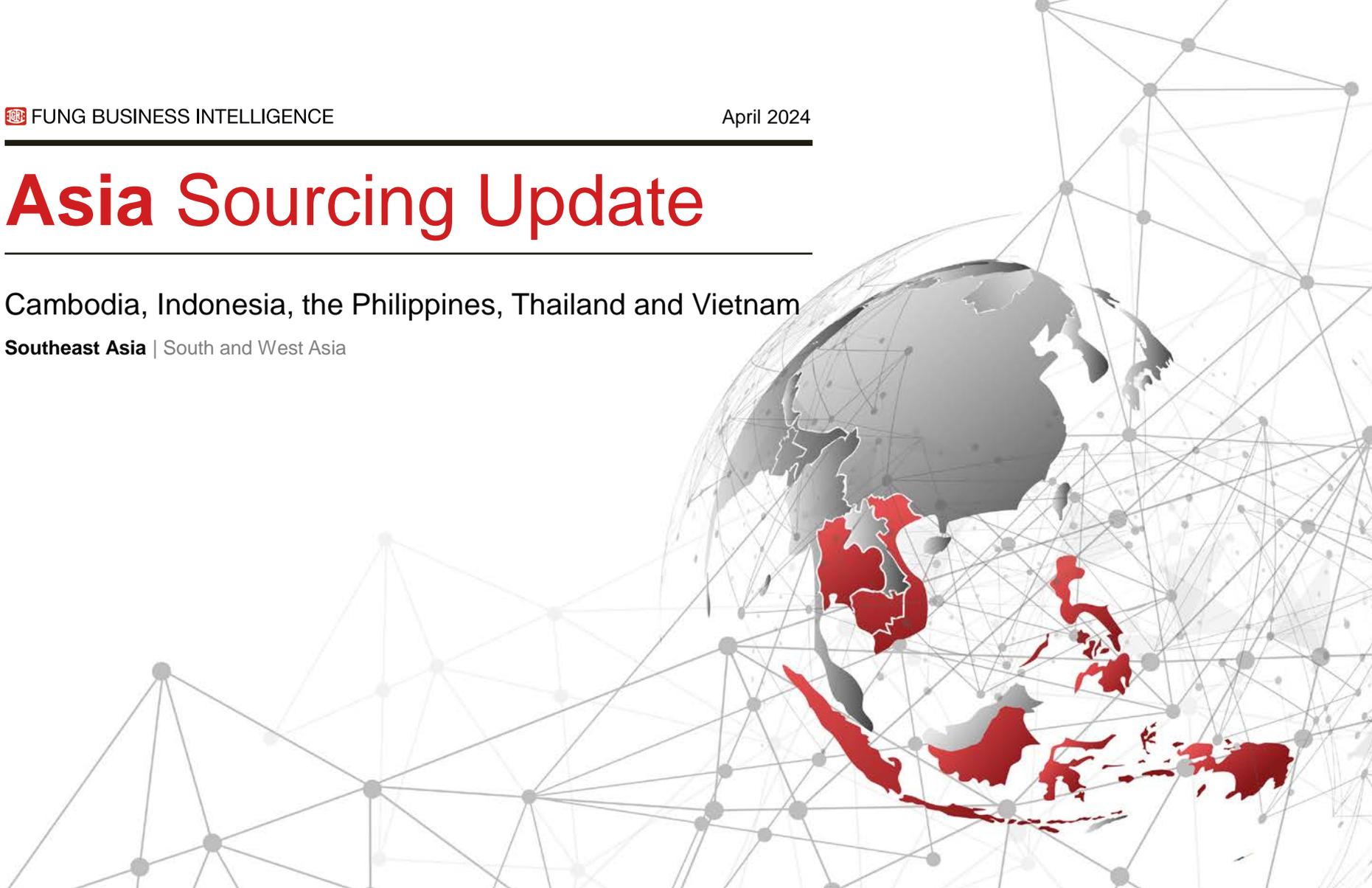


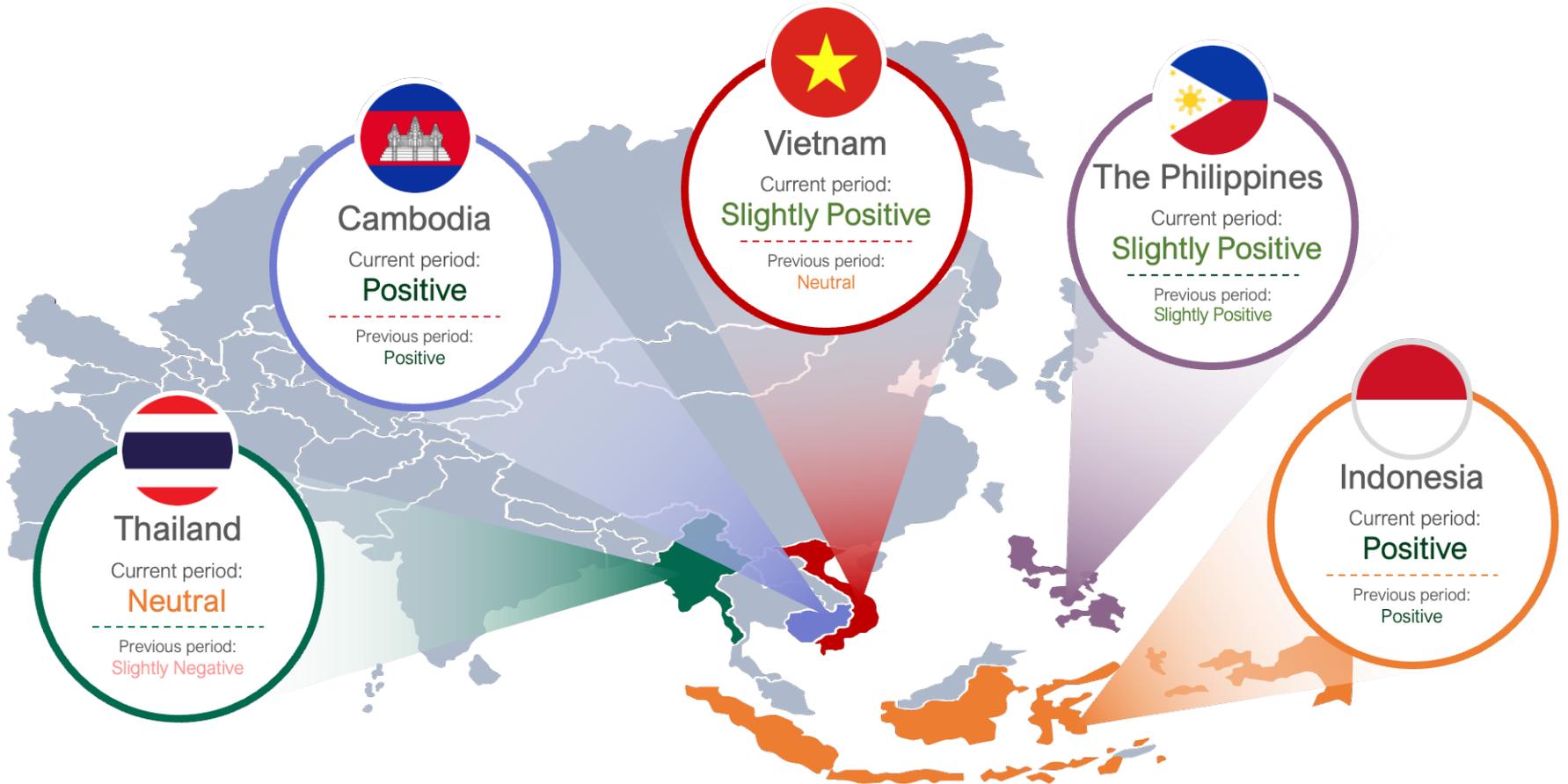
# Asia Sourcing Update

Cambodia, Indonesia, the Philippines, Thailand and Vietnam

**Southeast Asia** | South and West Asia



# Highlights: 12-month sourcing outlook



# Cambodia

## Fast facts



CPI (Dec 2023)  
+2.72% yoy



Exchange rate (USD: KHR, as of 29 Feb 2024)  
4,069 (0.39% Appreciation year-to-date)



Merchandise exports (Jan 2024)  
+25.6% yoy ▲



Garments  
+25.8% yoy ▲



Footwear  
+10.6% yoy ▲



Electrical parts  
-47.9% yoy ▼



Bicycles  
-38.3% yoy ▲

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

## 12-Month Sourcing Outlook: Positive

Cambodia's economy grew by 5.5% yoy in 2023, despite weakening global demand and a slowdown in the real estate sector. The country's export sector also demonstrated resilience, registering double-digit growth for seven consecutive months since August 2023. This growth momentum is expected to continue in the coming months as big American and European buyers in the GFT sector (garments, footwear, travel goods and other textile-related products) have been placing back orders since the start of 2024.

The National Bank of Cambodia projects that Cambodia's economy will grow by 6.4% yoy in 2024. This confidence stems from the belief that the implementation of drastic measures aimed at improving business environment, upgrading infrastructure and logistics, and developing practical skills in the human resources sector will accelerate the economic growth. The International Monetary Fund, in its most recent forecast published on 31 January, also projects the country's economic growth to reach 6.1% yoy in 2024, based on the anticipated recovery of regional and global economies.

