

Vietnam



ING Country Trade View

Trends in global trade

12 June 2014

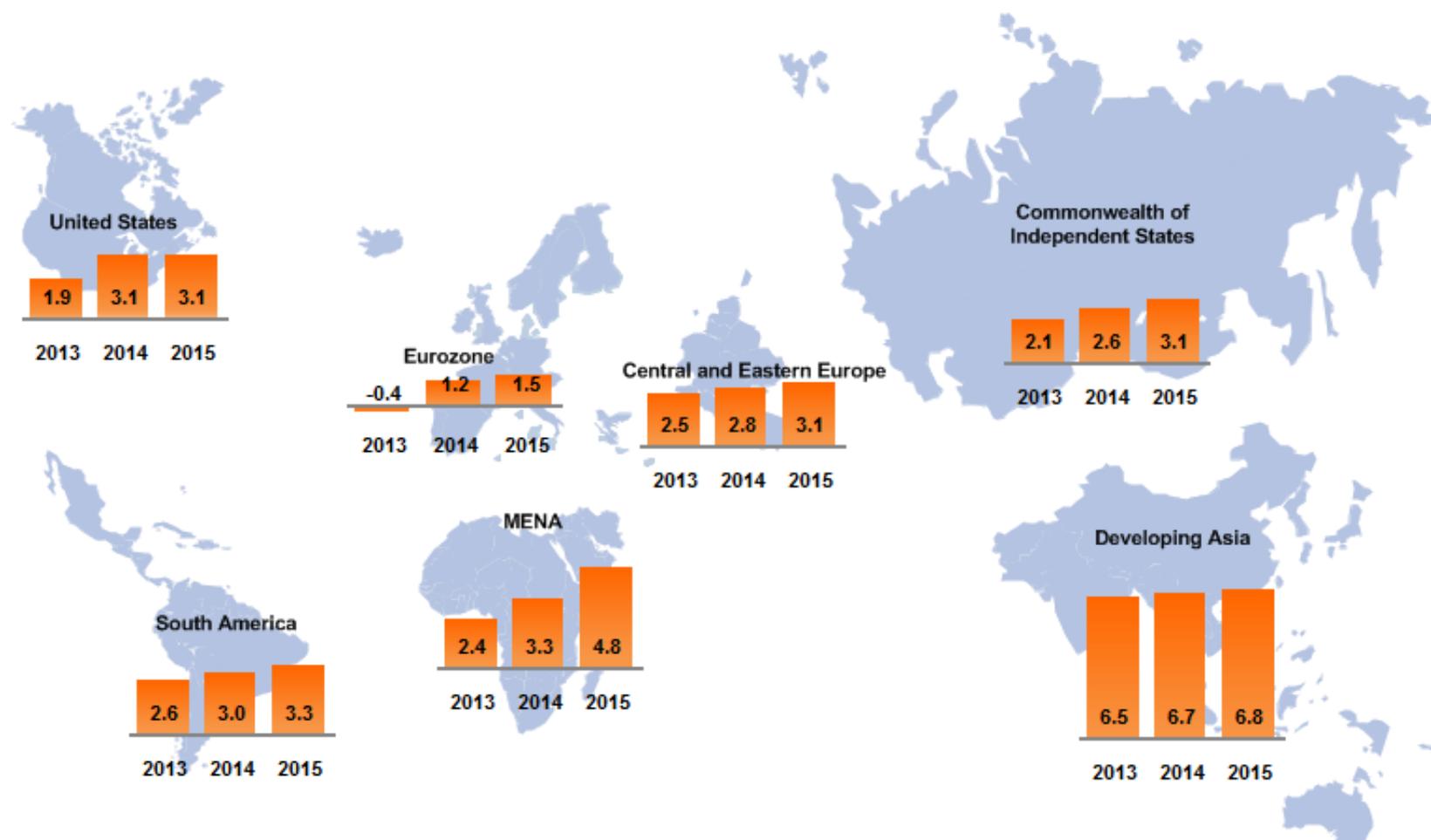
Summary

- Vietnam's GDP is expected to grow at a rate below that of regional and global powerhouse China, but at a still respectable rate of 5.4% annually. Both the country's export and import flows are expected to increase at an above-average rate compared to the rest of the world, so that the country moves up in the ranking of the world's largest im- and exporters. Vietnam is one of the most trade-reliant economies in the region.
- The origin of the lion's share of imports is currently China, and its dominance is only expected to increase in the coming years. These imports consist largely of textiles, manufactured goods, and office, telecom & electrical equipment. Fast growth is additionally expected in industrial machinery and chemicals imports. Imports of pharmaceuticals, albeit small in absolute value terms, is expected to show strong growth as well.
- Vietnam is one of the Asian countries that is showing clear success moving up the global manufacturing chain, with office, telecom and electrical equipment having become increasingly important in the export mix. This change is part of a broader "second wave" of outsourcing, this time within the region, as a result of wage growth and demographic shifts in China, Japan, and South Korea. Vietnam's largest export flows by product group are textiles to China and manufactured goods to China and Japan. The largest export flows are not the fastest growing, however: manufactured goods and office, telecom & electrical equipment to China and textiles to South Korea show the largest percentual growth. Fast growth is also expected to occur in exports of industrial machinery and chemicals.

