

Vietnam Exports and Balance of Trade 2019



By Leaps and Bounds Consulting

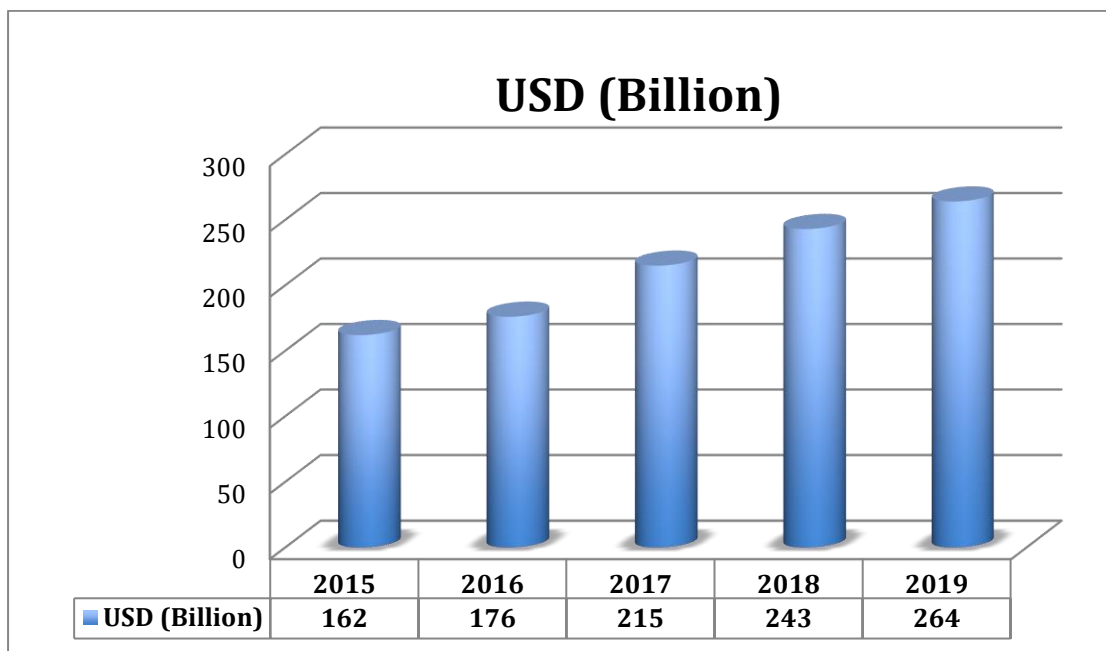
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***NOTE: Sources for information/data are from Government departments and online research papers.**