# Cambodia

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Cambodia's exports increased by 22.7% yoy to US\$4.0 billion in January to February 2024, according to the General Department of Customs and Excise.

During this period, the exports of the GFT sector increased by 22.1% yoy to US\$1.9 billion, accounting for 46.8% of Cambodia's total exports. Cereals were the second largest export category of the country with an export value of US\$437.6 million, up by 40.3% yoy and accounting for 11.0% of Cambodia's total exports in the same period. Electric machinery, equipment and parts ranked the third with an export value of US\$339.3 million, representing a share of 8.5% in total exports.

The US remained the biggest market for Cambodia's exports in the first two months of 2024, with an export value of US\$1.3 billion (accounting for 32.5% of Cambodia's total exports), followed by Vietnam (US\$801.6 million, 20.1%), Japan (US\$237.2 million, 6.0%), and China (US\$227.7 million, 5.7%).

- Cambodia's exports maintained their growth momentum from the last five months of 2023 into the first two months of 2024.
- The positive trend of Cambodia's export sector is expected to continue in the coming months. According to the Sustainability and Garment Expert of the European Chamber of Commerce in Cambodia (EuroCham), big American and European buyers in the GFT sector have been placing back orders since the start of 2024, and the trend may well extend to June or July this year.
- Meanwhile, the Cambodian government is focusing on improving trade infrastructure and enhancing the ease of doing business in the country. In addition, both the Cambodia-United Arab Emirates Comprehensive Economic Partnership Agreement (CAM-UAE CEPA), effective this January, and the ongoing negotiations for the Cambodia-EU free trade agreement are expected to open up new avenues for trade expansion.

# Cambodia

## Latest Developments

## FBIC's take

### Policy & Regulations

On 20 February 2024, Cambodia formally announced its *Comprehensive Master Plan on the Cambodian Transit and Logistics System 2023-2033* (the master plan), a US\$36.7 billion plan set to revolutionize the nation's transport and logistics sectors in a ten-year span.

The master plan identifies 174 priority projects, including 94 road projects, 8 railway projects, 23 river transport projects, 20 sea transport projects, 10 air transport projects, 15 logistics projects, and 4 additional projects. These projects are planned to finish in two phases: 90 projects will be constructed in the first phase from 2023-2027, with a development budget of US\$19.9 billion, while the rest will be finished during 2028-2033, with a budget of US\$16.8 billion.

On 31 January, Cambodian Prime Minister Hun Manet unveiled the government's plan to establish a new batch of special economic zones (SEZs) that will focus on attracting investments in green technology, sustainable industries, and the digital sector.

The Prime Minister also revealed that the government is studying and preparing a SEZ for investors from a specific country. According to a press release from the Council for the Development of Cambodia (CDC), Cambodia is actively working to establish the Cambodia-Japan SEZ.

- It took the Cambodian government five years to lay out this ambitious transportation and logistics roadmap, with collaboration from Japan International Cooperation Agency, the World Bank and certain Chinese companies.
- The goal of the master plan is to enhance and expand Cambodia's transportation and logistics system. This involves forming a national transport network comprising three main transportation corridors, three sub-corridors, four growth poles (Phnom Penh, Preah Sihanouk, Siem Reap and Battambang) and two connect-growth poles (Svay Rieng-Bavet and Serei Saophoan-Poipet). It also includes setting up infrastructures for a logistic system including two major logistic centres, two logistic parks, and other logistic centres across the country. This highly interconnected transport network aims to facilitate seamless movement within the country and ensures the efficient integration of the system with those in the rest of the Indochina peninsula.
- The comprehensive approach outlined in the master plan signals a significant step forward in Cambodia's efforts to improve its infrastructure, positioning the nation to capitalize on increased trade, mobility, and economic opportunities in the coming years.
- Cambodia has established 24 SEZs since 2006, with a capital investment of US\$8.1 billion, according to a report by CDC. These existing SEZs are designed to accommodate all industries and nationals of different countries. They are currently concentrated by sectors such as garment, footwear and travel products, auto parts, car tyres, electronics, and automotive and bicycle assembly.
- The Prime Minister said that the new batch of SEZs presents a different model from the existing ones. The new SEZs aim to complement the current SEZs and play an important role in diversifying the Cambodian economy.

# Cambodia

## Latest Developments

## FBIC's take

### FTAs, Trade Preferences and Investment Agreements

On 31 January 2024, the Cambodia-United Arab Emirates Comprehensive Economic Partnership Agreement (CAM-UAE CEPA) officially entered into force.

The CAM-UAE CEPA was signed on 8 June 2023, covering a wide range of topics including trade in goods, trade in services, technical barriers to trade, rules of origin, customs and trade facilitation, sanitary and phytosanitary measures, trade remedies, e-commerce, investment, and intellectual property. Other areas incorporated in the agreement include economic and technical cooperation, small- and medium-sized enterprises, transparency, dispute settlement, administrative and institutional provisions, etc.