About International Trade Research at ING

ING International Trade Research aims to help ING's (inter)national clients develop their knowledge and capabilities for doing business across borders, and contribute to the public debate on internationalisation. We do this by providing insights on the current and future economic trends and international trade developments worldwide.

Expected real GDP growth, % YoY, per region



The global economy is expected to expand by 3.2% in 2014 and 2015, up from 2.4% last year. Recovery in the eurozone and acceleration of US growth are important factors behind the pickup in global growth. Asia remains the fastest growing region in the world by far, largely driven by China's 7.5% annual expansion expected for this year and next. Vietnam's growth is expected to be lower but still respectable at 5.4% for both years.

International Trade

Economy

	2013	2014F	2015F
GDP growth (real):	5.3%	5.4%	5.4%
GDP nominal (bn):	\$ 170	\$ 187	\$ 205
GDP per capita:	\$ 1,896	\$ 2,064	\$ 2,234
Exchange rate* USD/VND	21095	21518	22150
Inflation:	8.8%	7.4%	7.7%
GDP composition by sector	2012		
Agriculture:	20%		
Industry:	39%		
Services:	42%		

Population

	2013
Population (mln):	87.8
Unemployment rate (avg.):	4.5%

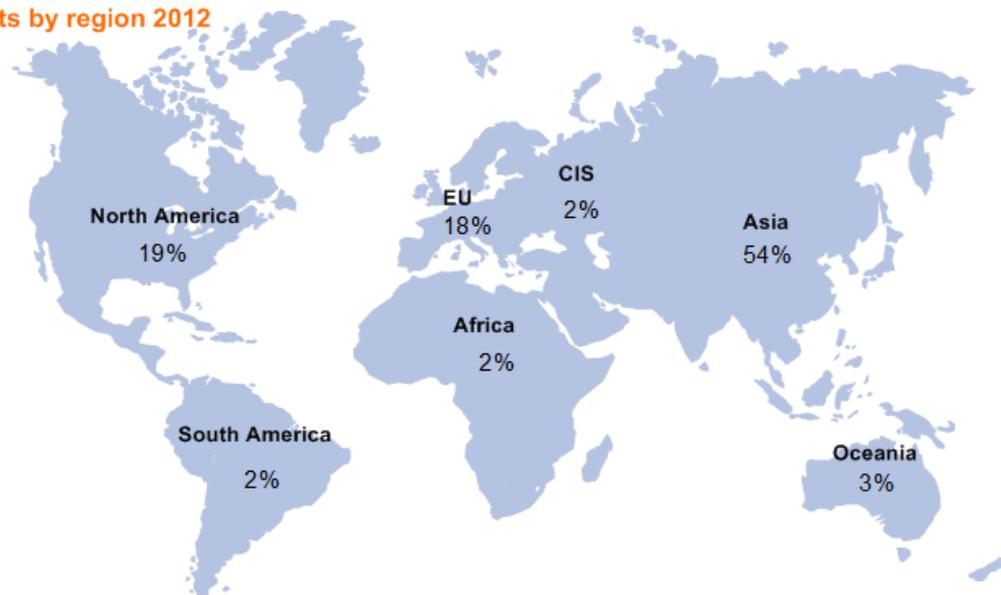
Other indicators

	2013	2014
Competitiveness rank WEF	75	70
Ease of doing business rank:	98	99
Credit rating :		
S&P		BB-
Moody's		B2
Fitch:		B+

