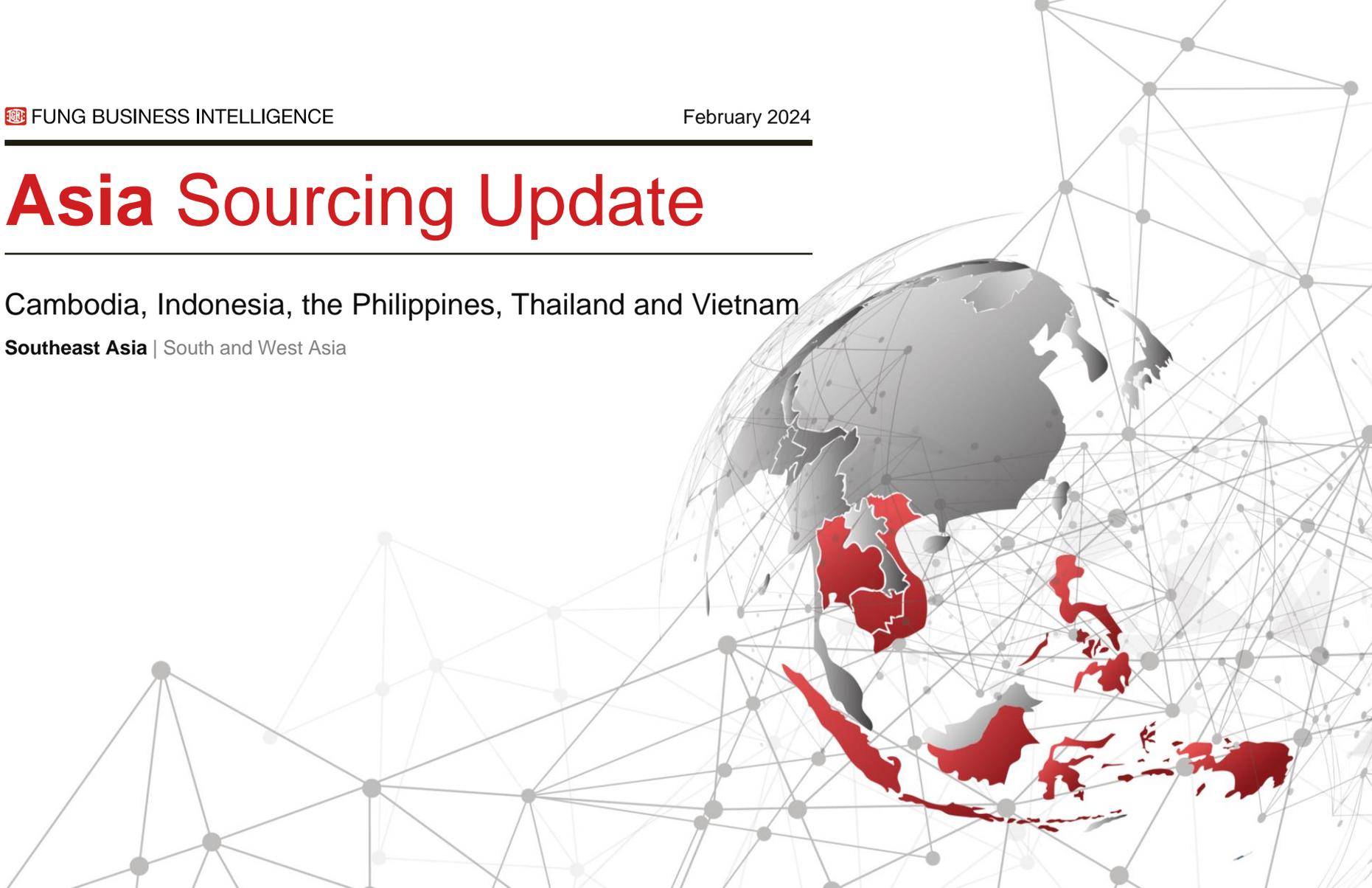


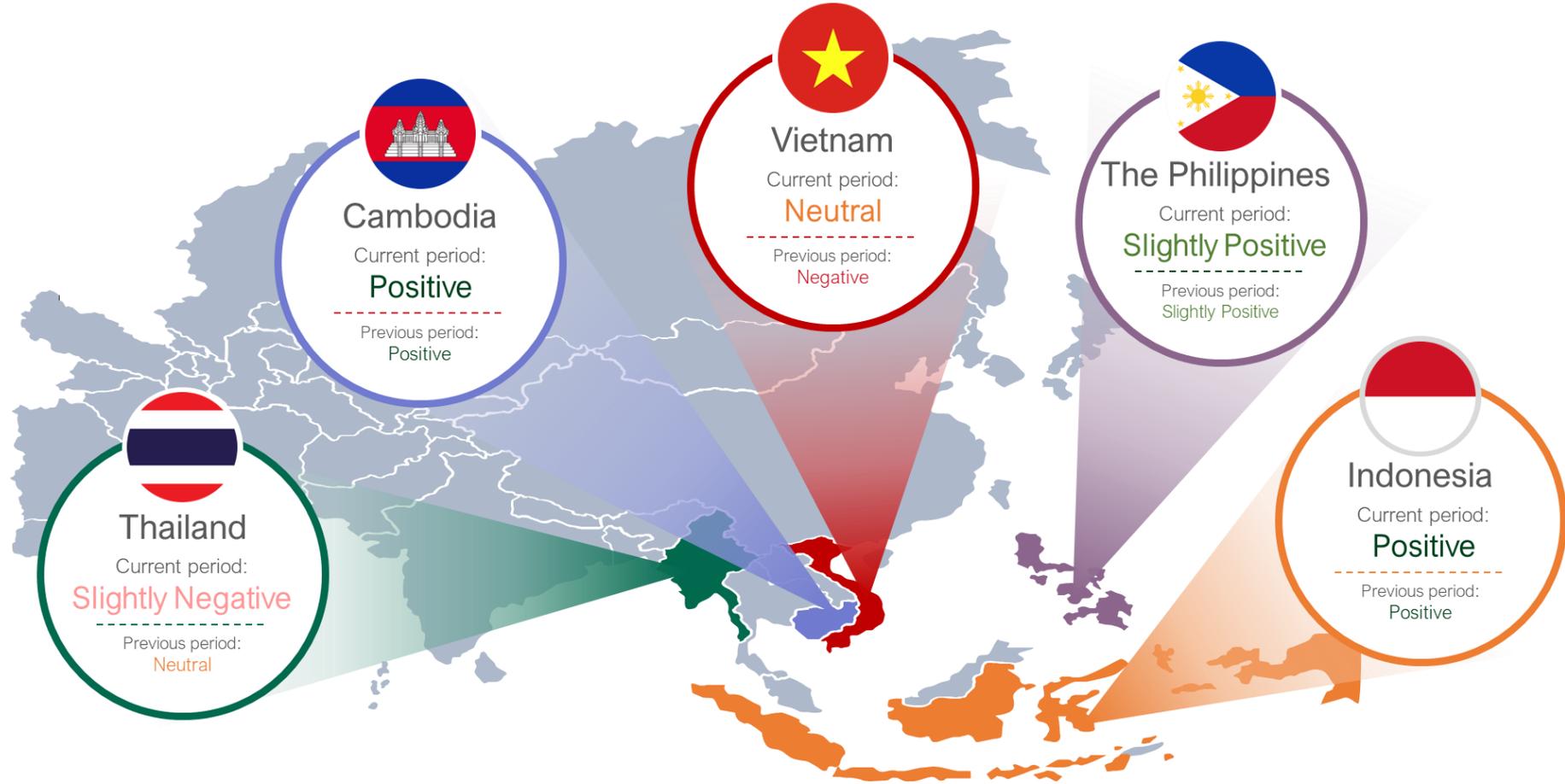
Asia Sourcing Update

Cambodia, Indonesia, the Philippines, Thailand and Vietnam

Southeast Asia | South and West Asia



Highlights: 12-month sourcing outlook



Cambodia

Fast facts



CPI (Nov 2023)
+2.69% yoy



Exchange rate (USD: KHR, as of 29 Dec 2023)
4,085 (0.78% Appreciation year-to-date)



Merchandise exports (Dec 2023)
13.8% yoy ▲



Garments
33.7% yoy ▲



Footwear
-7.7% yoy ▼



Electrical parts
-41.4% yoy ▼



Bicycles
-67.8 yoy ▲

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

12-Month Sourcing Outlook: Positive

Cambodia's economic growth remained strong at 5.6% yoy in 2023, as expected by the Cambodian government, despite weakening global demand and a slowdown in the real estate sector. The country's export sector also demonstrated resilience in the past year, registering an increase of 1.8% yoy, due to diversification of products and markets, rather than relying solely on the GFT sector (garments, footwear, travel goods and other textile-related products)) and a few trading partners.

The government is confident that Cambodia's economy will grow around 6.6% yoy in 2024. This confidence stems from the belief that the implementation of drastic measures aimed at improving the business environment, upgrading infrastructure and logistics, and developing practical skills in the human resources sector will accelerate economic growth. The World Bank, in its semi-annual outlook for Cambodia released in last November, projected the country's economic growth to reach 5.8% yoy in 2024, based on the anticipated increases in infrastructure investment and the expected benefits from regional trade agreements.

Cambodia

Latest Developments

FBIC's take

Macroeconomic Trends

Cambodia's exports increased by 1.8% yoy to US\$22.6 billion in 2023, according to the General Department of Customs and Excise.

During this period, the exports of the GFT sector decreased by 13.4% yoy to US\$10.9 billion, but still accounted for 48.3% of Cambodia's total exports. Electric machinery, equipment and parts were the second largest export category of the country with an export value at US\$3.1 billion, up by 56.6% yoy and accounting for 13.8% of Cambodia's total exports in the same period. Cereals ranked the third with an export value of US\$1.7 billion, representing a share of 7.7% in total exports.

The US remained the biggest market for Cambodia's exports in 2023, with an export value of US\$8.9 billion (accounting for 39.3% of Cambodia's total exports), followed by Vietnam (US\$3.0 billion, 13.1%), China (US\$1.5 billion, 6.5%), and Japan (US\$1.17 billion, 5.2%).

