Supply Chain Finance - Opportunity for Vietnam

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November 2019
Impact of trade war on ASEAN
Relocation Destination - Vietnam
Industries that inclined to relocate
Supply Chain Finance by Citi
US-China Trade War Impact on ASEAN

Macroeconomic Impact
Most of the companies are shifting to ASEAN countries.
## Relocation Destinations in ASEAN

- **Vietnam** was the most commonly cited relocation destination, followed by **Thailand**, **Malaysia** and **Philippines**
- **Philippines** is increasingly cited as the relocation destination
# Macroeconomic Impact on Individual Countries in ASEAN

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<thead>
<tr>
<th>Country</th>
<th>GDP 1Q19</th>
<th>GDP 2Q19</th>
<th>GDP 4Q18</th>
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<td>3.8%</td>
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## The U.S.-China trade war is threatening to drag export-reliant SG into a recession and aggravating underlying risks facing the former tiger economy.

- Most trade dependent nation in the world

## Other long economic standing threats:

- Rapidly aging population, labour market shrinkage and sluggish productivity

## More FDI: Approved FDI into Malaysia’s manufacturing +127% in the 1Q19 YoY

- Positive spinoff from the trade war could +10bps to economic growth

## More FDI: Total Chinese-led FDI rising to US$1.2bn in 1Q19, the highest since 2Q17

- More emphasis on incentives that would boost exports
- Simplify investment procedures

## More FDI: Applications surged +253% in 1Q2019 to $2.7 billion and likely to continue going forward

- Supportive domestic demand

## June Exports - 2.15% YoY < contraction of 5% predicted

- Thai exports may feel the pinch of the trade war, impact worth up to US$2.1bn

## June PMI gained slightly to 51.3

## Emerging relocation destination

## FDI: -11.8% YoY in Apr’19

Source: Citi Research, May 2019
https://www.citivelocity.com/t/reppublic/1dR1o
Vietnam

as the Preferred Relocation Destination
VIETNAM – Preferred relocation destination

1. Proximity to China
   • 865km away from manufacturing hub of Shen Zhen, China

2. Transfer Networks
   • Situated close to regional shipping routes that allows easy movement in and out of Vietnam

3. Low Labour Costs and Young Workforce
   • Monthly wages in 2019 vary by region but is generally around half of that in China
   • China has an ageing population while Vietnam has a young and dynamic workforce

4. Stable Political Scene

5. Actively establishing Free Trade Agreements with other nations
   • Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP)
   • European-Vietnam FTA (EVFTA)
   • ASEAN FTA

Source: Bloomberg
Industry Analysis
Industry Analysis

- **Consumer cyclical** (34% of those announced) is impacted the most followed by **Industrials** and **Technology** respectively.

  ![](Industry Shifting)

- Shifts are concentrated in **labour intensive sectors** like **apparel**

- Ongoing quest for power between US and China in the tech industry are **certainly accelerating the exit of ICT firms**

- **Low tech** goods and **low value manufacturing** would be the quickest to migrate

- Higher value-added exports in the machinery, transport and IT category would take longer to relocate due to high R&D costs, lack of availability of comparable quality and cost of labour and infrastructure elsewhere

Source: Bloomberg
Supply Chain Finance by Citi
Citi Supplier Finance Programs: By the Numbers

- **North America**: 658 Buyers with 10,000+ Suppliers across 68 countries and 14 on-boarding specialists
- **Europe & Africa**: 1249 Buyers with 13,607 Suppliers in 56 countries and 15 onboarding specialists
- **Latin America**: 249 Buyers with 14,316+ Suppliers across 40 countries and 20 on-boarding specialists
- **Asia**: 237 Buyers with 45,000+ Suppliers across 17 countries and 22 on-boarding specialists
- **Vietnam**: 10 Buyers with 140+ Suppliers 100% digital interaction

- **Over 1500 buyers have been active for two or more years**
- **Over $1300 billion payments processed in 2016**
- **Investment of $50+ million in program platform technology since inception**

- **Global footprint with regional, on-the-ground enablement resources**
- **Dedicated supplier onboarding teams in 16 cities globally, able to speak multiple languages and supplemented by client teams in nearly 100 countries**
- **Syndication hubs in five major cities globally**

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