*end period

Vietnam

Exports by region 2012



Exports (bn)	\$115	Imports (bn)	\$114	Trade balance (bn)	\$0.75	Exports % of GDP	81%
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Trade by products (bn) 2012

Food & live animals

 Exports	\$20.55
Imports	\$7.61

Crude materials, inedible, except fuels

 Exports	\$4.98
Imports	\$5.14

Machinery & Transport equipment

 Exports	\$19.86
Imports	\$32.94

Beverage & Tobacco

 Exports	\$0.43
Imports	\$0.40

Manufactured goods

 Exports	\$12.70
Imports	\$28.60

Mineral fuels

 Exports	\$16.53
Imports	\$15.19

Animal and vegetable oils

 Exports	\$0.24
Imports	\$0.77

Miscellaneous manufactured articles

 Exports	\$35.82
Imports	\$5.32

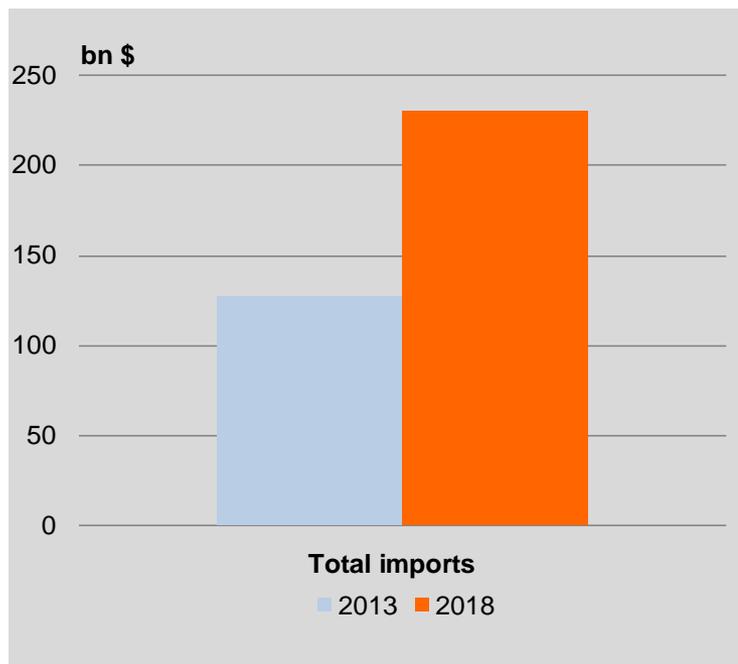
Chemicals

 Exports	\$3.25
Imports	\$16.98

These product groups are in line with the SITC product group 1-digit classification. In the rest of the report a slightly more granular classification is used, covering these same products.