- Despite the sluggish global demand, the country's exports have registered double-digit growth for five consecutive months since August 2023.
- The resilience of Cambodia's export sector in the past year is due to diversification of products and markets, rather than relying solely on the GFT sector and a few trading partners. The expansion in the trade sector is mainly facilitated by Cambodia's participation in bilateral and multilateral free trade agreements (FTAs) and preferential tariffs. For example, with the Regional Comprehensive Economic Partnership (RCEP) agreement and the Cambodia-China Free Trade Agreement (CCFTA) taking effect, Cambodia's exports to Vietnam increased by 37.1% yoy, and exports to China increased by 19.2% yoy in 2023.
- It is expected that Cambodia's export sector will continue its positive trajectory in 2024, as the Cambodian government focuses on improving trade infrastructure and enhancing the ease of doing business in the country. The signing of the Cambodian-Australian FTA and the ongoing negotiations for the Cambodia-EU FTA are expected to open up new avenues for trade expansion.

Cambodia

Latest Developments

FBIC's take

Infrastructure & Environmental Sustainability

On 3 December 2023, the National Bank of Cambodia (NBC) and the State Bank of Vietnam jointly launched the cross-border QR code payment linkage, aiming to boost business and tourism in both countries.

The arrangement enables people of both countries to make safe, secure, convenient and affordable cross-border payments using their local currencies.

On 30 November 2023, Cambodian Prime Minister Hun Manet announced the cancellation of a US\$1.5 billion, 700-megawatt (MW) coal-fired power plant, previously slated at the Botum Sakor National Park in Koh Kong province. And the Prime Minister revealed a new plan to replace it with an 800-MW natural gas-fired plant.

The new plan will likely include the construction of an LNG (liquefied natural gas) import terminal to import the fuel for use in the new power plant.

The new gas-fired plant is planned to commence operation after 2030. However, the cost details for the power plant and the LNG terminal have not been released.

- The central banks of the two countries signed a Memorandum of Understanding (MoU) in November 2022 agreeing to cooperate in financial innovations and payment systems to foster cross-border QR code payment between the two countries.
- With the cross-border payment linkage, the NBC's QR code payment system has been used for making cross-border transactions with three countries – Thailand (since February 2020), Laos (since August 2023), and Vietnam (since December 2023).
- Meantime, Cambodia is also working with Indonesia and Morocco to explore the cross-border digital payment arrangements.

- This decision aligns with Cambodia's ambitious goal to increase its share of clean energy generation capacity to 70% by 2030, up from 52% in 2022 and marking a significant stride towards a sustainable and eco-conscious future.
- In 2021, the Ministry of Mines and Energy announced that Cambodia would not build any new coal-fired power projects, except for those already under construction. At that time, the ministry acknowledged that the country was committed to existing plans for the Botum Sakor power plant and the 265-MW Han Seng coal-fired facility in Oddar Meanchey province. With the Botum Sakor plant switching from coal-fired to gas-fired project, the 265-MW coal power project is the only remaining coal-fired power station under construction in the country.

Cambodia

Latest Developments

FBIC's take

Other Topics

Cambodia ranked first among the top ten countries with the strongest foreign direct investment (FDI) and macroeconomic prospects in the year 2024, according to the *FDI Standouts Watchlist 2024* released by fDi Intelligence, the industry analysis division of Financial Times (FT) Group Ltd.

According to fDi Markets figures, the FDI in Cambodia bounced back after a significant decline in 2021, reaching US\$2 billion in the first nine months of 2023. China contributed more than two-thirds of Cambodia's greenfield FDI capital expenditure since 2021. Chinese companies have been actively involved in various sectors, including the construction and operation of a new US\$1.35-billion expressway, and manufacturing projects related to tyres and solar panels.

Chea Vuthy, deputy secretary-general of the Cambodian Investment Board (CIB) and the Cambodian Special Economic Zone Board (CSEZB) at the Council for the Development of Cambodia (CDC) highlighted economic potential, peace, security, and political and economic stability as the key factors that underscore the country's attractiveness for FDI.

- The *FDI Standouts Watchlist* is an annual study of the fDi Intelligence. It assesses the macroeconomic and FDI trajectories of the world's top 50 FDI destinations using data from the International Monetary Fund and the foreign investment monitor fDi Markets and singles out those countries that are entering the new year with a strong macroeconomic and FDI momentum.
- Asia has performed admirably in this year's Watchlist, with six countries in the top 10: Cambodia – which leads the overall Watchlist; the Philippines comes in second; Iraq in fourth; Kazakhstan in sixth; Azerbaijan in seventh; and India in tenth.

Indonesia

Fast facts



GDP (Jul- Sep 2023)
+4.9% yoy ▼



Manufacturing PMI (Dec 2023)
52.2 ▲



CPI (Dec 2023)
+2.6% yoy



Merchandise exports (Nov 2023)
-8.7% yoy ▼



Textiles and textile products
-14.5% yoy ▲



Footwear
+0.3% yoy ▼



Sports requisites
-6.0% yoy ▼



Furniture
-6.4% yoy ▲



Exchange rate (USD: IDR, as of 29 Dec 2023)
15,439 (1% 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

Indonesian President Joko Widodo expressed confidence in the country's economic prospects, as his term nears its end. He predicts a growth rate of 5.2% in 2024, exceeding the projections of the IMF and the World Bank. However, he acknowledged the hurdles of a global economic slowdown, weakened consumption, high interest rates, and geopolitical tensions, which could affect investor sentiment.

