



New Emerging Market - Vietnam

Ensign At A Glance

April 2018

Growth of Asia Exports – Vietnam Leads Emerging Markets

- **Impressive and sustained growth in its GDP**

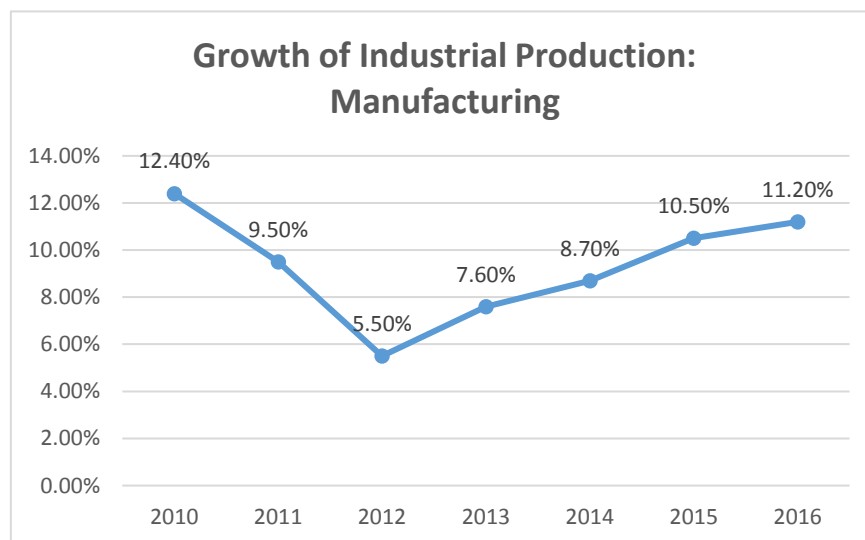
Vietnam's economy has been expanding steadily over recent years, with an **average GDP growth in excess of 5% per annum**. Vietnam is the sixth largest economy in the 10-member ASEAN bloc, trailing the Philippines yet followed by Myanmar. Its service, industry and agriculture sectors account for, respectively, 44%, 39% and 17% of GDP.

- In particular, Vietnam's industry has enjoyed **a steady flow of foreign investment**, with manufacturing industries proving the major investment targets. Almost 60% of foreign direct investment inflows primarily focus on Vietnam's manufacturing sector, leading to a greater focus on higher-value products.



Remark: e = estimate; f = forecast; Source: General Statistics Office of Vietnam; IMF World Economic Outlook Database

- Recent investments by a number of multinationals engaged in more sophisticated production processes, **Vietnam is now among the Asian economies producing IT and other products of higher technology**. Big names from electronics to automobiles seem to have settled in for the long haul, this includes several Japanese and South Korean manufacturers, including Canon, Samsung, Panasonic and Bridgestone.



Source: General Statistics Office of Vietnam

- Signed and implemented impressive free trade agreements (FTAs)** are likely to further boost competition, as well as extend the country's international reach, as manufacturers continue to view **Vietnam as a low-cost alternative to China**.
- Another's Asian Manufacturing City** - A combination of a variety of tax incentives and lower labour costs in Vietnam (Labor costs are currently 50 percent those of China and around 40 percent of those reported in Thailand and the Philippines.) is attractive to foreign manufacturers, as well as their

- associated suppliers and supporting industries. In turn, this has **boosted the export of finished products and the import of parts and components.**

Key highlights about Vietnam Import & Export

- Vietnam in last year became the biggest Export to U.S. among the 10 associations of South Asian countries.
- Vietnam's merchandised **exports surged 18.9% YOY** to US\$97.8 billion in 1H 2017, while **imports rose 24.1% YOY** to US\$100.5 billion, resulting in a trade deficit of US\$2.7 billion. The export surge was caused by the rise in demand of electronics, computers and components as well as machines and equipment.
- **Vietnam's top export markets in 2017 were the US, China, Korea and Japan.** China remains the largest trading partner of Vietnam.
- **Major Export / Import Commodities in Vietnam**

Top 10 Export (USD)	Top 10 Import (USD)
1. Electrical machinery, equipment: \$76.9 billion (36.5% of total exports)	1. Electrical machinery, equipment: \$45.6 billion (23% of total imports)
2. Footwear: \$17.9 billion (8.5%)	2. Machinery including computers: \$21 billion (10.6%)
3. Machinery including computers: \$13 billion (6.2%)	3. Plastics, plastic articles: \$9.6 billion (4.9%)
4. Clothing, accessories (not knit or crochet): \$12.9 billion (6.1%)	4. Iron, steel: \$8.8 billion (4.4%)
5. Knit or crochet clothing, accessories: \$11.7 billion (5.6%)	5. Mineral fuels including oil: \$7.6 billion (3.9%)
6. Furniture, bedding, lighting, signs, prefab buildings: \$8 billion (3.8%)	6. Vehicles: \$6.4 billion (3.3%)
7. Coffee, tea, spices: \$4.5 billion (2.1%)	7. Aluminum: \$5.9 billion (3%)
8. Fish: \$4.4 billion (2.1%)	8. Optical, technical, medical apparatus: \$5.5 billion (2.8%)
9. Leather/animal gut articles: \$3.8 billion (1.8%)	9. Fish: \$5.2 billion (2.6%)
10. Fruits, nuts: \$3.2 billion (1.5%)	10. Knit or crochet fabric: \$5.2 billion (2.6%)

Source: World's Top Export

Favorable Trade Agreements In Vietnam

- **Vietnam has signed an ASEAN Trade in Goods Agreement (ATIGA)**

Vietnam has a number of free trade agreements (FTAs), over 60 in total, which extend significant tariff reductions to exports from Vietnamese production facilities and imports of components and supplies.

