

## ***Vietnam's Exports Remain Robust despite Sluggish External Demand***

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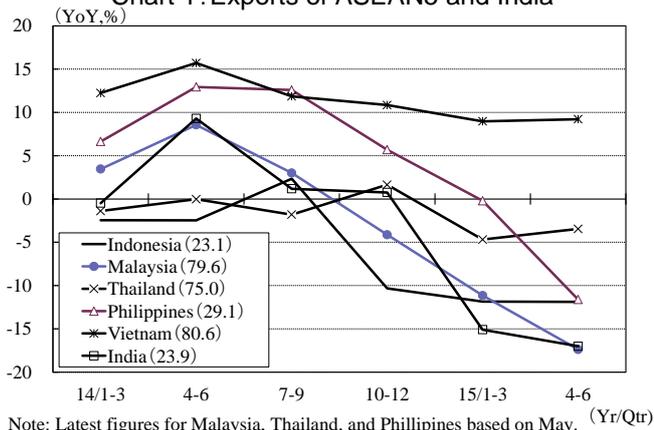
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Asian economy, in ASEAN and India has maintained steady growth mainly led by domestic demand, while in China and NIEs the pace has been slowing down. Real GDP growth for April-June decelerated in Singapore (increase of 1.7% yoy) and Korea (2.2% yoy). China managed to avoid sharp deceleration to achieve a growth of 7.0% yoy despite generally weaker outcomes of monthly indicators, and Vietnam recorded rather high growth of 6.4% yoy.

In ASEAN and India, external demand remained stagnant in contrast to a strong domestic demand. However, country breakdown of exports for April-June period showed Vietnam's steady growth standing out compared to other countries that have been experiencing negative growth over a year before (Chart 1). In Malaysia and Thailand which have heavy dependence on export, sluggish exports may have dampened the growth rate of the economy, while in Vietnam, also a highly export-oriented country, firm export demands are considered to have worked out to boost the economy. In Vietnam's exports by capital, exports by foreign invested sector, which comprises about 70% of total, has contributed to the good performance of total(Chart 2). By item, electronic products, components, mobile phones and parts pushed up the export growth. Vietnam has focused in recent years on the development of processing trade, by taking advantage of the movements for shifting production bases by major telecommunication device producers on the backdrop of Vietnam's relatively cheap labor costs and others. This is considered to have supported the expansion of exports despite the sluggish external demand in general. In contrast, although it has increasingly attracted foreign investment especially in such areas as automobiles, Indonesia has continued to depend heavily on the natural resource sector and it is seen that the lower prices of resources in recent years has directly affected exports.

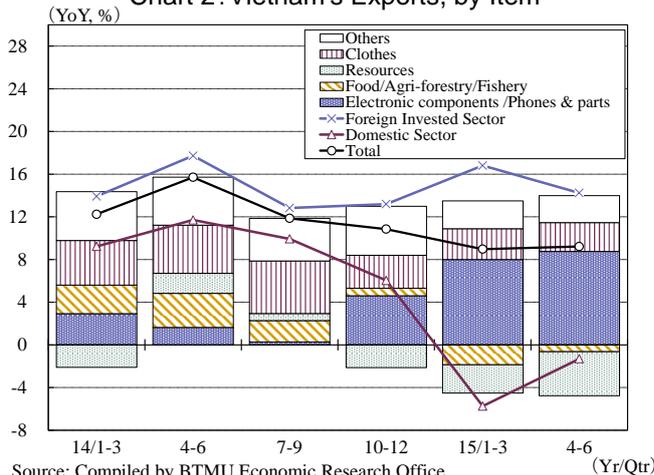
Looking ahead, expansion of supporting industries, diversification of export items and higher value-added products will be a big challenge for Vietnam. It is pointed out as a problem that the local content ratio is very low in Vietnam and as exports increases the imports of phones parts increase highly as well. In this regard, the government announced in June that it will lift in principle the restrictions on capital subscription (currently capped at 49%) of foreign fund to the listed companies in September. It should be noted foreign investments' movements in the future.

Chart 1: Exports of ASEAN5 and India



Note: Latest figures for Malaysia, Thailand, and Phillipines based on May. (Yr/Qtr)  
 Figures in ( ) indicate share of exports to nominal GDP in 2014.  
 Source: Compiled by BTMU Economic Research Office from respective country statistics.

Chart 2: Vietnam's Exports, by Item



Source: Compiled by BTMU Economic Research Office from statistical data of General Statistics Office of Vietnam (Yr/Qtr)

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