Coordinating Minister for Economic Affairs, Airlangga Hartarto, echoed this positive outlook and attributed it to the harmonization of fiscal, monetary, and real sector policies. He emphasized the need to attract new investments, boost exports, and revitalize the country's conventional economic engine. Additionally, Hartarto affirmed the importance of maximizing the new economic engine that will accelerate digital growth across various sectors in the future.

Indonesia

Latest Developments

FBIC's take

Macroeconomic Trends

In December, Indonesia achieved a trade surplus of US\$3.3 billion, marking the 44th consecutive month of surplus since May 2020. Exports dropped to US\$22.4 billion, down by 5.8% yoy. On the import side, the country recorded a 3.8% year-on-year decline to US\$19.1 billion in the month.

In 2023, the total trade surplus was US\$36.9 billion, showing a 33.5% year-on-year decline. Exports of the country stood at US\$258.8 billion in the year, down by 11.3% yoy.

- In December, Indonesia registered trade surpluses with several countries. Among them, the three countries with which Indonesia ran the largest trade surpluses were India, the US, and the Philippines. On the other hand, Indonesia also experienced trade deficits with several countries. The top three countries were Australia, Brazil, and Thailand.
- In 2023, Indonesia reported trade surpluses with 177 countries and deficits with 69 countries. The largest trade surplus was with India at US\$14.5 billion, while the largest trade deficit was with Australia at US\$5.8 billion.

Indonesia

Latest Developments

FBIC's take

Industry Development

The Industry Ministry disclosed that the overall industrial confidence index of the country in December 2023 was 51.32, dropping 1.11 points compared to the previous month's score of 52.43. Nevertheless, it remains higher than the December 2022 score of 50.90. A score above 50 indicates industry expansion and shows strong optimism.

- According to the Industry Ministry, 15 out of the 23 manufacturing sub-sectors, most notably the food and beverage industry, are experiencing growth. They contribute 86.3% to Indonesia's GDP. However, the remaining 8 sub-sectors, including electronics and textiles, are facing contractions. These pessimistic sub-sectors represent 13.7% of Indonesia's GDP.
- About 62.4% of the business owners are optimistic about the future of their business, at least in the next 6 months. Many believe that market condition and government policies will improve. Meanwhile, 24.7% of the business owners anticipate their business to remain stable.

On 24 December, a tragic explosion occurred at a Chinese-funded nickel processing plant in the Morowali Industrial Park on Sulawesi Island when workers were conducting furnace repairs. The incident resulted in the death of ten Indonesian workers and eight Chinese workers.

- Sulawesi Island serves as a hub for Indonesia's nickel production, a base metal used in electric vehicle batteries and stainless-steel manufacturing. China's increasing investment in the sector has sparked unrest among workers in terms of payment and working conditions. The Morowali industrial park, sprawling over 3,000 hectares, focuses primarily on nickel processing and employs around 70,000 workers across numerous companies.
- The Deputy Minister of the manpower ministry has pledged that Indonesia will strengthen work safety laws.
- It is worth noting that Indonesia has banned exports of unprocessed nickel ore, so as to promote domestic smelting and processing. However, the sector has suffered several fatal incidents in recent years, highlighting the need for improved safety measures.

The explosion triggered a protest by about 300 Indonesian workers demanding better work safety standards. They have presented a list of 23 demands to management. These demands included the necessity for better maintenance of smelters, enhanced health clinics capable of handling emergencies, and the requirement for Chinese workers to learn the Indonesian language.

The Philippines

Fast facts



GDP (Jul-Sep 2023)
+5.9% yoy ▼



Manufacturing PMI (Dec 2023)
51.5 ▼



CPI (Dec 2023)
+3.9% yoy



Merchandise exports (Nov 2023)
-13.7% yoy ▲



Woodcrafts and furniture
10.6% yoy ▲



Garments
-19.7% yoy ▼



Travel goods and handbags
-12.2% yoy ▼



Exchange rate (USD: PHP, as of 29 Dec 2023)
55.567 (1.00% 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' GDP grew 5.9% yoy in the third quarter of 2023, after slumping to 4.3% yoy in the second quarter from 6.4% yoy in the first quarter, bringing the growth in the first three quarters to 5.5% yoy. The S&P Global Philippines Manufacturing Purchasing Managers' Index fell from November's nine-month high of 52.7 to 51.5 in December 2023. On the other hand, the headline inflation rate also eased to 3.9% in December.

Multiple organizations' forecasts indicate that the Philippines will continue to be one of the fastest growing economies in East Asia and the Pacific in 2024. For example, the World Bank, in its latest *Global Economic Prospects* released on 9 January 2024, projects the country's economy to grow 5.8% in both 2024 and 2025, and the United Nations, in its *World Economic Situation and Prospects 2024 report*, also projects a 5.8% growth in 2024 for the country.

The Philippines

Latest Developments

FBIC's take

Macroeconomic Trends

The Philippines' exports decreased by 13.7% yoy to US\$67.0 billion in the first eleven months of 2023.

During this period, electronic products was the country's top exports, with a total export value of US\$38.0 billion, accounting for 56.7% of the country's total exports. This was followed by other manufactured products (US\$3.5 billion, accounting for 5.2% of the total export value), and other mineral products (US\$3.0 billion, 4.5%).

