

25 May 2010

## VIETNAM TRADE SECTOR LOOKS TO GROW BUSINESS WITH GREATER CHINA AND SOUTHEAST ASIA IN THE NEXT SIX MONTHS

*\*\*\*Trade sectors around the world expect volumes to rise\*\*\**

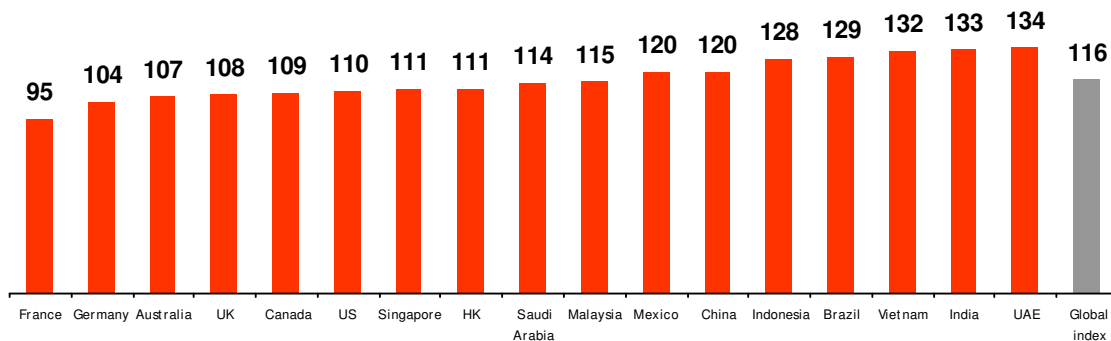
*\*\*\*Vietnam traders ranked third among markets that are most confident about overall trade activity and growth\*\*\**

*\*\*Vietnam traders expect buyers-supplier related risks and exchange rate risk to decrease\*\*\**

Traders from the United Arab Emirates, India and Vietnam are the most confident about overall trade activity and growth in the next six months, according to the new international HSBC Trade Confidence Index.

The HSBC Trade Confidence Index this year covers a total of 17 markets, including key economies in the Asia-Pacific region, the Middle East, Latin America, the US and Canada and Europe. In the biggest opinion survey of its kind, 5,120 trade-oriented small and mid-market enterprises were asked about their six-month outlook on trade volume; buyer and supplier risks; the need for trade finance; access to trade finance; and the impact of foreign exchange and government trade regulations on their businesses. The results were used to calculate an index ranging from 0 to 200, where 200 represents the highest confidence level, 0 represents the lowest and 100, neutral. (Detailed results are contained in the slide deck attached.)

### HSBC Trade Confidence Index – Global overview



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## **Vietnam trade sector looks to grow business with Greater China and Southeast Asia in the next six months/2**

The United Arab Emirates (UAE), India and Vietnam were most confident and scored 134, 133 and 132 respectively. The rest of the markets also indicated a positive outlook, except France, which scored 95.

Overall, trade confidence globally has remained positive since the index was launched in the first half of 2009.

Lawrence Webb, HSBC global head for Trade and Supply Chain, said: "Trade is playing a key role in the recovery of the global economy. The strengthening of confidence from these global respondents over the last year, despite slow economic progress in the West and the recent crisis in the Middle East, is proof of the significance of trade. Trade momentum is clearly shifting to the emerging markets, where the rebound in trade, fuelled by intra-regional activity, continues to boost global economic recovery. However, developed economies, such as the US, which are capitalising on the opportunities in emerging markets are also set to benefit."

The majority of traders in Latin America (64%), Middle East (63%), Greater China (63%) and India (61%) expect an increase in trade volumes in the next six months. Globally, over half of traders (56%) including those in the UK, the US, Canada and Germany are bullish about their outlook on trade volumes.

### **On Vietnam**

#### **Trade volume:**

There is a big improvement in Vietnam's outlook on trade prospects: Vietnam scored 132 for the first quarter of 2010, up from 110 in the second quarter of 2009. The majority of respondents in Vietnam (75% vs 65% in 2H2009 – one of the highest proportions from the countries surveyed) expect their trade volumes to increase in the next six months. A small percentage of respondents said that they anticipate trade volumes to decrease in the next six months (4% vs 8% in 2H2009). Only 17% of those polled think that trade volumes will remain constant (vs 26% in 2H2009).

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**Vietnam trade sector looks to grow business with Greater China and Southeast Asia in the next six months/3**

**Buyer and supplier related risks**

Globally, most respondents in the 17 markets surveyed do not expect buyer and supplier related risks to increase. Vietnamese traders also share this optimistic look as a higher proportion believes that the risk of buyers defaulting on payment will decrease (24% vs 7% in 2H2009). There is a significant jump in the percentage (over three-fold) of Vietnam respondents that think that the risk of suppliers not honouring agreed trade arrangements will decrease (29% vs 3% in 2H2009). The majority of the respondents think that the key reason for is that the financial health of suppliers is improving (62%).