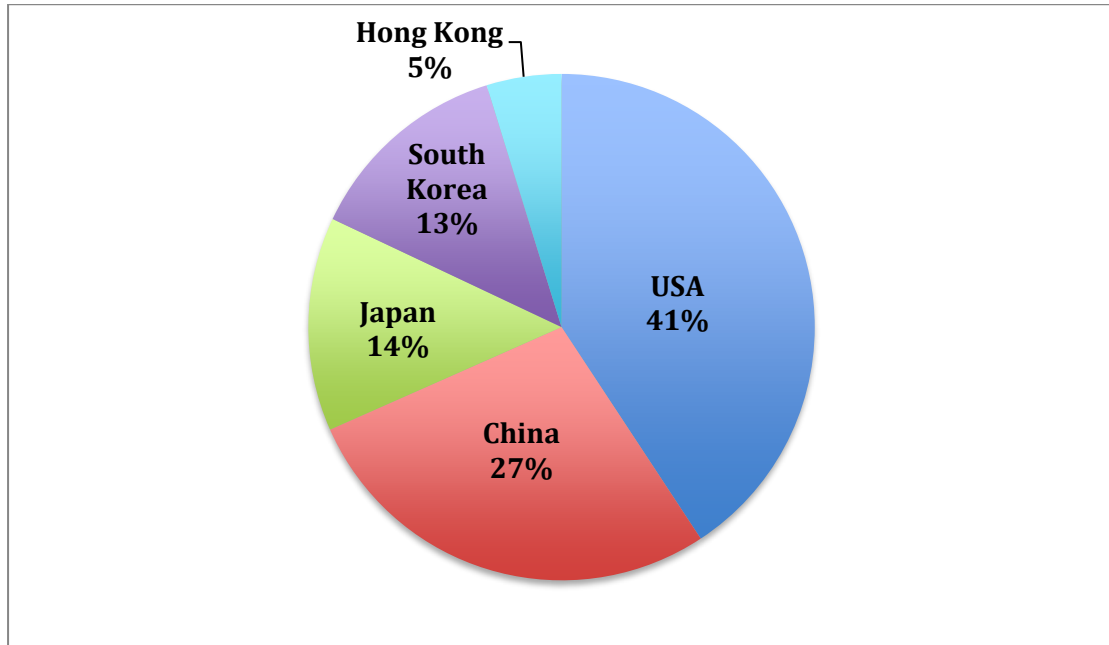
Exports and foreign investments are one of the main components of Vietnamese economy making it one of the fastest growing in the region. Vietnam has been welcoming foreign investments into various sectors and also one of the biggest beneficiary of US-China trade war. In this report, we briefly talk about Vietnam exports and what are the factors for Vietnam’s robust export sector. We will also touch base the latest balance of trade figures of Vietnam and how are they placed in comparison to other economies in the region. Our objective of writing this report is to provide the gist of burgeoning Vietnam exports and balance of trade information to potential investors.

Vietnam Exports (2015-2019)