The US was the Philippines' largest export market during this period, accounting for 15.5% of the total export value of the Philippines (US\$10.4 billion), followed by China (US\$9.9 billion, accounting for 14.8% of the total export value, Japan (US\$9.7 billion, 14.5%), Hong Kong SAR, China (US\$7.8 billion, 11.7%), and Singapore (US\$3.3 billion, 4.9%).

In the first ten months of 2023, net foreign direct investment (FDI) into the Philippines decreased by 17.5% yoy to US\$6.5 billion, according to the Bangko Sentral Ng Pilipinas (BSP).

Japan was the top source of FDI into the Philippines in the January-October period (US\$603.8 million), followed by Singapore (US\$157.7 million), Germany (US\$149.7 million), the US (US\$107.6 million), and Taiwan, China (US\$31.8 million).

The net FDI inflows were directed mainly to the sectors of manufacturing (US\$699.1 million), wholesale and retail trade (US\$85.6 million), real estate (US\$80.7 million), information and communications (US\$74.7 million), and construction (US\$48.9 million).

- The Philippine exports experienced a challenging year in 2023, given the slowdown of the global economy and the sudden eruption of the Red Sea crisis in the last quarter of 2023, which disrupted the global supply chain.
- However, Philippine experts are in general optimistic about the country's export performance in the coming year. For example, Robert M. Young, president of the Foreign Buyers Association of the Philippines, said the garment and apparel business could increase by 2% yoy in 2024, while the Philippine Exporters Confederation Inc. expects exports to achieve a year-on-year growth of 5-6% in the year.
- Reasons for this optimism include the expected recovery of the US economy, the expansion of exports into new markets in South America and Middle East, the government's efforts to forge more free trade agreements with various countries in the coming year, as well as the energy subsidy provided by the government to the export sector.
- Net FDI inflows of the Philippines in January-October of 2023 remained subdued due to relatively higher price and interest rate levels globally, according to the BSP.
- Analysts in BMI, a Fitch Solutions company, expected that the country's FDI inflow will rise by the second half of 2024 with the easing of monetary policy globally. They think that the Marcos administration's "business-friendly environment" will also contribute positively to attracting foreign investments in 2024.

The Philippines

Latest Developments

FBIC's take

Policy & Regulations

On 5 December 2023, Philippine president Ferdinand Marcos Jr. signed into law the Internet Transactions Act of 2023 (ITA, or the Act). The Act is intended to regulate e-commerce to protect consumer rights and data privacy, encourage innovation, promote competition, secure internet transactions, uphold intellectual property rights, ensure product standards and safety compliance, and observe environmental sustainability.

The Act shall apply to all business-to-business and business-to-consumer internet transactions within the mandate of the Department of Trade and Industry (DTI).

An E-Commerce Bureau will be created under the DTI within six months after the Act takes effect, serving as the executing agency.

Within one year after the ITA takes effect, the E-Commerce Bureau shall establish an Online Business Database (OBD) of digital platforms, e-marketplaces, e-retailers and online merchants engaged in e-commerce business in the country.

- The ITA is championed by President Marcos as one of the 20 priority bills of its administration, which aims to build trust in e-commerce and ensure the development and promotion of e-commerce in the country.
- The Act is cheered for being able to harness the benefits of the digital world without compromising users' privacy and security. It is considered a landmark measure as it comes at a time when online selling and online buying have become people's way of life.

The Philippines

Latest Developments

FBIC's take

Infrastructure & Environmental Sustainability

On 12 December 2023, the Asian Development Bank (ADB) approved a US\$2.1-billion financing for the construction of the Bataan–Cavite Interlink Bridge (BCIB), a 32.15-kilometre bridge connecting Bataan and Cavite.

The BCIB project will be financed under a multi-tranche financing facility, with the first tranche amounting to US\$650 million. The ADB said the project will see the construction of one of the world's longest marine bridges, including two cable-stayed bridges, 24 kilometers of marine viaducts, and a total of 8 kilometre of approach roads in the two provinces.

Once in operation, the ECIB will reduce the travel time between Bataan and Cavite to 1.5 hours from five hours, and to about two hours from four hours between Bataan and Metro Manila.

The publication of the invitation to bid for the first two contract packages is scheduled in January 2024.

On 1 January 2024, SP New Energy Corporation (SPNEC) announced that it has started building a solar farm covering 3,500 hectares of land in Nueva Ecija and Bulacan provinces. The SPNEC claimed this is the world's largest solar project in the Philippines.

The 200-billion pesos (US\$3.6 billion) project is designed to generate 3,400 megawatts of electricity and have 4,000 megawatt hours of battery storage. This surpasses the capacity of the Bhadla Solar Park in northern India, the world's biggest operating solar farm, which produces 2,250 megawatts across an area of 5,700 hectares.

The first phase of the project is scheduled to be completed by the first quarter of 2026.

- The BCIB project will complete the transport loop around the Manila Bay and better link Metro Manila to central Luzon and Cavite, Laguna, Batangas, Rizal and Quezon provinces, according to the ADB.
- This project is expected to transform the economic landscape of central Luzon, unlock the full potential of Bataan and Cavite for trade, manufacturing, and industrial output, boost their tourism, and therefore help boost economic activity in these areas, which together account for about 60% of the country's GDP. The relaxed traffic congestion in Metro Manila and the reduced travel time will help lower annual greenhouse gas emissions of the country by an estimated 79,000 tons of carbon dioxide equivalent.