- The CAM-UAE CEPA agrees to remove or reduce tariffs on more than 92% of product lines, eliminate unnecessary barriers to trade, and improve market access for service exports.
- It has the potential to more than double the current value of non-oil trade between the UAE and Cambodia, to reach a significant milestone of US\$1 billion by 2030.
- The deal opens new export opportunities for the UAE exporters in machinery, oils and lubricants, and cars and automotive parts. It also presents new export opportunities for Cambodia in grains, fruits, meats, processed foods, apparel, footwear and leather goods.
- The deal is also expected to accelerate investment flows between the two countries, particularly in priority sectors such as logistics and infrastructure, travel and tourism projects and renewable energy.

# Indonesia

## Fast facts



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

Source: Statistics Indonesia, Bank Indonesia, IHS Markit

## 12-Month Sourcing Outlook: Positive

Indonesia's economic growth has been stable, reaching 5.1% at the fourth quarter. The country also recorded a trade surplus of US\$2.0 billion in January, marking the 45th consecutive month of trade surplus. In addition, Indonesia has maintained inflation below 3%. These positive indicators are indicative of the country's economic growth momentum. In March, Bank Indonesia Governor Perry Warjiyo expressed confidence that Indonesia's economy would achieve growth of over 5% this year. Nevertheless, the country has been facing year-on-year declines in exports. To reverse the decrease in exports, Indonesia needs to put emphasis on expanding markets, diversifying export goods and services, forging free trade agreements with its trading partners, and strengthening its trade representatives' work abroad.

# Indonesia

## Latest Developments

## FBIC's take

### Macroeconomic Trends

In January, Indonesia recorded a trade surplus of US\$2.0 billion for the 45th consecutive month, despite facing a significant decline in exports. During the month, the country's exports were US\$20.5 billion, down 8.1% yoy, primarily attributed to the decline in the exports of the processing and mining sectors.

- Regarding key trading partners, Indonesia enjoyed a trade surplus of US\$1.4 billion with India, US\$1.2 billion with the US, and US\$0.6 billion with the Philippines in January. The surplus with India is mainly driven by mineral fuel commodities, fats, animal and vegetable oils, and slag and metal ash.
- In the same month, Indonesia recorded a trade deficit of US\$1.4 billion with China, US\$0.4 billion with Australia, and US\$0.4 billion with Thailand. The largest deficit with China was recorded in the trade of machinery and mechanical equipment and their parts, electrical machinery and equipment and their parts, and plastics and plastic goods.

### Infrastructure & Environmental Sustainability

In mid-February, Indonesia and Singapore signed a letter of intent (LOI) on cross-border collaboration on carbon capture and storage (CCS).

The two countries will form a working group to seek a binding bilateral agreement on cross-border transport and CCS.

- Singapore aims to achieve net zero emissions by 2050 and is exploring low-carbon pathways, including hydrogen and CCS.
- On 30 January, Indonesia issued a presidential regulation which allows CCS operators to allocate 30% of their storage capacity to imported carbon dioxide (CO<sub>2</sub>). The regulation also requires that Indonesia must have in place a bilateral agreement with the country from which the CO<sub>2</sub> emissions originate.
- The collaboration of the two countries represents a significant milestone in their efforts towards sustainable development and environmental stewardship. The two countries are positioned as pioneers in deploying cross-border CCS projects in Southeast Asia.
- This collaboration has significant implications for reducing emissions in hard-to-abate sectors such as energy, chemicals, and power. CCS involves capturing, transporting and storing CO<sub>2</sub> to prevent their release into the atmosphere, particularly from activities like power generation. In 2022, approximately 40 million tonnes of CO<sub>2</sub> were captured and stored worldwide, emphasizing the growing importance of this technology.
- Despite criticism of CCS as an expensive and unproven solution, Indonesia is keen to become a regional hub for CO<sub>2</sub> storage. Currently, the country has 15 CCS and carbon capture, storage and utilisation (CCUS) projects in various stages of preparation, attracting a combined investment of nearly US\$8 billion.

# Indonesia

## Latest Developments

## FBIC's take

### Other Topics

Prabowo Subianto, Indonesia's Defense Minister, will become the country's next president following a decisive victory in the 14 February election. Prabowo, running alongside Gibran Rakabuming Raka, the son of current president Joko Widodo, secured nearly 60% of the votes, earning a strong mandate from the voters. Prabowo will assume office in October this year.