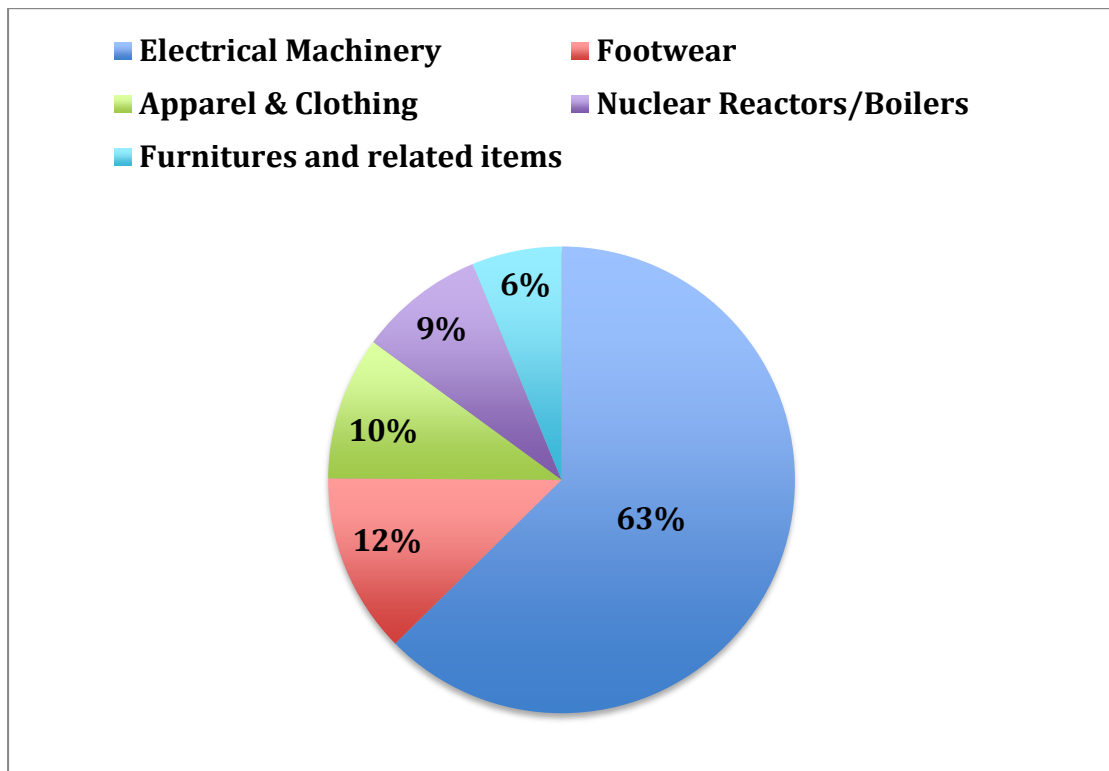


Vietnam is one of the leading country in terms of exports and according to the World Bank, Vietnam exports of goods and services (% of GDP) was at 107% in 2019 with majority of exports shipped to USA followed by China. Electrical equipment’s, footwear and apparel/ clothing are the top three export items in 2019. In the below two pie charts you can see the top export destinations & main export commodity groups in 2019.