When asked what they would do to overcome non-payment risk from buyers, traders in 17 markets said that they would control buyer relationships by tightening payment terms, accepting smaller orders to reduce transaction exposure, and even doing less business with particular buyers. Compared with the last survey in 2H2009, a larger percentage of Vietnam respondents said they would accept smaller orders to reduce transaction exposure (69% vs 12% in 2H2009). Export credit insurance (17% vs 6% in 2H2009) and greater use of trade finance via banks (24% vs 12% in 2H2009) were among the choices preferred by more Vietnam traders to overcome non-payment risk from buyers, in addition to “offering more flexible payment terms” (41%).

**Need for trade finance**

With more confidence in trade volume and a better outlook on buyer-supplier risk, the number of Vietnam traders who said the need for trade finance will increase also rose to 74% from 66% in 2H2009. In terms of the need for trade finance, Vietnam tops lists in all 17 markets surveyed, followed by India (60%) and the Middle East (51%). Although scores were higher than in the 2H2009, Australia remains the market with least number of respondents (19%) expecting their trade finance needs to increase.

**Impact of foreign exchange on business**

One of the highlights of this wave of the survey is the decrease in percentage of traders (51% vs 80% in 2H2009) expecting exchange rates to have an unfavourable impact on their business in the next six months, and the increase in the percentage of traders that think exchange rate will have a favourable impact on their business (29% vs 17% in 2H2009).

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#### **Vietnam trade sector looks to grow business with Greater China and Southeast Asia in the next six months/4**

More respondents expect government trade regulation to have a favourable impact on their business growth (28%) than in the last wave of the last survey (9% in 2H2009).

Despite the big decrease in percentage (48% vs 81% in 2H2009), respondents say that the fluctuating exchange rate is the biggest barrier to import/export business growth, followed by the cost of shipping, logistics and storage (40%), government trade regulation (40%), and rising interest rates (38%).

#### **Most promising regions for trade growth**

Vietnam traders still consider Greater China as the most important region to trade with, as the majority of Vietnam exporters and importers (52%) continue to actively trade with Greater China, followed by South-East Asia (33%) and the rest of Asia (28%). However the number of respondents actively trading with Greater China has decreased (52% vs 64% in 2H2009) and Southeast Asia overrode the rest of Asia to become the second biggest market for Vietnam traders. In the rankings of the most promising regions for trade growth in the next six months, the percentage of Vietnam traders that consider Southeast Asia to be a promising region rose to 19% from 14% in 2H2009, while this number for Greater China dropped 9%, from 36% in 2H2009 to 27%.

Do Thuy Nhu Thuy, head of Trade and Supply Chain, HSBC Bank (Vietnam) Ltd., said: “The survey results closely reflect the market changes during the last six months, as well as representing the optimistic outlook for Vietnam’s economy in the next six months. More Vietnam traders expect higher trade volumes, more trade activities and a greater need for trade finance as Vietnam and Asia have recovered strongly. We are pleased to see that for the first time in three waves of this survey, Vietnam traders are less worried about the impact of exchange rate on their business even though they still see it as their main challenge in terms of growth. This means that they constantly look at exchange rate as a risk to be managed in order to succeed, rather than to fear as a growth barrier. As the world’s local bank with more than 140 years of operating in 88 countries and territories, HSBC is among the few financial providers that are able to assist its customers in managing and reducing these complex risks.”

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## **Vietnam trade sector looks to grow business with Greater China and Southeast Asia in the next six months/5**

### **Notes to editors:**

#### **More details of the survey**

Greater China includes Hong Kong SAR, mainland China, Taiwan and Macau SAR.

Please see the attached report *HSBC Trade Confidence Index – May 2010* for more information. The survey was conducted by research company TNS in February and March 2010.

#### **HSBC Trade and Supply Chain**

HSBC Trade and Supply Chain is one of the largest trade services organisations in the world. Our award-winning international trade expertise combines over 140 years of extensive experience in international trade with a unique blend of local knowledge, supported by advanced technology and our extensive network of dedicated trade services offices in over 60 countries and territories worldwide.

#### **1. HSBC in Vietnam**

HSBC has been in Vietnam for 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 local incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The Bank's current network includes one branch and four transaction offices in Ho Chi Minh City, one branch and three transaction offices in Hanoi, and one branch in Binh Duong. HSBC is the largest foreign bank in the country in terms of investment capital, network, product range, staff and customer base.

#### **3. HSBC Holdings plc**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,000 offices in 88 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,364 billion at 31 December 2009, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

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