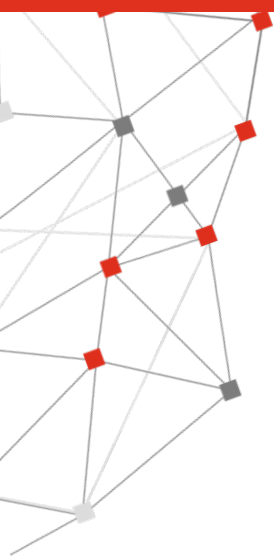




COVID-19 Impact Assessment

Analysis of the Potential Impacts of COVID-19 on Vietnamese Economy



The objective of this paper is to explore the potential impacts of the COVID-19 outbreak on the Vietnamese economy. Such an exercise is accompanied by a considerable level of uncertainty. Specifically, in the case of COVID-19, projections have been reviewed and readjusted every week since the start of the outbreak.

Additionally, Vietnam's economy is highly dependent upon other economies. As such, the scenarios and projections relating to the effects on the Vietnamese economy are also strongly correlated with the effects on other countries resulting from the COVID-19 outbreak.

This paper covers the following parts:

Part I

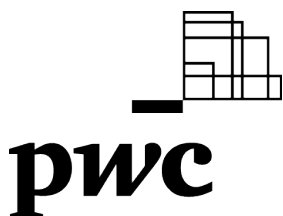
Vietnam's Current
Economic
Prospects

Part II

Sluggish Economic
Prospects to Come
in Vietnam's Key
Export Markets

Part III

Selected Sectors
Snapshot:
Textiles/Garments
and Consumer
Electronics
Manufacturing