- The SPNEC is a unit of Solar Philippines Power Project Holdings, which was founded by Leandro Leviste, a Forbes 30 Under 30 Asia alumus.
- According to the SPNEC, once finished, the project would generate around 5 billion kilowatt hours of electricity yearly, or an estimated 5% of the total volume of the Philippine grid and 12% of its total power demand. This would also exceed the capacity of all grid-connected solar projects currently operating in the Philippines.

Thailand

Fast facts



GDP (Jul-Sep 2023)
1.5% yoy ▼



Manufacturing PMI (Dec 2023)
45.1 ▼



CPI (Dec 2023)
-0.8% yoy



Merchandise exports (Nov 2023)
4.9% yoy ▼



Textiles and apparel
-7.5% yoy ▼



Furniture
9.4% yoy ▼



Footwear
-7.7% yoy ▲



Exchange rate (USD: THB, as of 28 Dec 2023)
34.388 (0.46% 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 Negative

Thailand's GDP increased by 1.5% yoy in the third quarter of 2023, slowing from 1.8% in the second quarter and below the 2.4% growth expected by economists in a Reuters poll. Exports have grown again since August 2023 after contracting for ten months, but export conditions remain weak. The crisis in the Red Sea has significantly increased the shipping costs of Thailand's exports to Europe, which accounted for 7-8% of Thailand's total shipment.

The headline S&P Global Thailand Manufacturing PMI decreased to a historical low of 45.1 in December 2023. This signaled a fifth successive monthly contraction in manufacturing sector conditions which was at the sharpest pace since June 2020. On the other hand, headline inflation fell for the third consecutive month in December 2023, reaching a 34-month low of -0.8%, as energy and food prices softened due to government measures.

Amid the uncertainty of the global economy, the National Economic and Social Development Council forecasts the country's economy to grow in a range of 2.7-3.7% in 2024.

Thailand

Latest Developments

FBIC's take

Macroeconomic Trends

Thai exports decreased by 1.5% yoy to US\$261.8 billion in the first eleven months of 2023. In November alone, exports increased by 4.9% yoy to US\$23.5 billion.

In the first eleven months of 2023, the US was Thailand's biggest export market, accounting for 17.2% of Thailand's total export value, followed by China (12.1% of total export value), Japan (8.8%), Australia (4.21%), and Malaysia (4.15%).

Key export products during the period included automotive (US\$40.7 billion, 15.5% of total export value), agro-manufacturing products (US\$34.9 billion, 13.3%), electronics (US\$29.9 billion, 11.4%), electrical appliances (US\$25.3 billion, 9.7%), and machinery and equipment (US\$21.8 billion, 8.3%).

In January-September 2023, Thailand's Board of Investment (BoI) approved 920 foreign investment projects, with a total investment value of 379.7 billion baht (about US\$10.3 billion). Comparing with the same period in 2022, the number of projects increased by 54.9% and the value increased by 69.8%.

The foreign direct investment (FDI) approved during the period were mainly in the electrical appliances and electronics industry (43.1% of the total value of the FDI projects approved), machinery and vehicles industry (14.4%), metal products and machinery industry (8.5%), and chemical and petrochemical industry (8.4%).

In terms of investment value, the top five foreign investors in January-September 2023 were China (83.9 billion baht, 209 projects), Singapore (78.7 billion baht, 126 projects), Japan (57.3 billion baht, 203 projects), the US (24.6 billion baht, 30 projects), and South Korea (21.0 billion baht, 18 projects).

- Thailand's exports have been on the rise for four consecutive months since August 2023, after experiencing a ten-month consecutive decrease. A rebound in global demand and the recovery of the Chinese economy contributed to this improved export performance of Thailand.
- Despite the signs of recovery and expansion, Thai experts remain cautious about Thailand's export prospect. One concern is the crisis in the Red Sea, which is driving up costs to ship goods to North Africa, the Middle East and Europe. According to Chaichan Chareonsuk, chairman of the Thai National Shippers' Council (TNSC), Thai exports to Europe comprise 7-8% of total shipments in general, making it a crucial market. Thai exports affected by the attacks include automotive parts bound for Saudi Arabia, North Africa and Europe, as well as car tyres, food products and electronic components heading to Europe.
- Given the geopolitical uncertainty, the TNSC set the growth target of Thai exports for 2024 at 1-2% yoy.
- The increase in the approved FDI in the first nine months of 2023 demonstrates Thailand's position as the most attractive investment destination in the Southeast Asian region because of its relatively more advanced economy and its competitive programmes supporting FDI, as compared with other countries in the region.
- The trend of Chinese electric vehicle (EV) 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, Changan, and Neta. Another China EV giant GAC Aion also announced its plan to invest in the sector. Apart from car production, investors also bring along related industries, such as battery production and other crucial components for EVs.

Thailand

Latest Developments

FBIC's take

Industry Development

In December 2023, China Automotive Technology and Research Centre (CATARC) launched its fourth global EV research centre in Thailand, after Germany, Switzerland, and Japan, respectively. The CATARC facility in Thailand will focus on EV policy development, standard-setting and certification.

The research centre is expected to facilitate coordination with Chinese EV manufacturers looking to invest in Thailand and the Southeast Asian region, and thus to bring more Chinese investment to boost Thailand's EV sector.

