



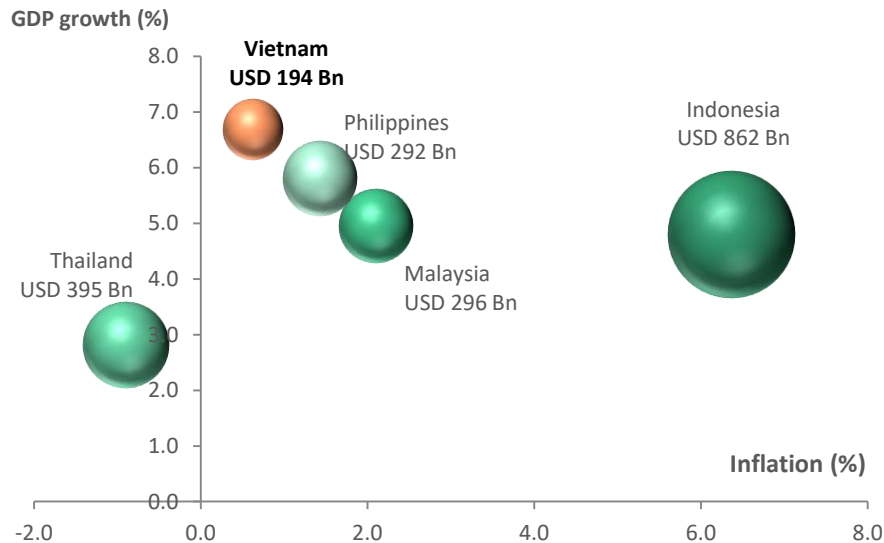
# Vietnam Looking Forward





# Vietnam in Regional Perspectives

*Compared to its regional peers, Vietnam economy, although the smallest in size, is the most dynamic in terms of growth.*



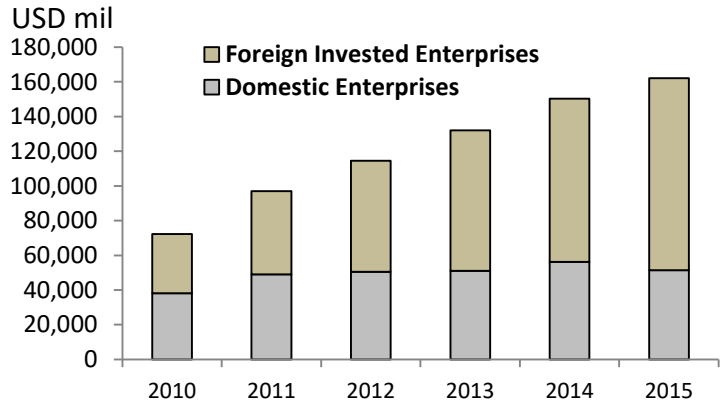
Ranking	1st	2nd	3rd	4th	5th
Global competitiveness 2016-2017 (Total 138)	Malaysia (25)	Thailand (34)	Indonesia (41)	Vietnam (60)	Philippines (57)
Ease of doing business 2017 (Total 190)	Malaysia (23)	Thailand (46)	Vietnam (82)	Indonesia (91)	Philippines (99)
Logistics Performance Index 2016	Malaysia (32)	Thailand (45)	Indonesia (63)	Vietnam (64)	Philippines (71)

Source: The World Bank

- The international rankings show that Vietnam is still lagging behind Malaysia, Thailand, and Indonesia in terms of logistics and ease of doing business.
- Nonetheless, it has advantages from lower wage, and its proximity to East Asia. Not to mention its tireless effort to develop business-friendly institutional frameworks.
- With a higher degree of integration to the world economy, the Vietnamese economy possesses high growth potential.