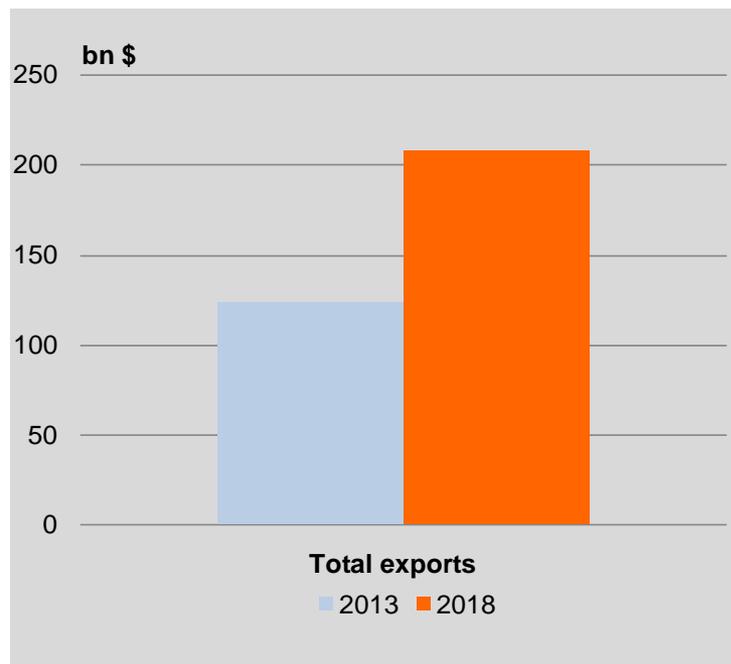
Trade forecast

Total imports



Vietnam	1995	2013	2018
World ranking	50	31	28
CAGR 2014-2018		12.6%	

Total exports

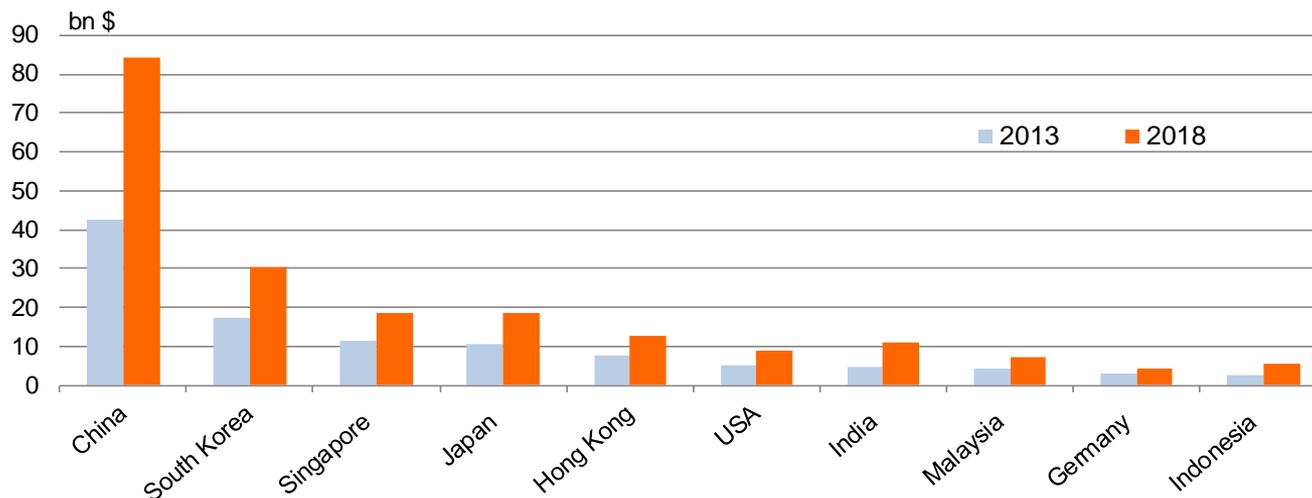


Vietnam	1995	2013	2018
World ranking	53	33	29
CAGR 2014-2018		11.0%	

In the coming years (2014-2018), Vietnam's imports are expected to increase by 12.6%, which implies that Vietnam increases in the ranking of the world's largest importers to nr. 28 from 31. Exports are expected to increase with 11% annually. This growth rate, which is also above-average, causes Vietnam to rise in the ranking of largest exporters to nr. 29 by 2018.

Demand for products: origins of imports

Main origins of imports, 2013 and 2018*



Whereas China is currently the nr. 1 origin of Vietnamese imports, its dominance will have grown exponentially by 2018. More than \$80bn in imports will originate in China then, against a comparatively small \$30bn from the nr. 2 imports origin South Korea. Unsurprisingly, the largest import flows by product originate in China: almost \$11bn of textiles, almost \$9bn in manufactured goods, and \$7bn in office, telecom, and electrical equipment import flows. The import flows expected to grow fastest are office, telecom and electrical equipment, industrial machinery, and chemicals, all from China.