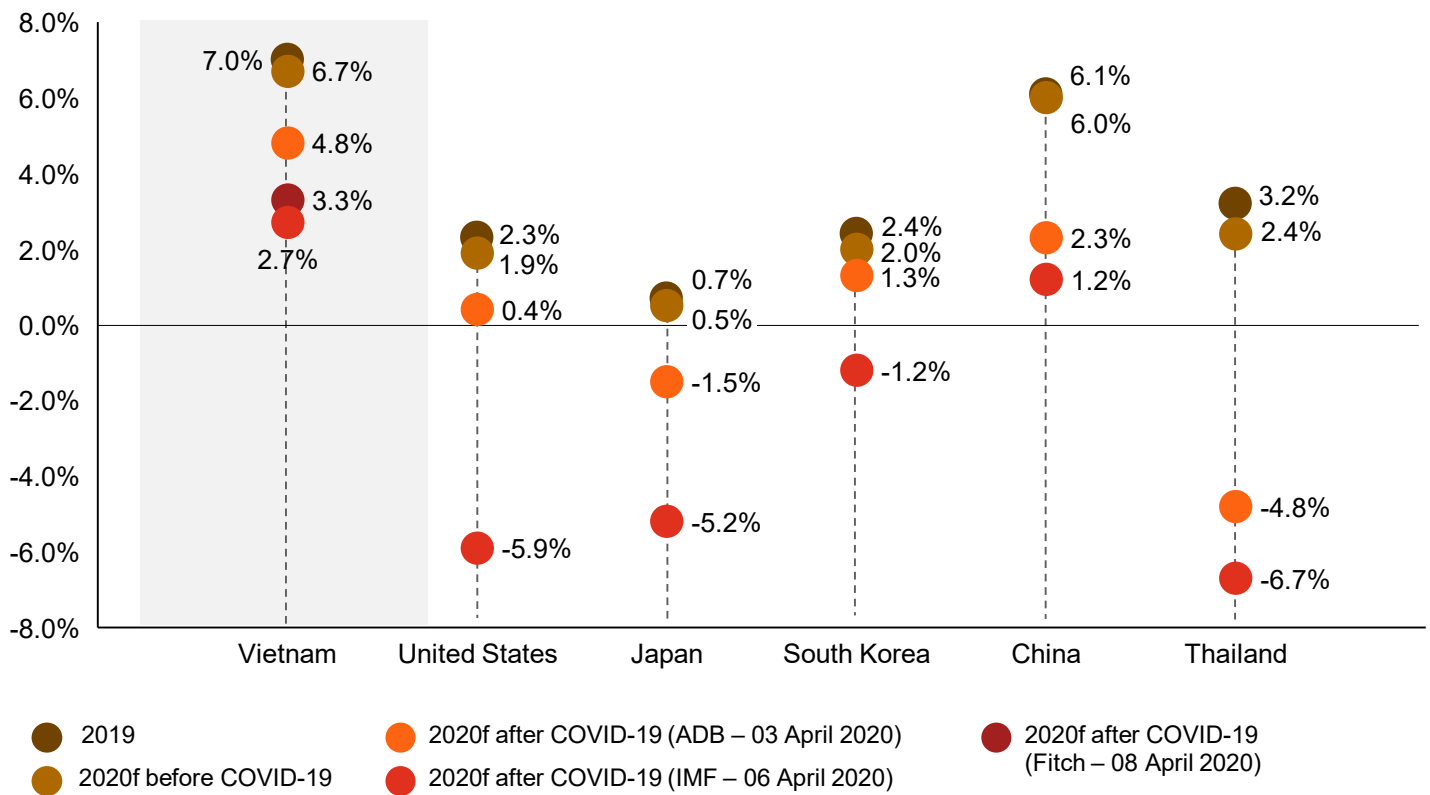


Part I: Vietnam's Current Economic Prospects

Based on the projections that have been readjusted throughout April 2020, Vietnam's short term economic outlook remains positive, with the country still being expected to be one of the few countries that will continue to grow in 2020, while the rest of the world is being projected to enter into recession. However, there are considerable variations in the current projections, highlighting the considerable levels of uncertainty that remain in May 2020.

Revision of Gross Domestic Product (GDP) growth forecast of selected countries due to the outbreak of COVID-19

Unit: percentage



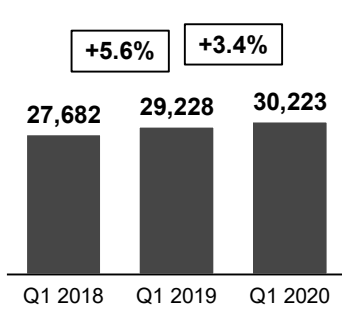
Source: ADB, IMF, FitchRatings, PwC Research and Analysis

So far, the official Q1 results published by the General Statistics Office of Vietnam appear to confirm that economic slowdown resulting from the COVID-19 outbreak. Although tourism and hospitality have been the most-heavily affected sectors, Vietnam's exports have nonetheless been able to marginally exceed their Q1 2019 levels, growing slightly on a year-over-year basis.

The impacts of the COVID-19 outbreak so far have varied, both by sector and by province. In particular, Central Vietnam appears to have sustained the most dramatic effects, with Da Nang announcing that its disbursed Foreign Direct Investment (FDI) – especially for the tourism sector - has fallen by 80% in comparison with last year's figures. Overall, however, Vietnam has still managed to register GDP growth of +3.4% in Q1 2020, as compared to Q1 2019.

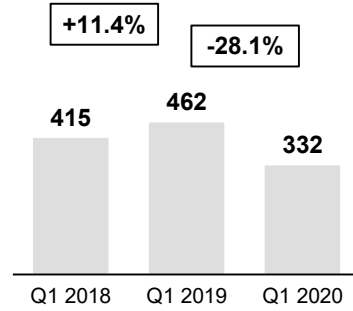
Real GDP (base year 2010)