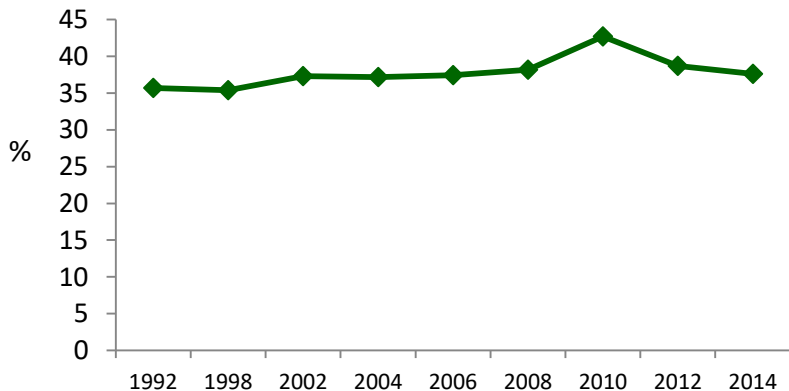
# Despite rapid growth, economic benefits do not trickle down to the mass

## Vietnam export earnings classified by entities



Source: CEIC compiled by KResearch

## GINI index in Vietnam



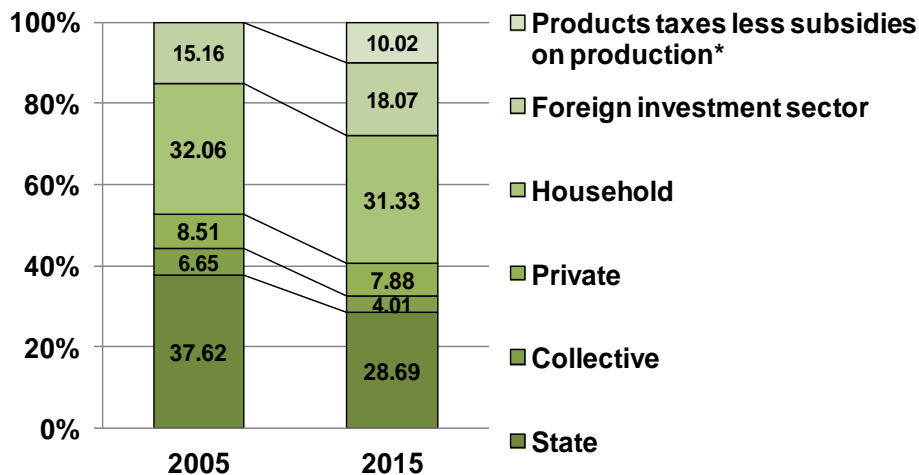
Source: World Bank

- Foreign direct investment has been a key force for exports, (contributing to 63% of the total export revenues in 2015) and economic growth in Vietnam.
- Most of foreign businesses use imported raw materials, and are less connected with domestic enterprises. Therefore, local enterprises do not engage in Vietnam supply chains, despite its growing importance in the global supply chain.
- The rising of GINI index reflects that economic benefits have been even more concentrated within the top echelon of the society after Vietnam Economic Reform



# Growth momentum can be pushed further through private sector

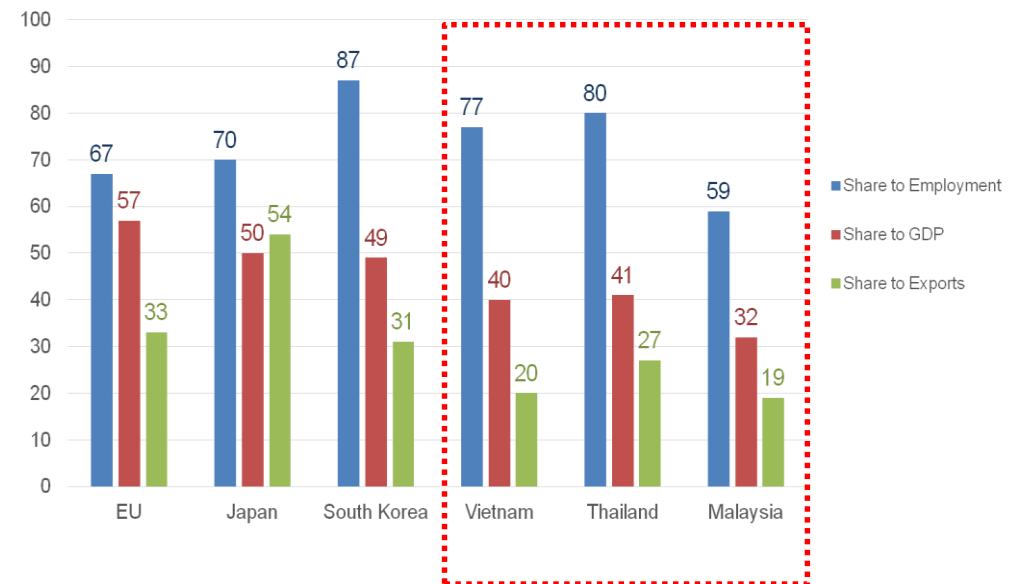
## GDP by types of ownership, 2005 and 2015



Source: GSO compiled by KResearch

\*Note: The difference between producer's prices and basic prices. It reflects the difference between the amount the producer is paid, and the value of the transaction to the producer.