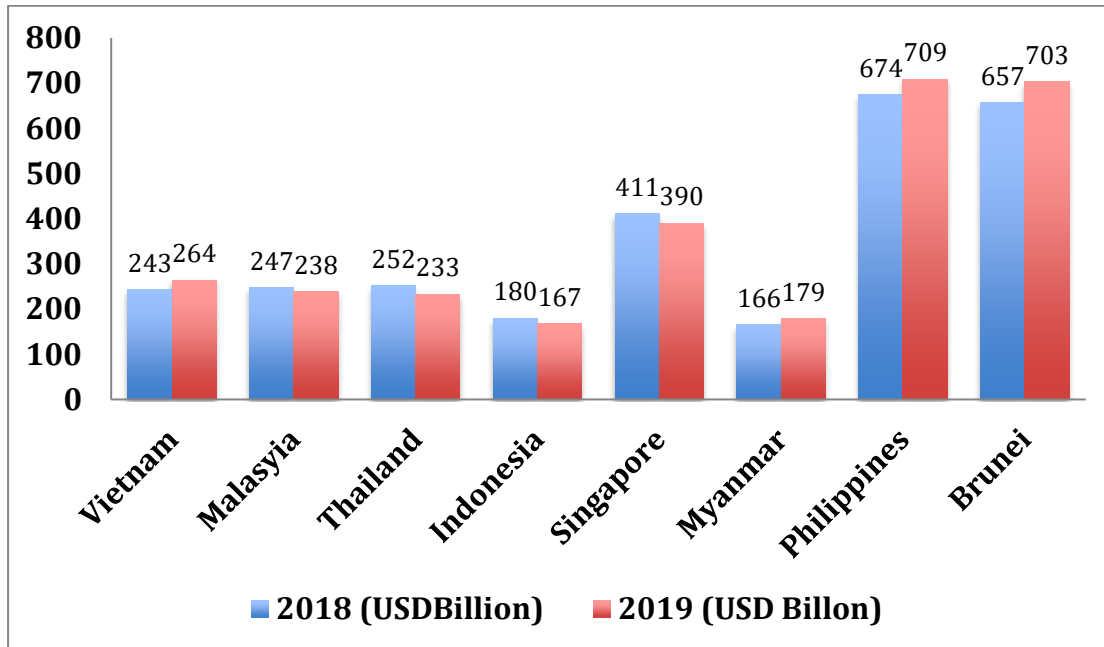
Top 5 Export Destinations 2019



Export (Commodity Groups) 2019



Vietnam Exports Growth Among Other ASEAN Countries 2018-2019

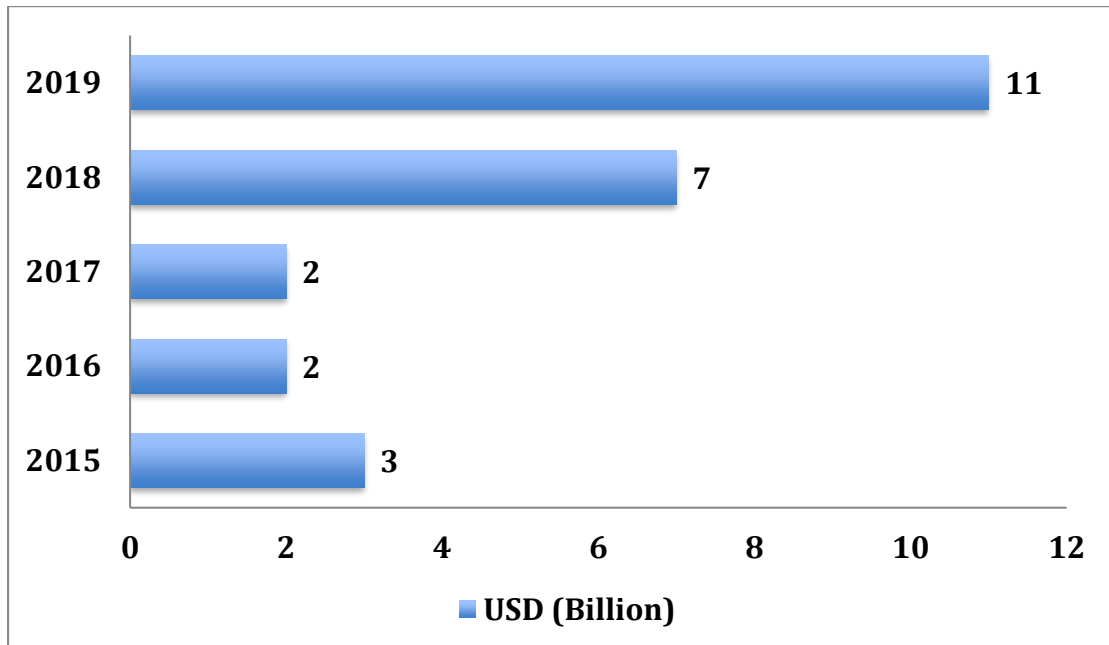


Vietnam Trade Balance (2015-2019)

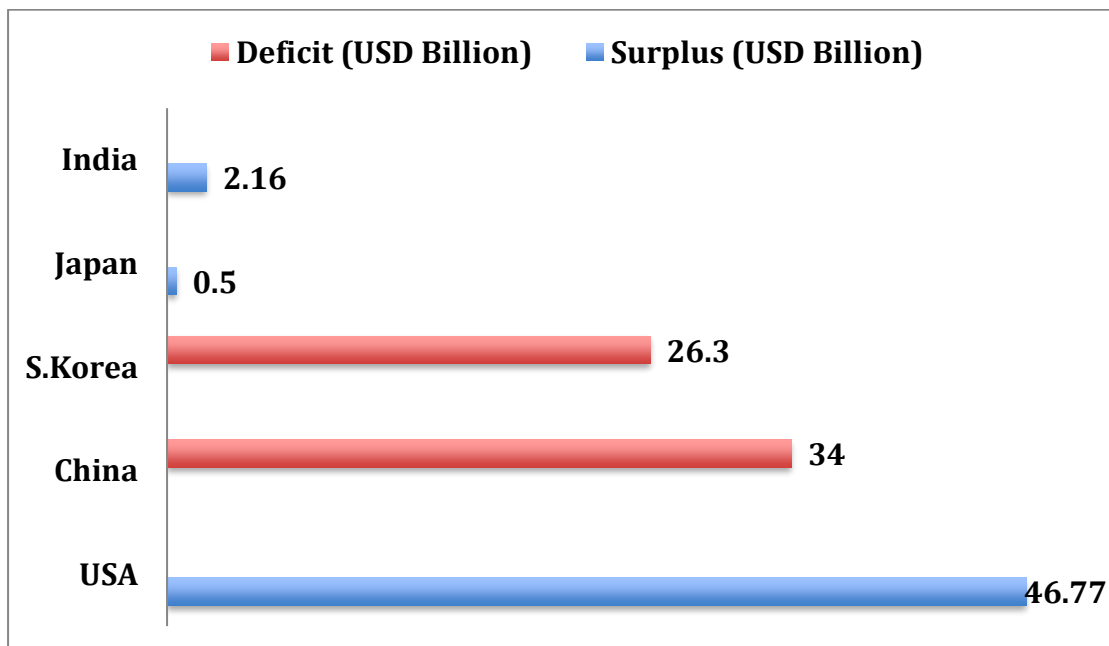
Vietnam has successfully maintained the trade surplus for the last few years owing to conducive environment for the manufacturing sector. There are many organized industrial parks across Vietnam with umpteen benefits to the companies having their operations there. Companies from South Korea, Japan, China and Singapore have been the front-runners to set up their export units in these industrial parks.