Unit: USDmn



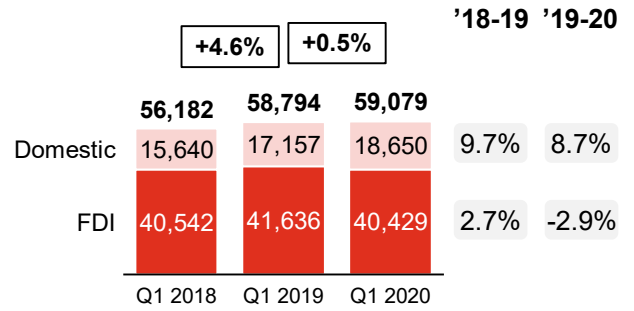
Tourism spending

Unit: USDmn



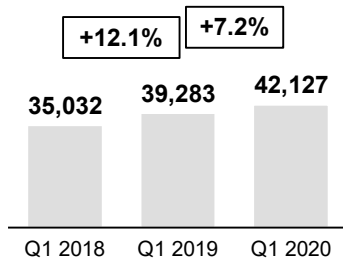
Export values by ownership

Unit: USDmn



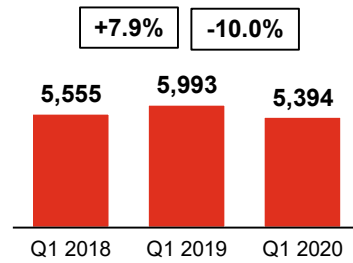
Domestic retail sales

Unit: USDmn



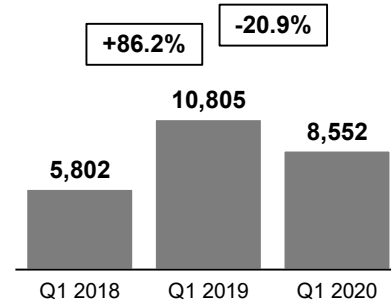
Domestic hospitality and food services

Unit: USDmn



Registered foreign capital to Vietnam

Unit: USDmn

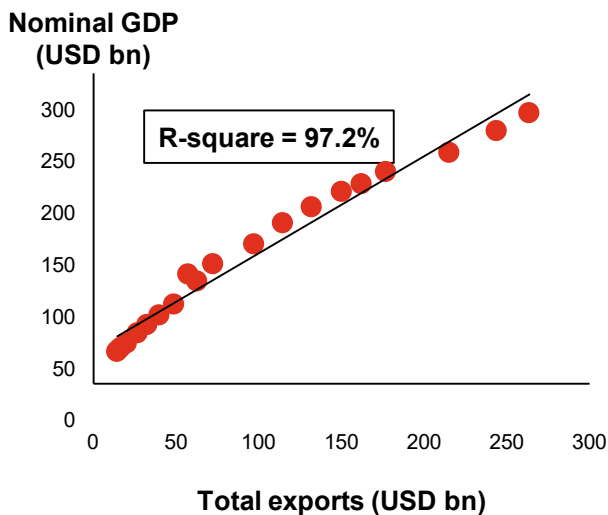


Source: GSO, PwC Research and Analysis

Following its accession to the WTO in January 2007, a notable trait of the Vietnamese economy over the past decade has been its substantial and increasing interconnection with other economies, via trade and investment. Two of the major drivers that have been essential for the previous growth and economic development are: (1) the level of FDI in the country, and (2) the country's capacity for export. Indeed, a large chunk of the foreign direct investment has been directed towards the export-heavy sectors. For instance, the manufacturing sector, which is largely aimed at exports, accounted for c.57% of the total registered FDI in 2019.

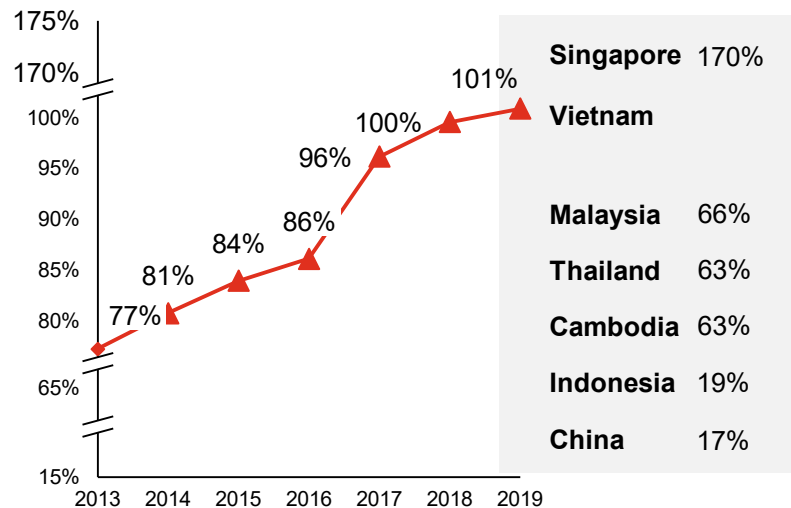
Correlation between total exports and nominal GDP