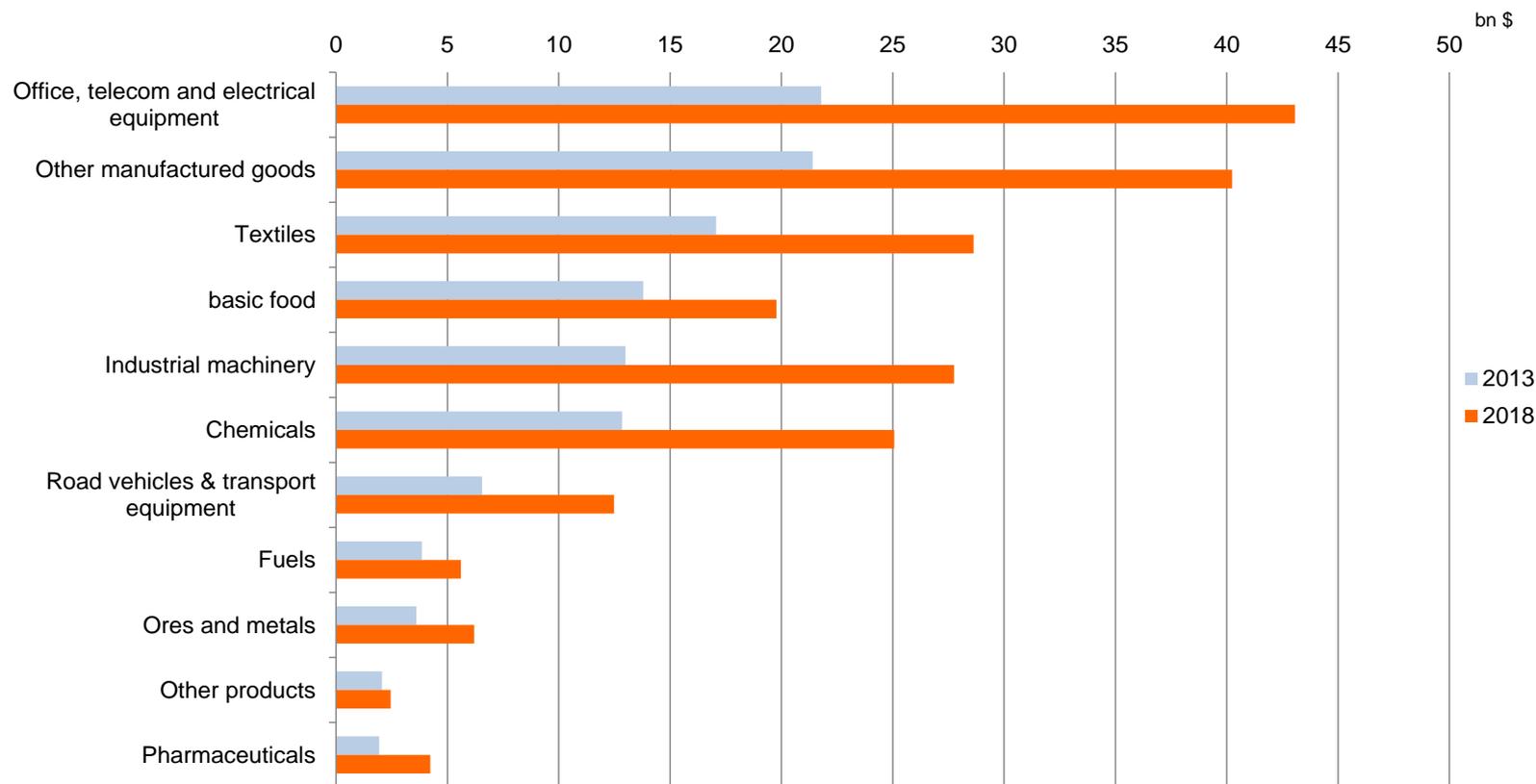
Top 10 largest import flows by product and country of origin*