- The presidential election result is well-received by investors and businesses, as Prabowo has pledged continuity in the country's growth-focused economic policies. Prabowo also vowed to boost the country's economic growth to 8% within five years, and to turn Indonesia into one of the five largest economies by 2045.
- During the campaign, Prabowo pledged to maintain the Widodo administration's signature 'downstreaming policy'. This policy, characterized by export bans and tax incentives, aimed to attract businesses to process nickel ore within Indonesia. The government intends to capitalize on this policy to develop a domestic supply chain for electric vehicles.
- Under President Widodo's presidency, Indonesia's GDP has experienced steady growth of around 5% over the past decade. Foreign direct investment reached record level in 2023, particularly in the thriving nickel sector, helped by business-friendly policies and an infrastructure push under Widodo.

# The Philippines

## Fast facts



GDP (Oct-Dec 2023)  
+5.6% yoy ▼



Manufacturing PMI (Feb 2024)  
51.0 ▲



CPI (Feb 2024)  
+3.4% yoy



Merchandise exports (Jan 2024)  
+9.1% yoy ▲



Woodcrafts and furniture  
-11.0% yoy ▲



Garments  
-13.4% yoy ▼



Travel goods and handbags  
-25.2% yoy ▼



Exchange rate (USD: PHP, as of 29 Feb 2024)  
56.187 (1.1% depreciation year-to-date)

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

Source: Philippine Statistics Authority, IHS Markit, Bangko Sentral ng Pilipinas

## 12-Month Sourcing Outlook: Slightly Positive

The Philippines' GDP grew 5.6% yoy in 2023, below the 6-7% target range set by the government for the year. Nevertheless, this growth still positioned the Philippines as one of the best-performing economies in Asia. The S&P Global Philippines Manufacturing Purchasing Managers' Index increased from 50.9 in January to 51.0 in February 2024. The headline inflation rate slowed to 2.8% in January and increased to 3.4% in February, but was still lower than the lowest level in the previous year, which was 3.9% in December 2023.

Multiple organizations' forecasts indicate that the Philippines will continue to be one of the fastest growing Asian economies 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 Philippine government set the country's economic growth target for 2024 at 6.5-7.5%.

# The Philippines

## Latest Developments

## FBIC's take

### Macroeconomic Trends

The Philippines' exports decreased by 7.6% yoy to US\$73.5 billion in 2023. In January 2024, the exports increased by 9.1% yoy to US\$5.9 billion.

In January 2024, electronic products were the country's top exports, with a total export value of US\$3.5 billion, accounting for 58.2% of the country's total exports. This was followed by other manufactured products (US\$275.4million, accounting for 4.6% of the total export value), and machinery and transport equipment (US\$224.0 million, 3.8%).

The US was the Philippines' largest export market in January 2024, with an export of US\$902.3 million, accounting for 15.2% of the total export value of the Philippines, followed by Japan (US\$869.3 million, 14.6%), Hong Kong SAR, China (US\$761.1 million, 12.8%), and the Chinese Mainland (US\$624.8 million, 10.5%).

In 2023, net foreign direct investment (FDI) into the Philippines decreased by 6.6% yoy to US\$8.9 billion, according to the Bangko Sentral Ng Pilipinas (BSP).

Japan was the top source of FDI into the Philippines in 2023 (US\$849.4 million), followed by Singapore (US\$182.7 million), Germany (US\$149.9 million), the US (US\$113.1 million), and Taiwan, China (US\$37.0 million).

The net FDI inflows were directed mainly to the sectors of manufacturing (US\$931.8 million), wholesale and retail trade (US\$101.4 million), real estate (US\$89.8 million), information and communications (US\$82.7 million), and construction (US\$69.7 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, the strong growth in exports in the first month of 2024 indicates a promising recovery of the country's export sector.
- Philippine experts are in general optimistic about the country's export performance in 2024. For example, the Philippine Exporters Confederation Inc. expects the country's exports to grow by 5-6% yoy in 2024.
- Reasons for the optimism include the expected recovery of the US economy, the expansion of exports into new markets in South America and the Middle East, the government's efforts to forge more free trade agreements with various countries in the coming year, as well as the energy subsidy provided by the government to the export sector.
- Net FDI inflows of the Philippines fell for a second straight year in 2023, as investors were anxious about the global economic slowdown and geopolitical risks, according to the BSP.
- However, analysts in BMI, a Fitch Solutions company, expected that the country's FDI inflow will rebound by the second half of 2024 with the easing of monetary policy globally. BMI believes that the Marcos administration's "business-friendly environment" will also contribute to attracting foreign investments in 2024.
- In March, US Commerce Secretary Gina Raimondo announced over US\$1 billion worth of investments in the Philippines from certain US companies. She made this announcement while leading a delegation of senior executives from 22 prominent US businesses and non-profit organizations on a first-of-its-kind Presidential Trade and Investment Mission to the Philippines. In the same month, President Ferdinand Marcos Jr. secured investment deals worth at least US\$4 billion during his visit to Germany. Both indicate a potential increase in FDI inflows this year.