USD billion, 2010-2019



Export as % of GDP

%, 2013-2019



Source: GSO, Custom, PwC Research and Analysis

>50%

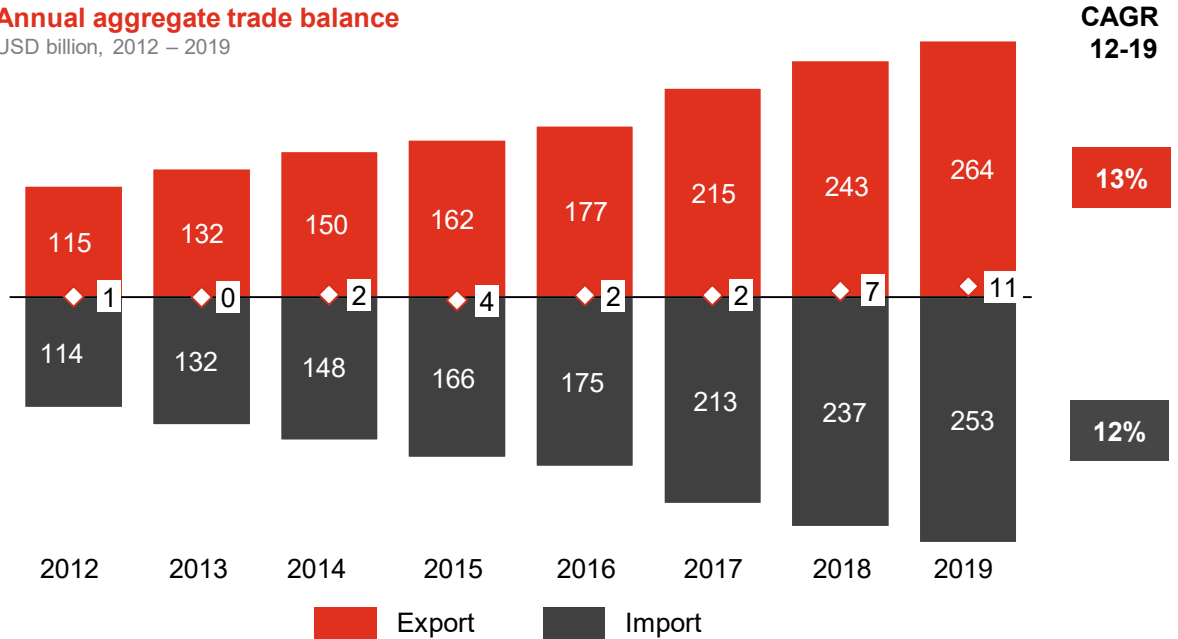
of Vietnam's exports are sent to the U.S, China and the European Union and United Kingdom

More than 50% of Vietnam's exports are destined for the three markets: the U.S (23%), China (16%) and the European Union and United Kingdom (14%). In addition, the U.S and Europe have together accounted for more than USD 75bn in trade surpluses. These trade surpluses with both Europe and the U.S. have been critical to the continuous growth of the country.

For Vietnam, a large proportion of the trade surplus with the U.S and Europe has been generated by: 1) consumer electronics; 2) textiles, garments, and shoes; and 3) to a lesser extent, agriculture.