Vietnam

Import product	Origin import	Annual growth rate 2014-2018	Value 2013, \$m
Textiles	China	11%	10819
Other manufactured goods	China	15%	8764
Office, telecom and electrical equipment	China	17%	7101
Industrial machinery	China	17%	5650
Office, telecom and electrical equipment	South Korea	13%	3821
Chemicals	China	16%	3618
Other manufactured goods	South Korea	12%	3342
Office, telecom and electrical equipment	Singapore	12%	2923
Other manufactured goods	Japan	10%	2874
Textiles	South Korea	11%	2792

* Within the 33 countries and product flows distinguished

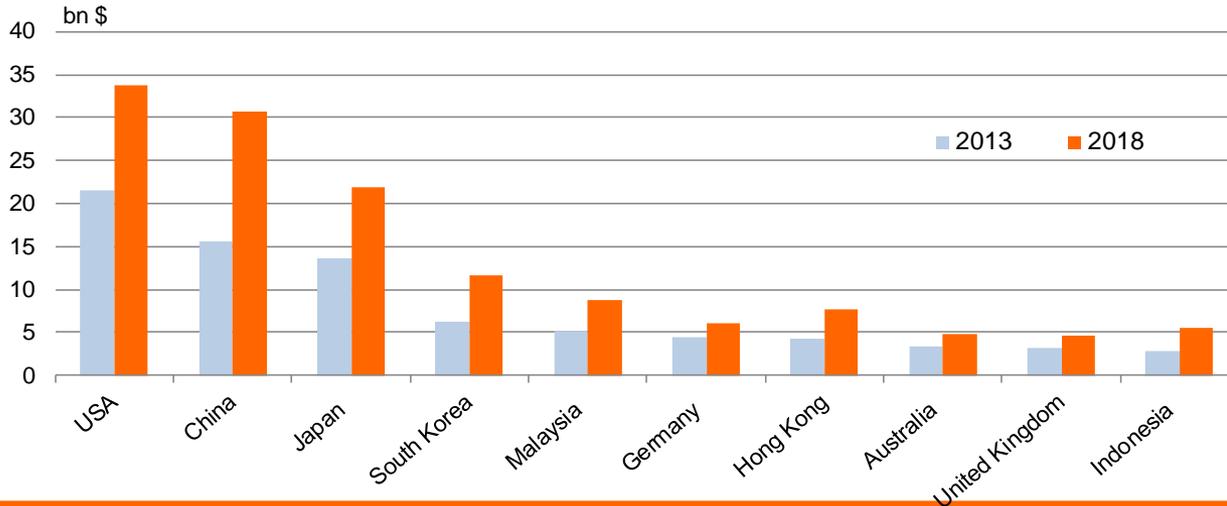
Demand for products: imports by product group



The two largest import groups currently - office, telecom & electrical equipment and other manufactured goods - are expected to show the fastest growth in absolute values. In the period up to 2018, office, telecom & electrical equipment import flows are expected to grow by \$21bn while other manufactured goods are expected to increase by almost \$19bn. Another fast grower in absolute and relative terms is industrial machinery, of which import flows are expected to increase by almost \$15bn. A smaller product group also deserves mention as its percentual increase is the largest of all: pharmaceuticals are expected to grow by 17% annually, which leads to an absolute value increase of \$2.3bn between 2013 and 2018.

Exports: key destination markets

Key destination markets of exports, 2013 and 2018*



Vietnam's export destinations are substantially more diversified than the origins of its imports. Still, the export partner most rapidly growing, both in absolute and relative terms, remains China. Exports to China are expected to grow almost 15% annually, so that the flow is expected to have grown by \$15bn by 2018, to practically double its value. Largest export flows by product group are textiles to China and manufactured goods to China and Japan. The largest export flows are not the fastest growing, however: manufactured goods and office, telecom and electrical equipment to China and textiles to South Korea show the largest percentual growth.