# The Philippines

## Latest Developments

## FBIC's take

### Policy & Regulations

On 26 February 2024, President Ferdinand Marcos Jr. signed the Tatak Pinoy bill into law (the Tatak Pinoy Act), which formulates a comprehensive strategy to better support local industries and associate the Filipino brand with high-quality products.

Under the Tatak Pinoy Act, a Tatak Pinoy Council has been established to spearhead the development and implementation of the multi-year strategy focusing on five key pillars: human resources, infrastructure, technology and innovation, investment, and sound financial management.

The Tatak Pinoy strategy will also build on the existing flagship initiatives of the Department of Trade and Industry, such as the One Town, One Product (OTOP) and the Malikhaign Pinoy (meaning "Creative Filipino") Program. These initiatives are designed to cultivate and promote unique products and empower domestic entrepreneurs and innovators to elevate the quality and marketability of domestically made products.

On 21 March 2024, the Philippine government signed the Implementing Rules and Regulations (IRR) of the Public-Private Partnership (PPP) Code.

The IRR establishes clear answers for the benefit of investors, ensuring transparency and efficiency in implementing policies and processes for public-private ventures.

The IRR was made available to the public on 22 March and was effective from 6 April 2024.

- The Tatak Pinoy Act declares the policy of the country to encourage, support, and promote the production and offering of Philippine products and services of increasing diversity, sophistication, and quality by domestic enterprises that are globally competitive.
- A critical provision of the Act is the mandate for the Philippine government to prioritize Filipino products and services in government procurement, strengthening collaboration between the public and private sectors.
- Philippine officials applaud the Tatak Pinoy Act as a significant leap forward in fortifying domestic industries and highlighting Filipino-made products on the global stage.

- The PPP Code of the Philippines, which came into effect from 23 December 2023, is a major government initiative that consolidates several different laws and regulations applied to PPP projects. It establishes a comprehensive legal framework for all PPP projects at the national and local levels.
- The IRR will fast-track the approval and implementation of various infrastructure projects in the country and expedite the evaluation, approval, and rollout process for various infrastructure projects.
- With the IRR, the national government will be able to encourage and operationalize both domestic and foreign investments from the private sector, and pool expertise and innovation to construct critical infrastructures. The PPP Code and its IRR will therefore reduce transaction costs and enhance the ease of doing business for PPPs. 12

# Thailand

## Fast facts



GDP (Oct-Dec 2023)  
+1.7% yoy ▲



Manufacturing PMI (Feb 2024)  
45.3 ▼



CPI (Feb 2024)  
-0.8% yoy



Merchandise exports (Jan 2024)  
+10.0% yoy ▲



Textiles and apparel  
+3.4% yoy ▲



Furniture  
+6.3% yoy ▼



Footwear  
-5.2% yoy ▲



Exchange rate (USD: THB, as of 28 Dec 2023)  
36.096 (4.73% depreciation year-to-date)

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

Source: National Economic and Social Development Council, Ministry of Commerce, Bank of Thailand, IHS Markit

## 12-Month Sourcing Outlook: Neutral

Thailand's GDP increased by 1.7% yoy in the fourth quarter of 2023, higher than the 1.4% year-on-year growth recorded in the third quarter. Though the Thai economy shows signs of improvement with the increase in exports and foreign direct investment, the overall economic expansion has remained slow. The headline S&P Global Thailand Manufacturing PMI stood at 45.3 in February, the seventh consecutive month below the 50.0 neutral value that separates expansion from contraction. Household debt has remained high, as reflected in the contraction in domestic car sales for many consecutive months.

Given that the Thai economy is still vulnerable to negative factors like weak domestic consumption and sluggish production, the Joint Standing Committee on Commerce, Industry and Banking (JSCCIB) in March maintained its GDP growth forecast for the country in 2024 at 2.8-3.3%, while Kasikorn Research Centre of KBank downgraded its Thai economic projection for 2024 to 2.8 %, from its previous forecast of 3.1 % issued in December 2023.

# Thailand

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Thai exports decreased by 1.0% yoy to US\$284.6 billion in 2023. In January 2024, exports increased by 10.0% yoy to US\$22.7 billion.

In January 2024, the US was Thailand's biggest export market, accounting for 17.2% of Thailand's total export value, followed by China (9.9% of total export value), Japan (8.5%), Singapore (5.3%), and Australia (4.9%).

Key export products in January included automotive (US\$3.5 billion, 15.3% of total export value), agro-manufacturing products (US\$2.9 billion, 12.7%), electronics (US\$2.7 billion, 12.0%), electrical appliances (US\$2.1 billion, 9.5%), and machinery and equipment (US\$1.8 billion, 8.0%).

