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Investment into Vietnam from Singapore-based companies to ramp up over next two years: HSBC study*** 77% of companies indicate they plan to expand abroad.**** Vietnam a top three market to enter*

A HSBC study shows that overall investment into ASEAN to 2020 is expected to rise amongst Singapore-based companies with Vietnam to be a key beneficiary. Vietnam's growing consumer market and overall investment climate are driving the expansion plans.

The HSBC-commissioned report by the Singapore Business Federation sought the insights of 1036 Singapore-based companies on their interest in overseas expansion. 86% of those surveyed were considered Small or Medium Sized Enterprises (SMEs) defined as those with annual turnover of S\$100million or less than 200 workers.

Vietnam is a clear favourite destination for internationally oriented Singapore-based companies expecting to expand.

Of the surveyed companies, 76% said they already had operations in Vietnam (the highest except for Malaysia at 87%, Indonesia 81% and Thailand 80%), and 30% expect to further expand there in the next two years (behind only Indonesia and Malaysia).

Increased trade and investment activity from Singapore is a good news for Vietnam given Singapore is already one of Vietnam's largest source of investment. In 2016, Singapore was the third largest source of FDI into Vietnam, accounting for 10 percent at US\$2.41 billion. As of October 2017, Singapore invested more than US\$41 billion into Vietnam, taking the third largest investor into Vietnam, slightly behind that of Korea and Japan according to the Vietnam Trade Promotion Agency.ⁱ

Singapore's inbound investment into Vietnam includes companies founded in the Republic as well as many international firms. Of the 37,400 international companies in Singapore, 7,000 are MNCs and 60% have regional responsibilities.

Consumer demand and investment climate drivers for Vietnam investment

The growing consumer market and overall investment climate are key drivers for Vietnam’s future inbound investment.

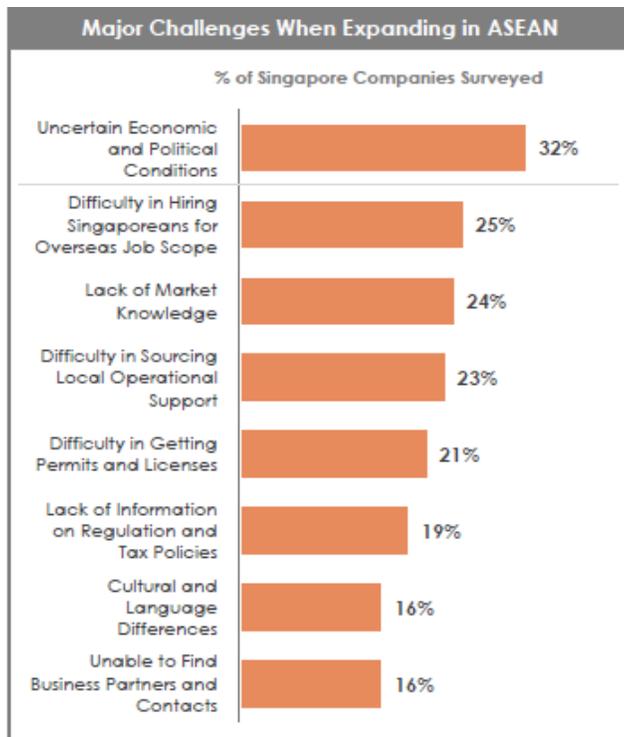
According to report 81% of respondents with Viet expansion cited potential customer demand, with 75% highlighting overall investment climate and 63% citing business costs



Winfield Wong, Country Head of Wholesale Banking, HSBC Vietnam said, “Whilst Vietnam’s growing consumer base is already well recognised by Singapore corporates, the report shows that many businesses are looking to double down on our demographic dividend.”

“Beyond the consumer piece, Vietnam’s manufacturing – whilst already strong - is now entering into the higher-end space. So while many corporates may base their treasury and other back-office functions in Singapore, a lot of revenue-making operations are being driven out of Vietnam. This is only expected to ramp up with Vietnam’s widening along the supply and value chain.”

Barriers for Singapore-based companies to expand in ASEAN



Notwithstanding the very strong interest in ASEAN expansion, surveyed companies expressed concerns over some of the obstacles they faced when venturing into the region, including uncertain economic and political conditions in ASEAN, the lack of knowledge on market opportunities and customer requirements and difficulty in getting permits and licences as potential barriers to expanding into the region.

And despite the general positive sentiment towards the ASEAN Economic

Community (AEC)/ ASEAN regional economic integration and the perceived benefits of the ASEAN Free Trade Agreements (FTAs), the lack of accessible, clear information about these initiatives is a major obstacle in terms of companies benefiting from these agreements.

Partnership opportunities for local Viet firms

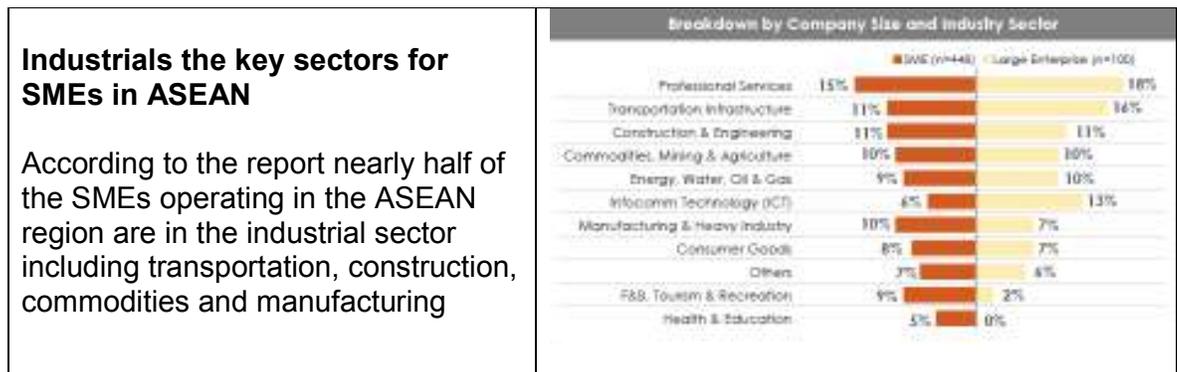
Most of the Singapore-based SMEs who are entering Vietnam or expanding will have or are seeking an in-country relationship. The research found more than 63% (page 13 of the report) of those surveyed had a distributor or JV arrangement in Vietnam.

“Singapore-based SMEs can make a significant contribution to Vietnam’s economy; they are looking to expand beyond their domestic markets and can benefit from the cross border activity that was previously seen as the domain of larger corporates,” said Winfield.

“However, entering and expanding in any market is never a straight line process and it is inevitable that there will be bumps along the way, particularly for SMEs who may not have the resources and local insights to fully navigate the differences in political and business cultural norms in neighbouring countries.”

“Most Singapore-based SMEs recognise that the recipe for success in overseas ventures includes selecting the right local partners and advisers. While this presents new opportunities for local businesses, the downside is that it is already a new normal that pace of such business partnership formations is now even much quicker.

To seize these opportunities, local enterprises need to take a proactive stance, by plugging into the network and actively reaching out to expanding Singapore-based SMEs in advance.”



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Notes for editors**HSBC Holdings plc**

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HSBC Bank (Vietnam) Ltd.

HSBC has been in Vietnam for more than 140 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank's current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and two full-service branches in Binh Duong and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, product range, and customer base.

ⁱ http://en.vietrade.gov.vn/index.php?option=com_content&view=article&id=2615:singapore-vietnams-major-trade-and-investment-partner-&catid=20:news&Itemid=287