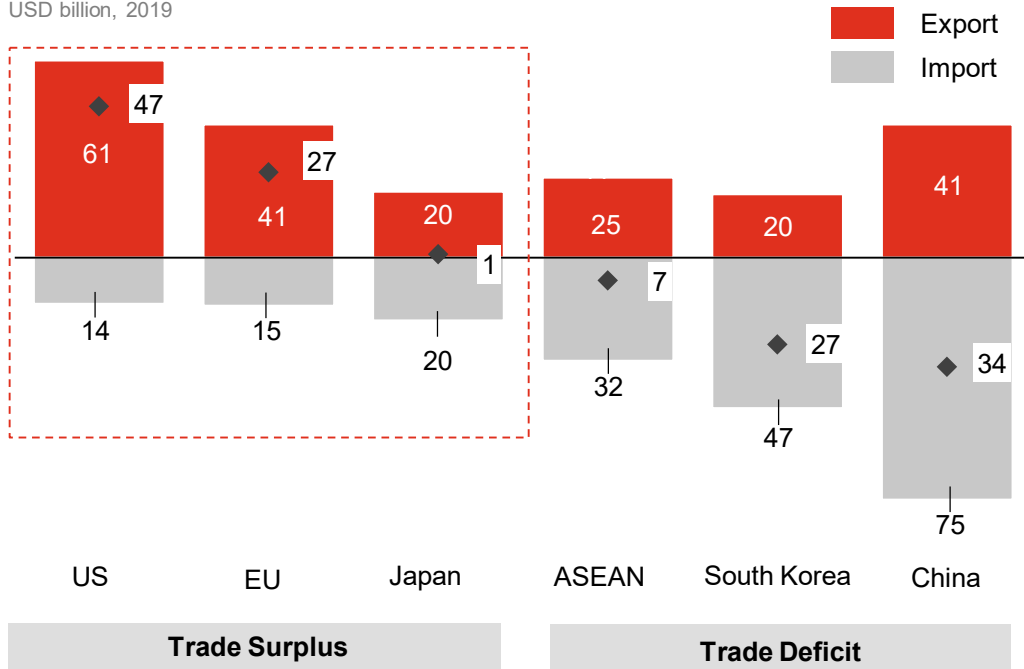
Annual aggregate trade balance

USD billion, 2012 – 2019



Trade balance by top partners

USD billion, 2019

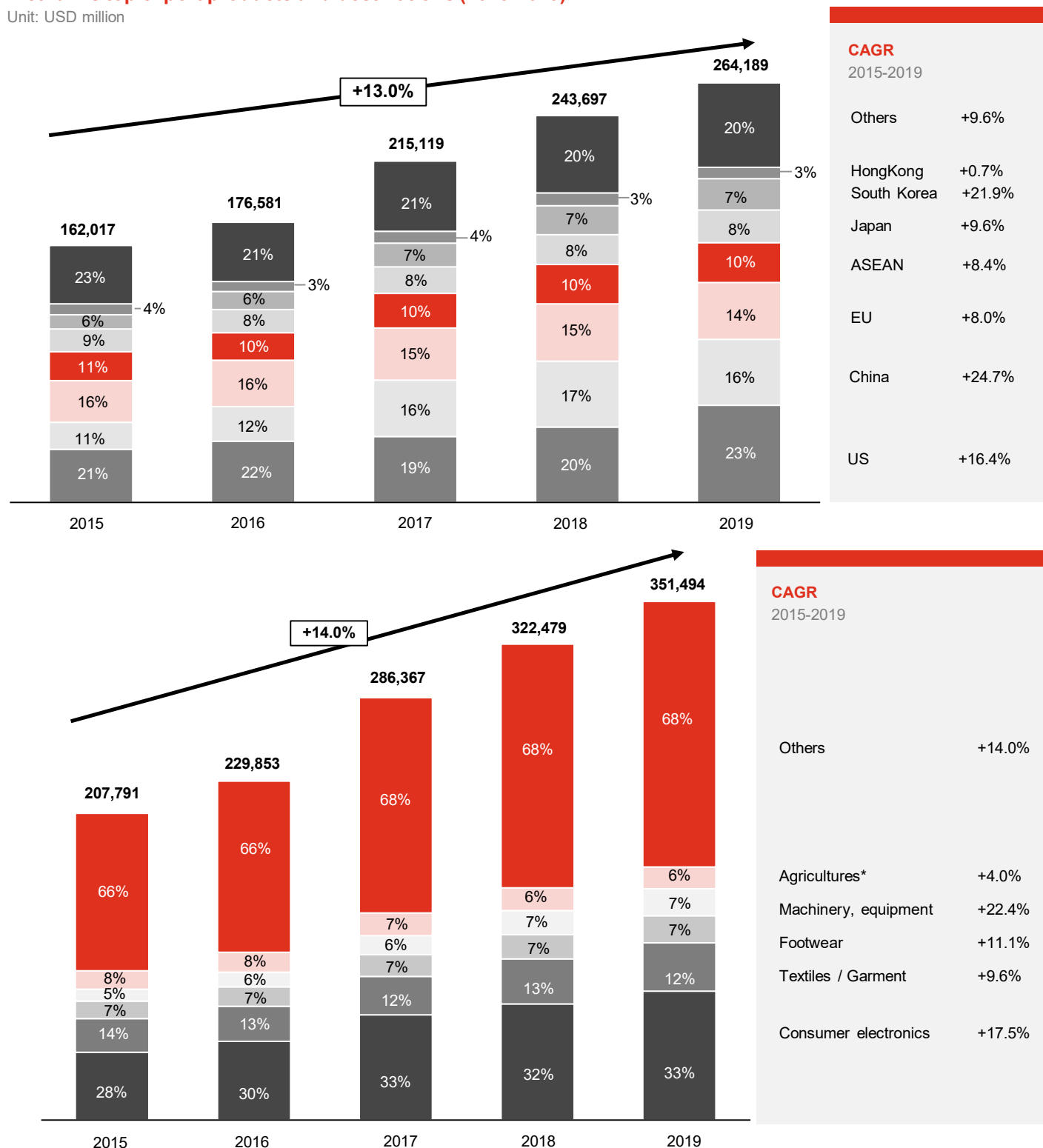


Source: GSO, PwC Research and Analysis

In 2019, consumer electronics as a whole accounted for 25% and 41% of the total exports to (1) the U.S. and (2) the European Union and UK, respectively (see below). Textiles/Garments (including footwear) accounted for 35% and 22%, respectively.

