

Global Connections

Forecast Data Modelled by Oxford Economics, based on HSBC Global Research Macro Data. Trade Confidence Index compiled by TNS on behalf of HSBC

HSBC Global Connections Report Vietnam

November 2012

An overview of world trade and the opportunities for international businesses

In contrast to most of its neighbours in emerging Asia, Vietnam maintained double-digit export growth in the first nine months of this year, weathering the global downturn extremely well.

The US was Vietnam's largest trading partner last year; since signing a bilateral trade agreement with the US in 2000 and joining the WTO in 2007, Vietnam has become the second largest supplier of clothing and footwear to the US behind China. Within the last few years, mobile phones and related accessories have become the second largest export item from Vietnam (after garments), accounting for more than 10% of exports. By 2013, the World Bank expects this category to have overtaken garments as Vietnam's largest source of export revenue.

Demand for clothing and footwear is less sensitive to global market turmoil than other goods and this, combined with the rapid pace at which Vietnam is building market share in telecoms, has helped protect Vietnam from the recent weakening in global demand.

Vietnam's exports are expected to grow at a pace in excess of 10% out to 2030 with exports to the rest of emerging Asia, the Middle East and Africa all growing by double-digits. By 2030, China will have overtaken the US as Vietnam's largest export partner but the US, Japan and Korea will remain key sources of demand for Vietnam. Plans to expand the ASEAN Free Trade Agreement to zero tariffs on all goods by 2015 will be an additional factor supporting Vietnam's trade with other economies in the region over the medium term.

Export growth to Europe (excluding Russia) and to Australia, New Zealand and Oceania is expected to average around 9% a year in the decade to 2030. Being able to attract and retain foreign firms in high-value manufacturing products such as electronics, computers and phones is an advantage for Vietnam.

In June 2012, Standard and Poor's upgraded Vietnam's outlook from negative to stable, acknowledging the authorities' recent success in bringing inflation under control, reducing the fiscal deficit and improving the trade and current account balances. The current account moved into surplus in 2011 from a deficit of 12% of GDP in 2008. We expect these reforms to continue in coming years.

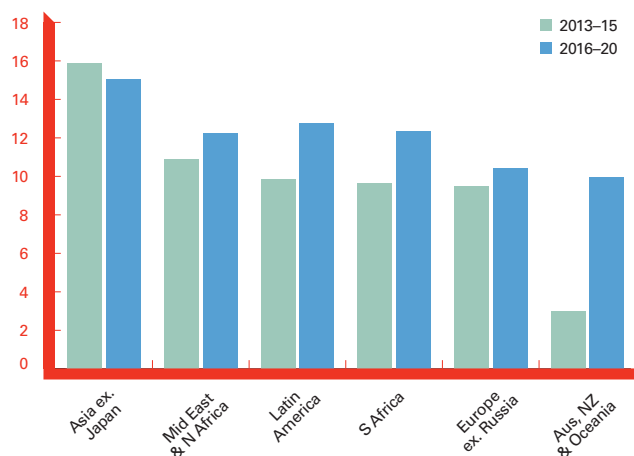
Top Five Export Destinations

Rank	2011	2030
1	USA	China
2	China	USA
3	Germany	HK
4	Malaysia	Germany
5	Australia	Malaysia

Note: Table only considers goods exports between the 23 economies in the sample

Regional Export Flows

growth (% year)



Source: Oxford Economics

As well as enjoying strong export growth, Vietnam will also be an increasingly large importer, both of capital goods to meet its large infrastructure needs and of consumer goods to meet the needs of its rapidly expanding consumer market. India, China and Bangladesh will be its fastest growing import partners in the decade to 2030.