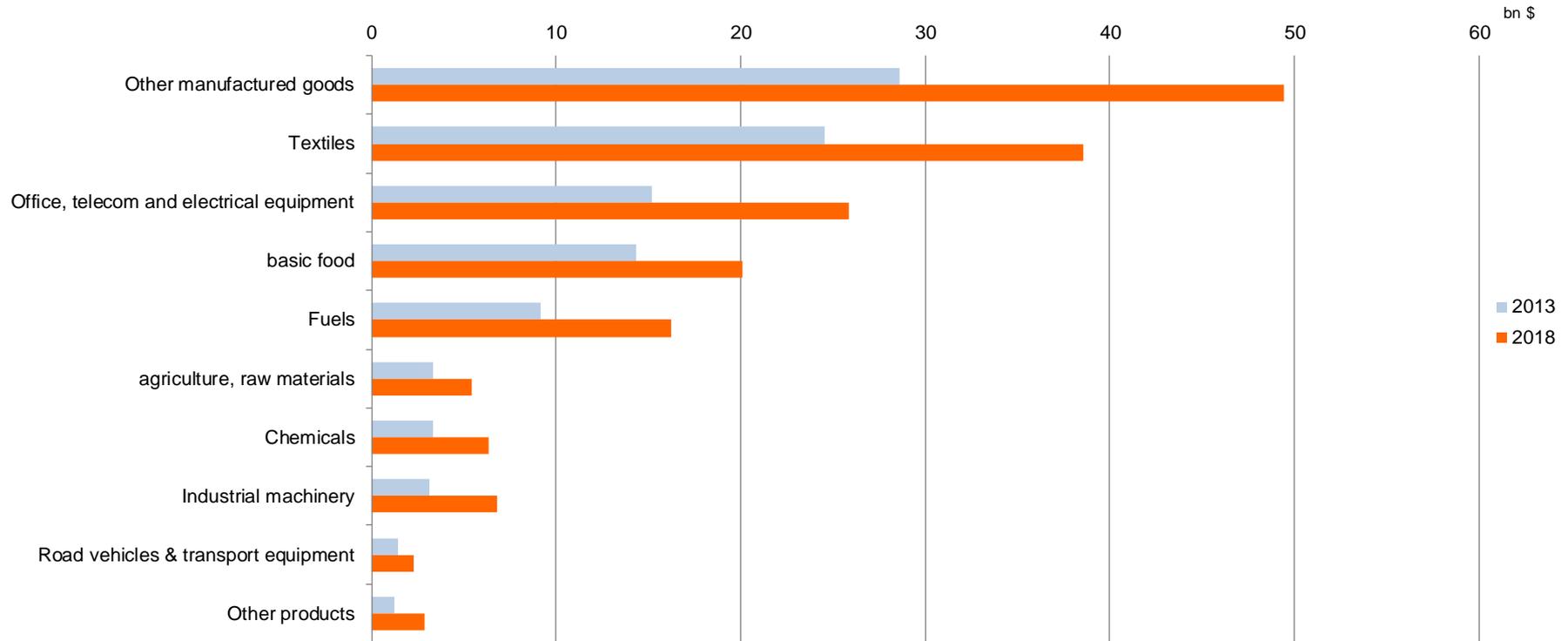
Top 10 largest export flows by product and destination country*

Vietnam

Export product	Export partner	Annual growth rate 2014-2018	Value 2013, \$m
Textiles	USA	9% ██████████	11280 ██████████
Other manufactured goods	USA	11% ██████████	6464 ████████
Other manufactured goods	Japan	10% ██████████	3730 ████████
Office, telecom and electrical equipment	Japan	10% ██████████	3625 ████████
Textiles	Japan	8% ██████████	3120 ████████
basic food	USA	6% ██████████	2899 ████████
Other manufactured goods	China	19% ██████████	2797 ████████
Fuels	China	12% ██████████	2710 ████████
Office, telecom and electrical equipment	China	17% ██████████	2616 ████████
Textiles	South Korea	13% ██████████	2393 ████████

* Within the 33 countries and product flows distinguished

Exports: key product groups



The top 3 of largest export groups are expected to be unchanged by 2018: Vietnam is expected to export almost \$50bn worth of manufactured goods, followed by \$39bn of textiles and \$26bn of office, telecom and electrical equipment. The smaller export categories show faster growth, however, with industrial machinery and chemicals growing an annual 17% and 14% respectively.

* The sum of flows to 33 countries distinguished

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