

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

AKI FUKUCHI  
YUMA TSUCHIYA  
ECONOMIC RESEARCH OFFICE

30 JULY 2015

(ORIGINAL JAPANESE VERSION RELEASED ON 24 JULY 2015)

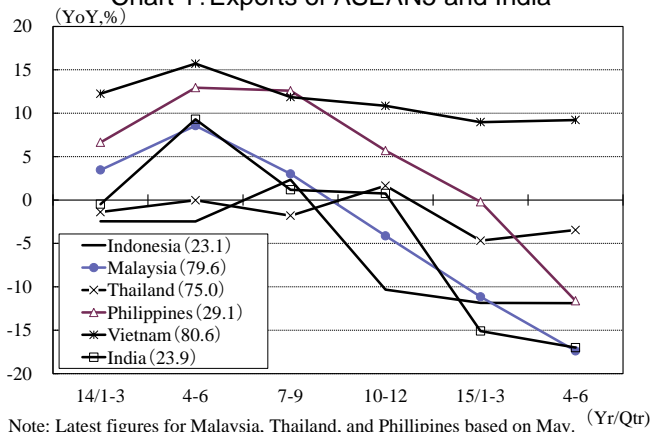
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
A member of MUFG, a global financial group

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.

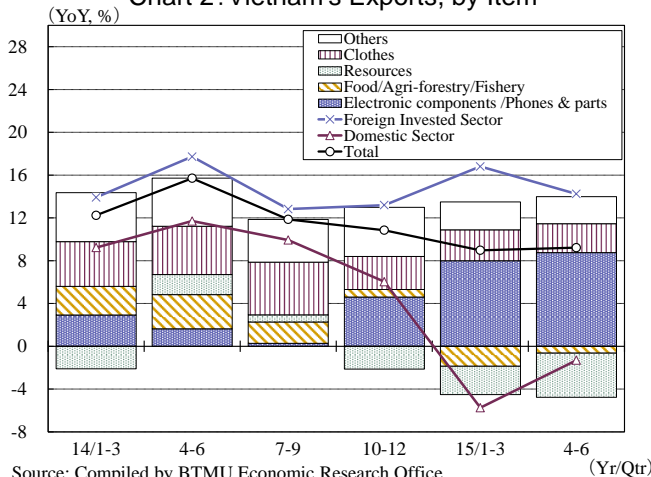
Looking ahead, expansion of supporting industries, diversification of export items and higher value-added products will be a big challenge for Vietnam. It is pointed out as a problem that the local content ratio is very low in Vietnam and as exports increases the imports of phones parts increase highly 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)

For further details, please contact the Economic Research Office, Bank of Tokyo-Mitsubishi UFJ  
 Chief Manager Ishimaru Tel: 03-3240-3204  
 Directed by Shingo Takeshima <shingo\_takeshima@mufg.jp>  
 Written by Aki Fukuchi <aki\_fukuchi@mufg.jp>  
 Yuma Tsuchiya <yuuma\_tsuchiya@mufg.jp>

This report is intended for information purposes only and shall not be construed as solicitation to take any action such as purchasing/selling/investing financial market products. In taking any action, each reader is requested to act on the basis of his or her own judgment. This report is based on information believed to be reliable, but we do not guarantee its accuracy. The contents of the report may be revised without advance notice. Also, this report is a literary work protected by the copyright act. No part of this report may be reproduced in any form without express statement of its source. This report is also available for viewing online.