Fastest Growing Exports (% year)

Rank	Destination	2012	Destination	2013–2015	Destination	2016–2020	Destination	2021–30
1	HK	104	India	21	India	17	China	15
2	Canada	69	HK	19	China	17	India	15
3	Germany	50	Turkey	18	Turkey	15	Malaysia	14
4	China	40	China	18	Malaysia	15	Turkey	13
5	Brazil	34	Germany	17	Poland	15	Indonesia	13
6	Turkey	25	Brazil	15	Brazil	14	Egypt	12
7	France	24	Bangladesh	15	Indonesia	14	Saudi	12
8	Mexico	20	Poland	14	UAE	13	Bangladesh	12
9	USA	15	France	14	Egypt	12	UAE	12
10	Poland	14	Indonesia	14	HK	12	Canada	12

Fastest Growing Imports (% year)

Rank	Destination	2012	Destination	2013–2015	Destination	2016–2020	Destination	2021–30
1	Poland	47	India	26	India	20	India	15
2	Hong Kong	35	Egypt	22	Turkey	17	China	15
3	Brazil	21	Hong Kong	20	China	17	Bangladesh	14
4	Turkey	19	Poland	18	Poland	15	Turkey	14
5	Canada	18	China	18	Egypt	14	Malaysia	12
6	Egypt	15	Turkey	16	Bangladesh	14	Canada	12
7	India	11	France	16	Brazil	13	Egypt	12
8	UAE	9	Indonesia	15	Canada	13	Poland	12
9	China	7	Canada	15	Malaysia	13	Brazil	11
10	France	5	Bangladesh	14	USA	12	Ireland	11

“Despite a difficult 2012, what remains clear is world trade will continue to underpin business growth in both the near and longer term, with trade growth set to outpace GDP growth to 2030. Emerging economies will drive this, with an increasingly important role for smaller countries beginning to register as potential trading nations; ambitious countries brimming with entrepreneurial and confident businesses seeking opportunities to grow. But the forecast also highlights opportunities for companies in the UK and US to capitalise on growth in these emerging markets, with forward-thinking businesses diversifying beyond their developed market counterparts to seek new opportunities.”

Alan Keir

HSBC Group Managing Director and Global Head, Commercial Banking

“The fact that the pace of export growth from the US and UK to China is expected to accelerate reflects the continued – and growing – appetite for the high value, high-end range of goods made in Britain and the US, from FMCG to specialist products in sectors such as technology and pharmaceutical. This shift creates export opportunities for businesses right across the developed world as countries such as China, which were previously known as centres for production and manufacturing, become equally important as a market for Western exports.”

James Emmett

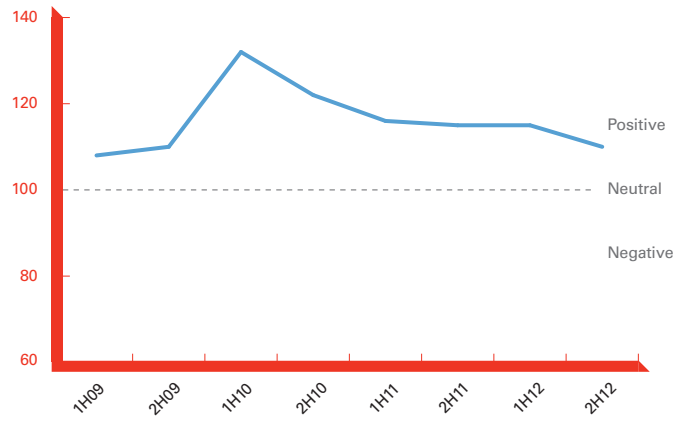
HSBC Global Head of Trade and Receivables Finance

HSBC Trade Confidence Index

The most recent HSBC Trade Confidence Index shows that confidence among Vietnamese traders has fallen off slightly in the last six months, dropping from a score of 115 to 110. While 73% of businesses surveyed expect to see trade volumes grow or remain at current levels, this number is down from 80%. Although neither importers nor exporters have expressed any increased concern over payment defaults or an inability to fulfil orders, Vietnamese sellers are following others in the region by looking to establish more stringent payment terms (32%). In addition, traders have a less positive outlook as it relates to the global economy than they did six months ago with only 34% anticipating any type of growth compared to 51% in H1 2012.