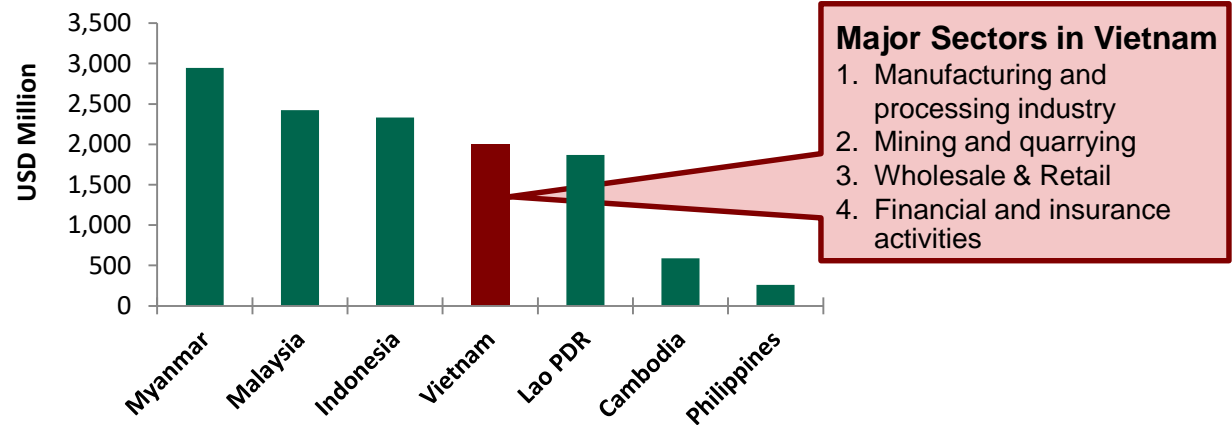
## A more developed country tend to see larger contribution of SMEs



- State-owned enterprises were once a major player for economic expansion in Vietnam.
- Vietnam may need to **promote investment from the domestic private sector** to keep rapid economic growth in long term. The private sector, especially *SMEs*, however, is facing difficulties in financial access.

# Although Vietnam is an attractive market, Thai enterprises have not yet made a strong foothold there

*Thai accumulative outflow investment (TDI) in ASEAN*



Source: BOT compiled by KResearch

*CLMV sources of import, 2015*

Cambodia	Lao PDR	Myanmar	Vietnam
1. Thailand (34.6%)	1. Thailand (68.3%)	1. China (43%)	1. China (35%)
2. China (26.7%)	2. China (20.9%)	2. Thailand (19%)	2. South Korea (15%)
3. Singapore (6.8%)	3. South Korea (2.8%)	3. Singapore (11%)	3. Japan (6.6%)
4. Hong Kong (7.3%)	4. Japan (1.7%)	4. Japan (5%)	4. Singapore (6.4%)
5. Taiwan (4.8%)	5. Singapore (1.0%)	5. India (4%)	7. Thailand (4.6)

