toys and sports goods
-17.0% yoy ▼



Wood and wooden products
-22.4% yoy ▲



Footwear
-25.4% yoy ▼



Exchange rate (USD: VND, as of 31 Jul 2023)
23,758 (0.62% 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

The ongoing weak global demand is adversely affecting the Vietnamese economy, resulting in a decline in both imports and exports, as well as a slowdown in industrial production. The Asian Development Bank (ADB) has revised downwards its growth forecast for Vietnam, from 6.5% to 5.8% for this year, and from 6.8% to 6.2% for 2024. The ADB is not the only organization to adjust its economic growth forecast for Vietnam. In the June edition of *Global Economic Prospects* by the World Bank, the World Bank also lowered its growth forecast for Vietnam to 6% for 2023, down from the 6.3% prediction made this January.

Vietnam

Latest Developments

FBIC's take

Macroeconomic Trends

In July, Vietnam's trade value was US\$57.2 billion, showing a 2.5% increase over the previous month, but a 6.7% yoy decrease compared with the same month in the previous year.

During the January-July period of 2023, the total trade value of the country was US\$374.2 billion, down by 13.9% yoy. Exports dropped by 10.6% yoy to US\$194.7 billion, while imports plunged by 17.1% yoy to US\$179.5 billion.

In this seven-month period, the country recorded a trade surplus of US\$15.2 billion, a significant increase from US\$1.3 billion in the same period of 2022.

From January to July this year, Vietnam attracted nearly US\$16.2 billion in foreign direct investment (FDI), up by 4.5% yoy. Out of this amount, approximately US\$7.9 billion was allocated into 1,627 new projects, reflecting a surge of 75.5% in project numbers and 38.6% in capital, as compared with the same period last year.

- The Vietnamese manufacturing sector heavily relies on imported raw materials. The drop in export orders has reduced the demand for imported raw materials, leading to the decline of imports. The substantial trade surplus raises concerns about the challenges that industrial production and exports may face in the coming months.
- From January to July 2023, Vietnam's trade surplus with the US was US\$44.3 billion, down by 24.1% yoy, followed by the EU (US\$16.4 billion) and Japan (US\$0.9 billion).
- In contrast, the country's trade deficit with China, South Korea, and the ASEAN plunged by 35.2% yoy to US\$27 billion, by 35.1% yoy to US\$15.5 billion, and by 35.3% yoy to US\$5 million, respectively.

- The manufacturing and processing sector was the top recipient of FDI, attracting US\$10.9 billion in FDI, followed by the real estate sector (US\$1.6 billion).
- During the seven-month period, there were 94 countries and territories investing in Vietnam. Singapore topped the list with US\$3.6 billion, although experiencing a 15.5% yoy decrease, South Korea and China were the second and third largest foreign investors, with investment of US\$2.34 billion and US\$2.33 billion, respectively.

Vietnam

Latest Developments

FBIC's take

Other Topics

In July, the European Chamber of Commerce in Vietnam (EuroCham) announced its latest Business Confidence Index (BCI) for Vietnam in the second quarter of 2023, which slipped by 4.5 points to a score of 43.5.

- Due to its heavy reliance on manufacturing and export sectors, Vietnam's economy has been significantly affected by the challenging global situation. The decline in export orders has impacted on European businesses and the overall business community, whose pessimistic outlook has been reflected by the latest BCI.
- There is a 10% increase in the number of respondents with negative responses regarding the current business situation in Vietnam, and a 6% increase in the number of respondents who have negatively assessed their business prospects in Vietnam for the third quarter of 2023, even though there is also a 9% increase in positive sentiment for the third quarter of 2023 compared to the second quarter.
- Despite the challenges, Vietnam remains attractive to foreign investors, with 48% of the respondents expecting increased FDI in Vietnam in the third quarter of 2023. However, 40% of the respondents indicated no plans to increase their investment in the country.
- Amid the current cautious business climate, respondents have emphasized the importance of regulatory reforms and availability of skilled labour as crucial drivers for their companies' growth in Vietnam. Regulatory reforms are identified as the primary factor driving growth in the service sector, while the manufacturing sector prioritizes the availability of skilled labour.

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