Vietnam's top export products and destinations (2015-2019)

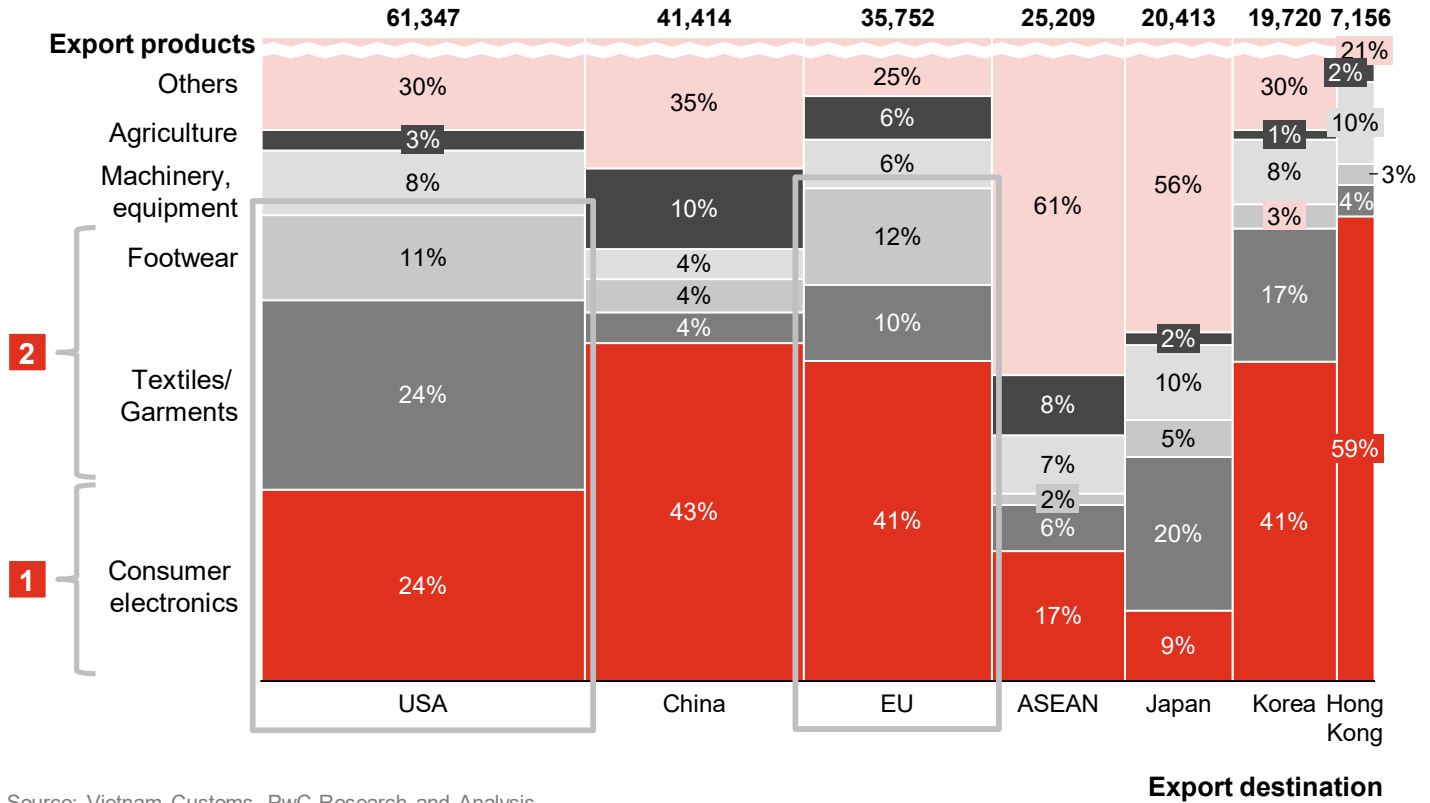
Unit: USD million



(*) Agriculture includes cashew nut, pepper, fruits and vegetables, rice, coffee, tea, maize, wheats, and soya beans

Vietnam's export value by destination (2019)

Unit: USD million



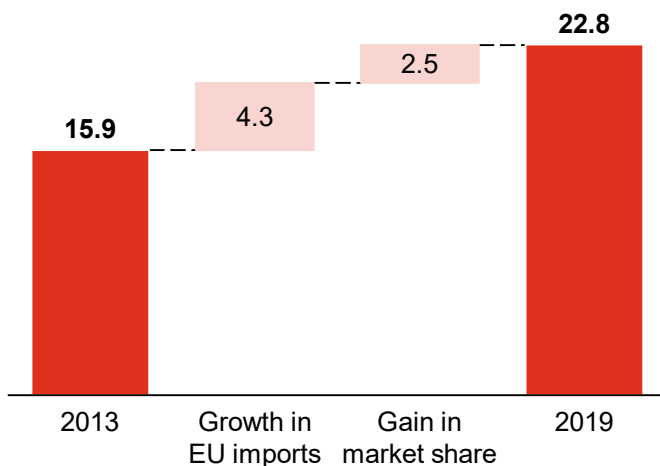
Source: Vietnam Customs, PwC Research and Analysis

The key to Vietnam's continuous economic growth has been the country's capacity to consistently grow its exports. This has been driven by: (1) the growth in the overall imports from Europe and the U.S.; and (2) the substantial gains in market share in Europe and in the U.S. over the previous decade. In these markets, Vietnam's main competitors have been China and, to a lesser extent, other export-heavy countries in South East Asia, such as Thailand, Malaysia, and Taiwan.