- The establishment of the research center is in the wake of a flood of investment in Thailand by Chinese EV and battery manufacturers, including BYD, Changan Automobile, Great Wall Motors, GAC Aion, MG, Neta, and Svolt Energy Technology.
- According to the Federation of Thai Industries, in the first half of 2023, Chinese brands accounted for over 70% of Thailand's EV sales. Meanwhile, Thailand is the biggest market for EVs in Southeast Asia, with a 78.7% sales share of battery EVs in the region in the first quarter of 2023.
- With collaboration with China, the Thai government hopes to connect China's sophisticated EV industry – the biggest in the world – with Thailand's domestic industry and infrastructure to support its mission to forge a global EV production hub through 2027 and drive the “30@30” goal – increasing the share of EV production to 30% of the country's total vehicle manufacturing by 2030.
- To boost the domestic EV consumption and production, the Thai government has unveiled the EV 3.0 (2022-2023) and EV 3.5 (2024-2027) promotion measures which reduce excise taxes of imported EVs and offer subsidies to EV buyers. The government has also established more than 150 standards for EVs and provides testing and certification services through the Automotive Testing, Research, and Innovation Centre. Focuses are also placed on workforce development and preparations for the transition to an EV society.

Thailand

Latest Developments

FBIC's take

Infrastructure & Environmental Sustainability

Since October 2023, Thai Prime Minister Srettha Thavisin has been vigorously promoting a 1.4-trillion-baht (US\$28 billion) land bridge project to world leaders and investors.

The project involves the construction of an about 90-kilometre rail and road system that will cut across the Kra Isthmus, the narrowest part of the Indochina Peninsula, to connect the deep-sea port in Chumphon Province on the Gulf of Thailand to a new, deep-water port in Ranong province on the Andaman Sea.

Bidding and construction of the bridge are scheduled to begin in 2025 and the project is planned to take eight years to complete.

- Building a trade route cutting across the Kra Isthmus of the Indochina Peninsula is an old idea that is brought up in Thailand every few years, or every few governments. The proposal this time is to replace a canal with a “land bridge”.
- Positioned as an alternative to the Malacca Strait as a shortcut for shipping between the Pacific Ocean and Indian Ocean, the land bridge is estimated by Thai authorities to cut transport duration by an average of four days and lower shipping costs by 15%, comparing with the existing route through the Malacca Strait.
- The land bridge is also expected to relieve shipping congestion in the Malacca Strait, where a quarter of the world's traded goods pass through, and thus reduce the risk of depending on a single maritime trade route from East Asia to Europe. As a matter of fact, about 90,000 ships pass through the Malacca Strait every year and the number is projected to grow to up to 128,000 at around 2030, surpassing the estimated limit of 122,000 vessels for this trade route. Excessive congestion would increase the risks of delays and collisions, not to mention other issues such as shipping accidents, piracy and unfavourable weather conditions. All of these factors will increase transportation costs and shipping delays, thereby severely affecting the global economy.
- Once completed, it is believed that Thailand will be the biggest beneficiary of this project:
 - The land bridge project is estimated to create 280,000 jobs in Thailand and boost the country's GDP by 5.5% annually, according to Prime Minister Srettha.
 - This new trade route will advertise Thailand as an intercontinental shipment and cargo exchange gateway and aid shipment of goods from Thailand to India, Southeast Asia, the Middle East, and Europe. As pointed out by Pornsak Kaewthavor, head of the Ranong Chamber of Commerce, "Through integrated operations of the eastern and western ports as a transport node connecting the Pacific with the Indian Ocean, Thailand could become a trade hub like Singapore."
- Meanwhile, China is seeking to build a pan-Asian railway network that runs through the Indochina Peninsula as an alternative route to sea lanes passing through the Malacca Strait and the South China Sea in case a security crisis occurs in those places. The land bridge could serve as an important segment of the network.

Vietnam

Fast facts



GDP (Sep-Dec 2023)
+6.7% yoy ▲



Manufacturing PMI (Dec 2023)
48.9 ▲



CPI (Dec 2023)
+3.6% yoy



Merchandise exports (Dec 2023)
+8.4% yoy ▲



Textiles and garments
+0.01% yoy ▲



Toys and sports goods
-35.8% yoy ▲



Wood and wooden products
+2.2% yoy ▲



Footwear
+0.3% yoy ▼



Exchange rate (USD: VND, as of 29 Dec 2023)
23,866 (1.1% 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: Neutral

The General Statistics Office (GSO) announced that Vietnam's GDP growth rate slowed to 5.1% in 2023 due to a decline in exports. Despite falling short of the targeted 6.5% growth, the GDP growth rate can be seen as a positive outcome, especially as the GSO positions Vietnam among the economies with the highest growth rates globally and within the region. Notably, the economy expanded by 6.7% yoy in the fourth quarter, surpassing the 3.4% growth in the first quarter, 4.3% in the second quarter, and 5.5% in the third quarter. In 2024, the GSO has forecasted that Vietnam will continue to face numerous challenges stemming from global economic difficulties and a general decline in the global aggregate demand.

Vietnam

Latest Developments

FBIC's take

Macroeconomic Trends

Vietnam's total trade value dropped by 6.6% yoy to US\$683 billion in 2023, of which, exports were US\$355.5 billion, down by 4.4% yoy and imports were US\$327.5 billion, down 8.9% yoy.