In fact Vietnam 2019 trade surplus of USD 11 billion is more than forecasted figure of USD 9.94 billion. Below are the graphs showing Vietnam's trade surplus from 2015 to 2019 and balance of trade between Vietnam and its main trade partners.

Vietnam Trade Surplus (2015-2019)



Vietnam Trade Balance with Main Trading Partners (2019)



Factors for Vietnam Export Growth

There are many factors for Vietnam exports success and we have briefly explained them below:

➤ **Abound Labour Supply With Low Cost:**

Having low-cost labour has been one of the luring element for companies to set up their base/s in Vietnam. Infact, increasing labour cost in China also pushing companies to choose Vietnam as country can provide robust labour force while keeping companies budget low.

➤ **US-China Trade War:**

Vietnam is one the biggest beneficiary of US-China trade war. Close proximity to China and good relation with USA are the main reasons why companies, which are leaving China prefer Vietnam as their first option. We had talked about this in detailed in our previous report ***“Why companies (manufacturing) leaving China prefer Vietnam than India”***. You can find the report on our website.

➤ **Corporate Income Tax:**

Vietnam offers one of the competitive corporate income tax in the region. It is imperative to entice foreign entity to set up base in Vietnam.

Vietnam	20%
Thailand	20%
Singapore	25%
China	25%
Indonesia	25%
Myanmar	20%
Hong Kong	16.5%

➤ **Transportation of Good to ports:**

The total time taken to deliver the goods to ports for export plays very important role. In Vietnam, on an average it takes less than a day for goods to reach ports and this is because of planned road infrastructure and also creating manufacturing hubs close to ports. Reason why it is important because the supply chain does not end up with a large number of consignments clogging and infact it fastens the export–import process by curtailing the time. Below graph shows the time taken for goods to reach ports in Vietnam, China, India and Bangladesh.

	Bangladesh	China	India	Vietnam
Scale of Operations	80% large enterprises	80% or more large enterprises	80% small enterprises	80% or more large enterprises
Turn Around Time (in Days) (from order to delivery)	50	31	63	46
Time Taken to reach port (in Days)	1	0.2	7-10	0.3

(Source: Economic Survey of India)

➤ **Free Trade Agreements and CPTPP:**

Vietnam has 12 free trade agreements (FTAs) plus recently signed FTA with European Union (EU) are the big boost for Vietnam’s export. Under the current FTAs, Vietnamese exporters have advantage to do business with major countries like Japan, South Korea, Canada, China and India. After signing the comprehensive & progressive agreement for trans-pacific partnership (CPTPP), Vietnam exports can also enter into 11 CPTPP members including Australia, New Zealand, Mexico, Chile and others.

On 1st Aug 2020, Vietnam signed FTA with EU (27 members). This FTA (EVFTA) is poised to increase trade between Vietnam and EU members and it abolish 99% of custom duties. As per the Vietnam ministry of planning and investment (MPI), the FTA is hoping to increase Vietnam GDP by 4.6% and exports of EU by 42.7 % by 2025.

ABOUT US

Leaps and Bounds (L&B) is a new market entry-consulting firm providing **“ONE STOP SOLUTION”** to all new business needs in Vietnam. We have created an **“ECO System”** for the companies willing to explore promising economy like Vietnam. The country offers ample opportunities for all kind of legitimate businesses. L&B was founded in Jan 2018 in Ho Chi Minh City, Vietnam and have partners in India, Singapore and China.

L&B is also into real estate consulting with focus on Indian realty market as of now but soon we will foray into other markets. Corporate wellness consulting is also one of up coming venture.

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