*Average investment value per project (USD mil.)*

**18.4** mill USD

**9.0** mill USD

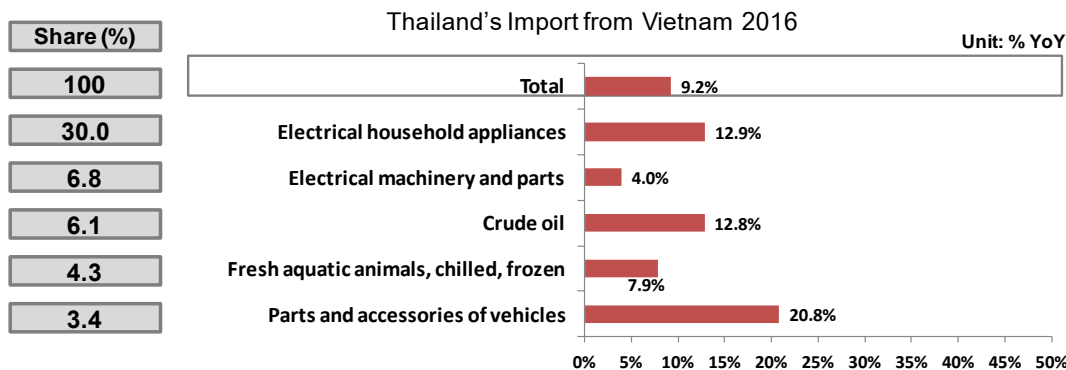
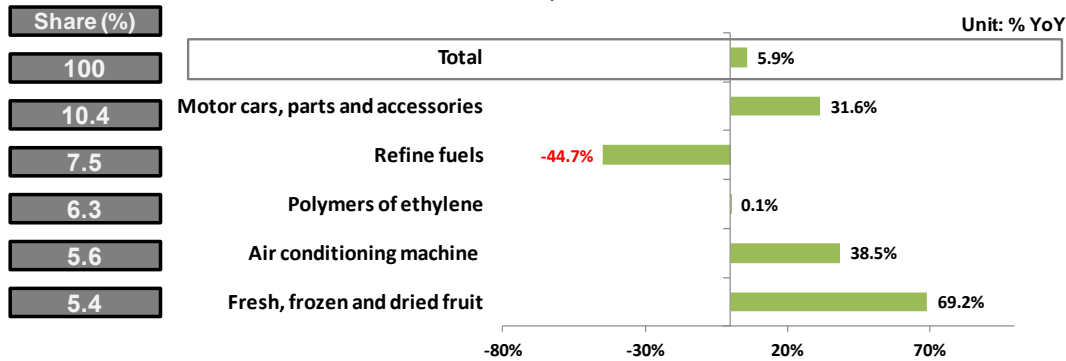
**13.4** mill USD

- ❑ Despite a rapid expansion in Vietnam’s manufacturing sector, Thai enterprises have not yet integrated into Vietnam’s supply chains because most of Thai investments in Vietnam mainly focus on labor-intensive goods, agriculture and seafood.
- ❑ Most of Thai investments in Vietnam are from big companies as the average investment per one project is USD 18.4 million, higher than the average value of one project from South Korea and Japan.
- ❑ Meanwhile, major Thai exports to Vietnam are final goods which do not integrate into Vietnam’s manufacturing sector; thus, making Thailand less involved in its supply chains.

# Opportunities for Trade and Investment

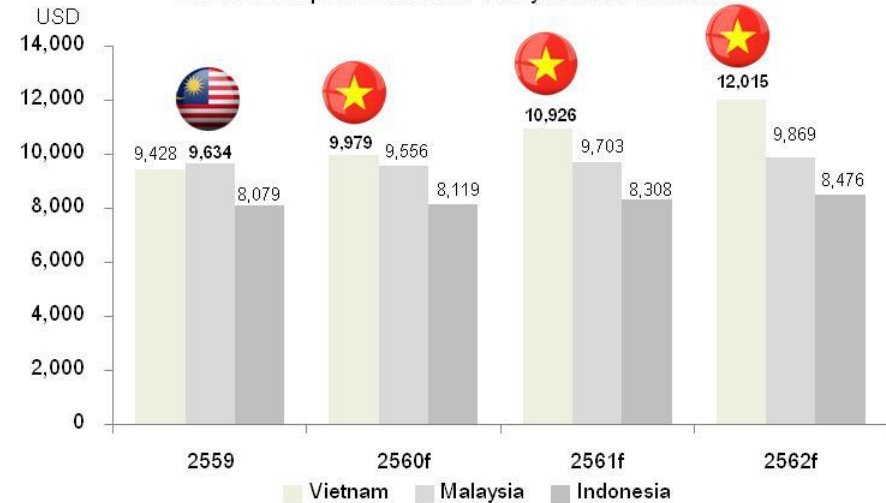


## Thailand's export to Vietnam 2016



Source: Ministry of Commerce, KResearch

## Thailand's export to Vietnam Malaysia and Indonesia



As Vietnam has integrated deeper to the world economy, there are **opportunities for Thai investors to join in its supporting industries for machinery sector, E&E, garment and textile as well as agricultural sector.**



**KASIKORNTHAI**

บริการทุกระดับประทับใจ