In 2023, Thailand's Board of Investment approved 1,350 foreign investment projects, with a total investment value of 559.0 billion baht (about US\$16.3 billion). Comparing with the previous year, the number of projects increased by 64.1% and the value increased by 78.1%.

The foreign direct investment (FDI) approved during the period were mainly in the electrical appliances and electronics industry (47.8% of the total value of the FDI projects approved), machinery and vehicles industry (14.4%), metal products and machinery industry (8.0%), and high value services (7.2%).

In terms of investment value, the top five foreign investors in 2023 were the Chinese Mainland (124.8 billion baht, 347 projects), Singapore (99.3 billion baht, 194 projects), the US (88.0 billion baht, 37 projects), Japan (65.5 billion baht, 275 projects), and Taiwan, China (47.4 billion baht, 94 projects).

- Thailand's exports have been on the rise for six consecutive months since August 2023, after experiencing a ten-month consecutive decrease. The growth in January was the highest in 19 months since June 2022.
- A rebound in global demand and the recovery of the Chinese economy contributed to this improved export performance of Thailand. Meanwhile, many countries have been increasing imports of food and agricultural products from Thailand to maintain their food security. These positive factors will continue to benefit Thailand's exports this year.
- On the other hand, the Ministry of Commerce commented that the conflicts in the Middle East have had no direct impact on Thailand's exports, although they resulted in higher shipping freight rates.
- The University of the Thai Chamber of Commerce expects that Thailand's year-on-year export growth will lie within the range of 2-3% in 2024.
- The surge in the approved FDI in 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.
- Like in the previous year, the Chinese Mainland came first in the ranking of FDI sources in terms of approved investment value, mainly boosted by Chinese investments in the electronics industry and the automotive supply chain, including electric vehicles. Singapore was the second largest source of approved FDI, with a focus on solar cells and electronics.
- In terms of the regional distribution of investment, the Eastern Economic Corridor, Thailand's prime industrial area comprising the provinces of Chonburi, Rayong and Chachoengsao, again led the ranking, with over 50% of the approved FDI located there.

# Thailand

## Latest Developments

## FBIC's take

### Policy & Regulations

In March 2024, Thailand government unveiled six flagship projects as part of its efforts to implement the second phase of the National Artificial Intelligence (AI) Strategy and Action Plan from 2024 to 2027. The six projects are:

- To develop a tourism data centre using AI to recommend tourism attractions and boost local tourism revenue through traveller insights.
- To design and develop an AI-based financial fraud detection system to prevent the impact of cybercrime on common citizens, especially bank customers.
- To promote AI governance and support regulators' research on the issue.
- To develop Thai large language model (LLM) to create open source ThaiLLM foundation and chatbots offering information on health, travel and environment.
- To develop technology to verify digital ID.
- To promote further research on AI-based machines to increase the productivity of the industrial sector.

An estimated budget of 1.5 billion baht (US\$42 million) is required for these projects, with 1 billion baht dedicated to the development of 30,000 AI-skilled workers, including engineers and beginners.

On 22 February 2024, Thai Prime Minister Srettha Thavisin unveiled 'Thailand Vision 2030' with a commitment to make Thailand a global industrial hub, driving the economy towards a sustainable future.

The commitment to become a global industrial hub will be achieved through building Thailand as a tourism hub, a wellness and medical hub, an agriculture food hub, an aviation hub, a logistics hub, a future automotive manufacturing hub, a digital economy hub, and a financial hub, respectively.

- Thailand National AI Strategy and Action Plan (2022-2027) was approved by the Prime Minister's Cabinet Office on 26 July 2022. It aims to provide sufficient human capacity and build an effective ecosystem for the development and application of AI in Thailand.
- In the first phase spanning 2022-2023, Thailand prepared for the country's readiness in social, ethics, law, and regulation for AI application, provided certain AI services and training, and promoted the use of AI in public sector and medical and farming sectors.
- The second phase from 2024 to 2027 will focus on developing an AI workforce and boosting the AI potential of target industries like tourism, trade, finance, security, and production.