In 2023, the US is Vietnam's largest export market with an export value of US\$96.8 billion. China is Vietnam's largest import market with an import value of US\$111.6 billion.

As of 20 December 2023, Vietnam has attracted nearly US\$36.6 billion in foreign direct investment (FDI) year-to-date, which represents a 32.1% increase compared to the same period of 2022, according to the Foreign Investment Agency.

Among the total FDI, US\$20.2 billion was invested in 3,188 new projects, marking a year-on-year increase of 62.2% in capital and 56.6% in the number of projects. Additionally, over US\$7.9 billion was injected into 1,262 existing projects, down by 22.1% yoy.

- In 2023, the country enjoyed a trade surplus of US\$28 billion for the eighth consecutive year, significantly surpassing the 2022 figure of US\$12.1 billion. The trade surplus was attributed to a sharper decline in imports compared to exports. The drop in the imports of raw materials, machinery, and equipment for production indicated that the recovery in export orders was not robust.
- During the same period, Vietnam's trade surplus to the US, the EU, and Japan reached US\$83 billion (down 12.6% yoy), US\$29.1 billion (down 7.6% yoy), and US\$1.6 billion (up 90.3% yoy), respectively.

- Vietnam received investments from 111 countries and territories during the reported period. Singapore led the way with over US\$6.9 billion, up by 5.4% yoy, accounting for 18.6% of the total FDI. Japan ranked second with nearly US\$6.6 billion, followed by Hong Kong SAR, China with US\$4.7 billion.
- Within the reported period, the FDI capital flowed into 18 out of 21 sectors. The processing & manufacturing sector received the largest share with US\$23.5 billion, up by 39.9% yoy, accounting for 64.2% of the total FDI. The real estate sector received US\$4.7 billion, up by 4.8% yoy, followed by the power production and distribution sector with US\$2.4 billion, up by 4.9%, and the finance and banking sector with US\$1.6 billion, which saw an increase of nearly 27 times.
- FDI inflows were primarily directed towards provinces and cities with well-developed infrastructure, a stable workforce, investment incentives, and streamlined administrative procedures. Notably, Ho Chi Minh City, Hai Phong, Quang Ninh, Bac Giang, Thai Binh, Hanoi, Bac Ninh, Nghe An, Binh Duong, and Dong Nai accounted for 74.4% of the total FDI.

Vietnam

Latest Developments

FBIC's take

Industry Development

In 2023, nearly 160,000 new enterprises have been established in Vietnam, up by 7.2% yoy, according to the Business Registration Management Agency under the Ministry of Planning and Investment.

Although the numbers of newly established firms in the first quarter decreased by 2.0% yoy to 33,905, the numbers in the subsequent quarters saw an upward trend, surpassing the 40,000-mark. In the fourth quarter of 2023, nearly 43,000 enterprises were set up, marking a year-on-year surge of 20.2%.

Throughout the year, a total of 58,412 businesses resumed their operations, resulting in a combined number of firms entering and re-entering the market reaching 217,706, up by 4.5% yoy.

- The Agency reported that the government, ministries, sectors and localities have implemented various measures to support businesses.
- These measures include reducing lending interest rates, stabilizing the foreign exchange market, expediting the disbursement of public investment, and introducing credit packages to assist industries.
- Additionally, measures have been taken to exempt and reduce the payment of taxes, fees, and land use fees. Furthermore, the validity period of e-visa for tourists has been extended, and obstacles in the corporate bond and real estate markets have been addressed.

Labour and Compliance

The National Wage Council announced that Vietnam will raise the minimum wage by 6%, effective this July.

- The Vietnam General Confederation of Labour proposed a salary increment ranging between 6.5% and 7.3%, while the Vietnam Chamber of Commerce and Industry suggested a 4.5 to 5% increase. The final decision have settled somewhere in between.
- Once the minimum wage hike comes into effect, it will mark the first minimum wage adjustment for Vietnam in two years.

Vietnam

Latest Developments

FBIC's take

Trade Affairs

During Chinese President Xi Jinping's State visit to Vietnam in December 2023, a total of 36 cooperation documents were signed between Vietnamese and Chinese ministries, agencies, sectors, and localities. These agreements reflect the positive and comprehensive developments in the bilateral cooperation between Vietnam and China since the establishment of their Comprehensive Strategic Cooperative Partnership in 2008.

- The agreements emphasize the importance of political trust and high-level exchanges between the two countries. They also highlight the significance of defense-security cooperation, sustainable economic collaboration, cultural and educational exchanges, and closer multilateral cooperation. The aim is to strengthen the ties between the two countries and contribute to the common interests of the international community.
- Some of the specific agreements include:
 - Plan on promoting connectivity between the 'Two Corridors, One Belt' framework and the 'Belt and Road' initiative.
 - Agreement on jointly building a bridge over the Red River connecting Vietnam's Lao Cai province and China's Yunnan province.
 - Action plans for enhancing economic and trade cooperation, as well as enriching the content of the Vietnam-China Comprehensive Strategic Cooperative Partnership, between various provinces and regions.
 - Memoranda of Understanding (MoUs) on railway cooperation, aid cooperation for railway development, cooperation in the digital economy, telecommunications, information technology, communications, digital transformation, and digital communications.

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