European Union

Growth in Vietnam's exports to the EU (phones, consumer electronics and textile / garments)

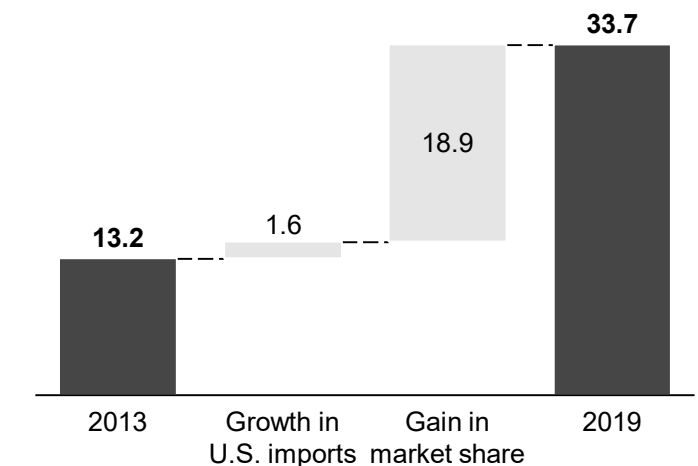
Unit: USDmn



United States of America

Growth in Vietnam's exports to the US (phones, consumer electronics, and textiles / garments)

Unit: USDmn



EU computer and parts imports by partner (USDbn)

2013			2019		
China	35.5	67.4%	China	36.7	67.9%
United States	2.9	5.5%	United Kingdom	3.3	6.1%
Thailand	2.4	4.6%	United States	3.1	5.7%
United Kingdom	2.4	4.5%	Thailand	2.4	4.4%
Vietnam	2.0	3.9%	Taiwan	1.7	3.2%
Taiwan	1.0	1.9%	Vietnam	1.1	2.1%
South Korea	0.7	1.3%	South Korea	1.0	1.9%
Total	52.7	100.0%	Total	54.0	100.0%

EU garment imports by partner (USDbn)

2013			2019		
China	32.9	37.9%	China	35.8	44.9%
Bangladesh	11.3	13.0%	Bangladesh	20.2	17.1%
Turkey	11.1	12.8%	Turkey	13.0	16.3%
India	5.2	6.0%	United Kingdom	6.9	8.1%
United Kingdom	4.7	5.4%	India	6.5	5.5%
Tunisia	2.8	3.3%	Pakistan	5.0	6.3%
Morocco	2.7	3.1%	Vietnam	4.4	5.5%
Vietnam (ranked 9)	2.2	2.5%			
Total	86.8	100.0%	Total	118.6	100.0%

US computer and part imports by partner (USDbn)

2013			2019		
China	54.0	65.8%	China	46.1	50.5%
Mexico	13.7	16.7%	Mexico	27.3	29.8%
Thailand	4.4	5.4%	Taiwan	6.1	6.6%
Taiwan	1.5	1.9%	Thailand	4.5	4.9%
Vietnam	1.2	1.5%	Vietnam	1.2	1.3%
Malaysia	1.2	1.5%	Germany	0.9	0.9%
Singapore	1.1	1.3%	Malaysia	0.8	0.9%
Total	82.0	100.0%	Total	91.4	100.0%

US garment imports by partner (USDbn)

2013			2019		
China	37.3	39.8%	China	34.3	34.1%
Vietnam	8.2	8.7%	Vietnam	13.6	13.5%
India	5.4	5.7%	India	6.7	6.6%
Indonesia	5.0	5.4%	Bangladesh	5.9	5.9%
Bangladesh	5.0	5.4%	Indonesia	4.5	4.4%
Mexico	4.6	4.9%	Mexico	4.3	4.3%
Pakistan	2.8	3.0%	Honduras	2.9	2.9%
Total	93.7	100.0%	Total	100.8	100.0%

EU phone & transmission imports by partner (USDbn)