Taking advantage of economic and trade co-operation programs with China, and other major trading partners such as the United States, the EU, and Japan; and with Association of Southeast Asian Nations (ASEAN) markets:

Under ATIGA, Vietnam has already cut 6,900 tariff lines, or 72 percent of all tariff lines, to zero percent in 2014. It reduced more than 1,700 other lines to zero percent in 2015. By 2018, Vietnam is committed to removing all import tariffs.

- **The ASEAN-China Free Trade Area (ACFTA)** was formally established in 2010.

Items to attract zero percent import tariffs from 2018 include chicken, coffee, raw tea, processed food, apparel fabrics, clothes, electronic equipment, and electrics.

- **Viet Nam-Japan Economic Partnership Agreement (VJEPA)**

Zero percent rate will be applied to 456 tariff lines for items such as construction stones, steel, aluminum, sugar, and machinery, equipment, and vehicle parts.

- **Vietnam-Korea FTA**

From 2018, zero percent for items such as seafood, wheat, confectionery, diesel fuel, machinery and electronic equipment.

- **Vietnam – Eurasian Economic Union FTA**

Under this Vietnam – EAEU FTA, zero percent in 2018 for items such as milk, dairy products, automobile and spare parts, iron and steel, and steel products.

- **As a member of the Trans-Pacific Partnership (TPP)**

With upcoming agreements in Trans-Pacific Partnership (TPP), it is estimated TPP Agreement could increase Vietnam's exports by about 30% by 2025 and raise GDP by more than 10%.

Ensign Insights

- **Vietnam stands as a strong connection both in the Asia region and in the West**

Located advantageously near China and to important shipping lanes, with a growing population and middle class, Vietnam is a dynamic and growing country that is increasingly attractive to foreign businesses looking to expand their operations in Asia.

- **Exporters will continue to benefit from the reduced tariffs**

This will further lead to an increase in foreign investments, competition, production, and business efficiency. In additions, this will also reduce the input cost for domestic firms.

- **Labour costs in Vietnam are some of the most competitive within the region.**

Most significantly, from an investment standpoint, wages within the nation come at 16% discount compared to the cheapest provinces of China – Vietnam's neighbor and key competitor in manufacturing. Additionally, general costs of doing business, such as rent and utilities, are among the lowest in Southwest Asia.

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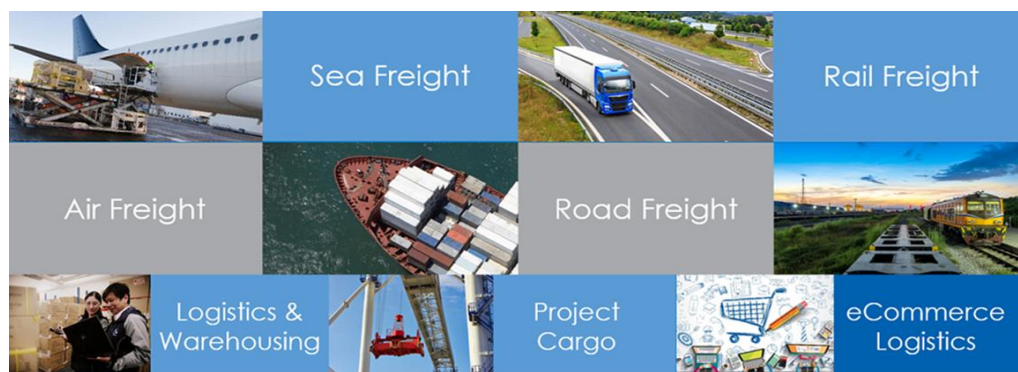
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Ensign expanded to Vietnam in 2018, and set up office in Ho Chi Ming City. Our Vietnam branch has strengthened an extensive network across Asia where Ensign could sufficiently provide total solutions to customers, including export / import shipment among the region. With our local expertise and professional services, we are keen to accommodate our growth with you in Vietnam.

About The Ensign Group — Your reliable and professional logistics partner in Asia



Since 1986, Ensign has been embracing its founding philosophy - **one company, total services and solutions**. Our dedicated staff and global network of agent partners have been working closely for the best interest of our customers. Today, Ensign has over 300 expertise with 18 offices located in Hong Kong, China, Indonesia, Singapore and Vietnam. Ensign provides total supply chain solutions to meet traditional and complex customer needs. We have extensive expertise in complex logistics spanning multiple destinations, local delivery, ecommerce logistics, online shopping delivery, customs clearance, documentation management, warehousing & distribution and customized logistics solutions.

We are engaged in close and long-term relationships with major global carriers and airlines, enabling to offer reliable services at competitive rates. Meanwhile, our worldwide agent network spans across East and West, connecting our customers to the global market. We operate closely with our long-term partners, which enables us to offer full range of assistance to your entire daily needs. Undoubtedly, Ensign is qualified to be your reliable and professional logistics services provider in proximity.

For assistance with *Vietnam business issues or investments into Vietnam*, please contact Ensign's Specialists today.

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