- The targeted sectors for building hubs are meant to leverage the country's advantageous factors, such as rich natural resources, tourist attractions, year-round warm climate, and good infrastructure. Additionally, Thailand's position as a long-established Japanese automotive production base and an emerging Chinese electric vehicle base, along with its role as a key explorer of blockchain technology and central bank digital currency, further contributes to this strategic focus.
- The government also lays out detailed strategies and measures to build the hubs, ranging from relaxing regulations, substantially improving infrastructure and connectivity, attracting more foreign companies to invest in auto, semiconductor and cloud computing, conducting research on AI applications, and funding companies to enhance their competitiveness. <sup>15</sup>

# Vietnam

## Fast facts



GDP (Sep-Dec 2023)  
+6.7% yoy ▲



Manufacturing PMI (Feb 2024)  
50.4 ▲



CPI (Feb 2024)  
+4.0% yoy



Merchandise exports (Feb 2024)  
-5.2% yoy ▼



Textiles and garments  
-11.9% yoy ▼



Toys and sports goods  
-39.7% yoy ▼



Wood and wooden products  
-13.0% yoy ▼



Footwear  
-15.5% yoy ▼



Exchange rate (USD: VND, as of 29 Feb 2023)  
24,002 (0.6% 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: Slightly Positive

In February, the S&P Global Vietnam Manufacturing Purchasing Managers' Index™ rose slightly from 50.3 to 50.4, indicating marginal improvement. Both output and new orders in the Vietnamese manufacturing sector saw growth for the second consecutive month. In addition, Vietnam's exports in the first two months of 2024 surged by 19.2% yoy, showing signs of recovery.

It is believed that Vietnam has the potential to sustain its economic growth in the medium term and transition into a greener economy by implementing economic and investment climate reforms.

# Vietnam

## Latest Developments

## FBIC's take

### Macroeconomic Trends

In January to February 2024, Vietnam's exports were US\$59.3 billion, up 19.2% yoy. The country recorded a trade surplus of US\$4.7 billion, up 34% yoy.

- In the first two months of 2024, the US was Vietnam's largest export market, with an export value of US\$17.4 billion, up 33.7% yoy. Meanwhile, China was the Vietnam's biggest import origin, with an import value of US\$20.9 billion, up 49.7% yoy.
- During the same period, four categories of exports exceeded US\$5 billion, including phones and components at US\$9.58 billion; computers, electronics and components at US\$9.55 billion; other machinery, equipment, tools and spare parts at US\$6.8 billion, and textiles and garments at US\$5.2 billion. These items have accounted for 52.5% of the country's total exports.

Vietnam attracted more than US\$4.3 billion in foreign direct investment (FDI) in the first two months of 2024, up 38.6% yoy, according to the Foreign Trade Agency under the Ministry of Industry and Trade (MoIT).

- In the same period, Singapore emerged as the largest investor, channeling over US\$2.1 billion into Vietnam. It was followed by Hong Kong SAR, China, Japan, and the Chinese Mainland.
- The investment was distributed across 16 out of 21 economic sectors. The processing and manufacturing industry led with nearly US\$2.5 billion in investment, followed by the real estate sector at US\$1.4 billion. Wholesale and retail sales received US\$125.2 million, and scientific and technological activities attracted US\$76.4 million.
- Hanoi, the capital city, led in FDI attraction with almost US\$914.4 million during this period.

During this period, 405 new projects worth US\$3.6 billion were granted investment certificates, a 55.2% increase in volume and a doubling of value compared to same period last year. Additionally, US\$2.8 billion in FDI was disbursed, up by 9.8% yoy.

# Vietnam

## Latest Developments

## FBIC's take

### Labour and Compliance

According to the Ministry of Labour, Invalids and Social Affairs (MoLISA), Vietnam has set a target of sending 125,000 workers abroad under contracts in 2024. Specifically, the country plans to send approximately 63,000 workers to Japan, 48,000 workers to Taiwan, China, and 8,500 workers to South Korea.

- To achieve the target, the MoLISA will focus on improving the quality of Vietnamese workers. The ministry also plans to expand its labour markets to countries that offer high-income opportunities and jobs relevant to the skills of Vietnamese workers.
- Sending workers abroad will not only generate overseas income, but also help develop the human resources of the country.
- In 2023, Vietnam surpassed its target by sending over 159,000 workers abroad under contracts, marking the highest number over a decade.

### Other Topics

The MoLISA reported that, in 2023, Vietnam's multi-dimensional poverty rate has decreased to 5.7%. However, there are still over 1.58 million households in Vietnam classified as 'poor and near-poor' according to the country's multi-dimensional poverty standards.

The northern midland and mountainous region had the highest poverty rate at 18.2%, followed by the central highlands at 12.5%, the north-central and central coastal region at 8.0%, the Mekong Delta region at 4.2%, the Red River Delta region at 1.9%, and the southeast region at 0.2%.

In 2024, the MoLISA aims to reduce the rate of 'poor households' according to the multi-dimensional poverty standard by over 1%.

- According to the new multi-dimensional poverty standards for the 2021-2025 period. The monthly income-based poverty threshold has been raised to 1.5 million dong per person in rural areas and 2 million dong per person in urban areas.
- Moreover, the Prime Minister's Decision 353/QD-TTg has approved a list of 74 poor districts in 26 provinces for the 2021-2025 period, reducing the number of poor districts by 11 compared to the previous period.

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