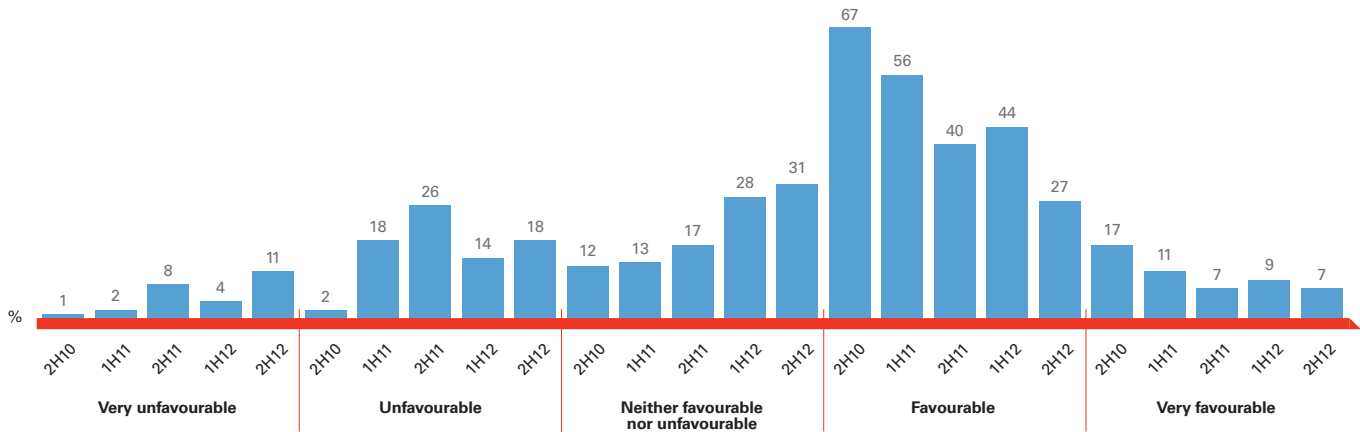
Like those in Indonesia, Vietnamese traders are moving away from relying on their banks for trade finance (32%) with 37% indicating they want to fund their own financial obligations. Foreign exchange concerns appear to have abated somewhat as 58% of traders say they either anticipate exchange rates to work in their favour or don't expect them to hinder growth. With Greater China, Southeast Asia and the rest of Asia as their top three trading partners and each growing their share in Vietnam, intra-regional trade continues to be the core for the country's importers and exporters.

Trade Confidence Index – Vietnam



Source: TNS

Vietnam Outlook on Global Economy



Note: Figures may not add up to 100% due to rounding and the exclusion of "Don't know / Refused" responses.
Source: TNS

About the Data:

About the HSBC Global Connections report – Modelled by Oxford Economics

Oxford Economics has tailored a unique service for HSBC which forecasts bilateral trade for total exports/imports of goods, based on HSBC's own analysis and forecasts of the world economy to generate a full bilateral set of trade flows for total imports and exports of goods, and balances between 180 pairs of countries. Oxford Economics produces a global report for HSBC, plus regional reports and country specific reports on the following 23 countries: Hong Kong, China, Australia, Indonesia, Malaysia, India, Singapore, Vietnam, Bangladesh, Canada, USA, Brazil, Mexico, Argentina, UK, France, Turkey, Germany, Poland, Ireland, UAE, Saudi Arabia, & Egypt.

Oxford Economics employs a global modelling framework that ensures full consistency between all economies, in part driven by trade linkages. The forecasts take into account factors such as the rate of demand growth in the destination market and the exporter's competitiveness. Exports, imports and trade balances are identified, with both historical estimates and forecasts for the periods 2013-15, 2016-20 and 2021-30.

Oxford Economics – formerly Oxford Economic Forecasting – was founded in 1981 to provide independent forecasting and analysis tailored to the needs of economists and planners in government and business. It is now one of the world's leading providers of economic analysis, advice and models, with over 500 clients. Oxford Economics commands a high degree of professional and technical expertise, both in its own staff of over 70 professionals based in Oxford, London, Belfast, Paris, the UAE, Singapore, Philadelphia and New York, and through its close links with Oxford University and a range of partner institutions in Europe and the US.

About the HSBC Trade Confidence Index:

The Trade Confidence Index – conducted by TNS on behalf of HSBC – covers 6390 exporters, importers and traders in 21 countries Australia, India, Hong Kong, mainland China, Singapore, United Arab Emirates, Vietnam, Indonesia, Malaysia

With a presence in over 80 countries, TNS has more conversations with the world's consumers than anyone else and understands individual human behaviours and attitudes across every cultural, economic and political region of the world.

About HSBC Bank plc

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. HSBC is one of the world's most international commercial banks with over three million customers in more than 60 markets.

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