2013			2019		
China	30.1	49.5%	China	47.1	87.2%
Vietnam	9.1	15.0%	Vietnam	11.8	21.8%
United Kingdom	3.6	5.9%	United Kingdom	4.8	8.9%
South Korea	2.9	4.7%	Malaysia	2.4	4.4%
Malaysia	2.5	4.1%	Hong Kong	1.5	2.8%
Taiwan	2.3	3.7%	Taiwan	1.2	2.2%
Hong Kong	1.8	3.0%	Thailand	1.2	2.2%
Total	60.7	100.0%	Total	78.0	100.0%

EU footwear imports by partner (USDbn)

2013			2019		
China	8.5	44.9%	China	10.4	36.7%
Vietnam	2.6	13.8%	Vietnam	5.4	19.0%
Indonesia	1.4	7.4%	United Kingdom	2.4	8.4%
United Kingdom	1.3	6.7%	Indonesia	1.9	6.6%
India	1.2	6.4%	India	1.5	5.2%
Tunisia	0.5	2.8%	Cambodia	0.9	3.1%
Albania	0.3	1.6%	Tunisia	0.6	2.2%
Total	19.0	100.0%	Total	28.4	100.0%

US phone & transmission imports by partner (USDbn)

2013			2019		
China	53.2	61.6%	China	64.0	62.5%
Mexico	9.1	10.6%	Vietnam	11.9	11.6%
South Korea	7.1	8.3%	Mexico	8.0	7.8%
Malaysia	4.6	5.3%	Taiwan	3.5	3.5%
Taiwan	2.7	3.2%	South Korea	3.3	3.2%
Thailand	2.5	2.9%	Malaysia	2.8	2.7%
Canada	1.0	1.2%	Thailand	2.4	2.3%
Vietnam (ranked 9)	0.8	1.0%			
Total	86.4	100.0%	Total	102.3	100.0%

US footwear imports by partner (USDbn)

2013			2019		
China	17.0	68.5%	China	13.4	49.6%
Vietnam	2.9	11.7%	Vietnam	7.0	25.8%
Italy	1.3	5.2%	Indonesia	1.7	6.1%
Indonesia	1.2	4.8%	Italy	1.6	5.8%
Mexico	0.5	2.0%	Cambodia	0.5	1.8%
India	0.3	1.2%	India	0.5	1.7%
Dominican Rep.	0.3	1.2%	Mexico	0.4	1.6%
Total	24.8	100.0%	Total	27.1	100.0%

Source: USITC, Eurostat, PwC Research and Analysis

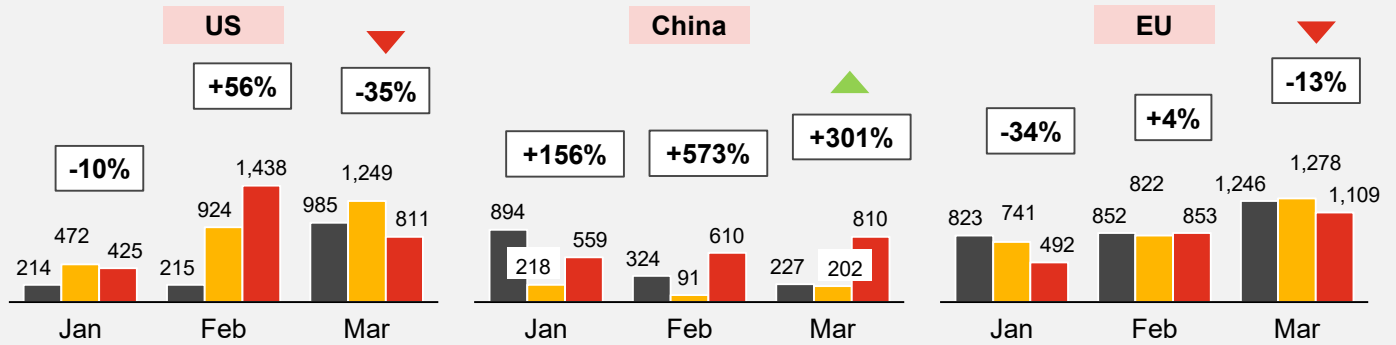
The Q1 results so far have displayed mixed results. Vietnam seems to have been able to maintain its overall export levels to its key export destinations. Except for textiles, Vietnam's exports have in fact increased in Q1 2020, as compared to Q1 2019.

These Q1 results reveal the rather limited impacts of the COVID-19 outbreak on these key sectors. However, we can expect to see more drastic impacts in Q2 and Q3, as these Q1 figures do not yet reflect any downturns in the general economy or in consumption in the U.S. and in Europe. That said, Q1 includes the China's lower exports, as a result of the business restrictions that were implemented until the end of March following the COVID-19 outbreak.

Vietnam's export value of phones and parts

Unit: USD million

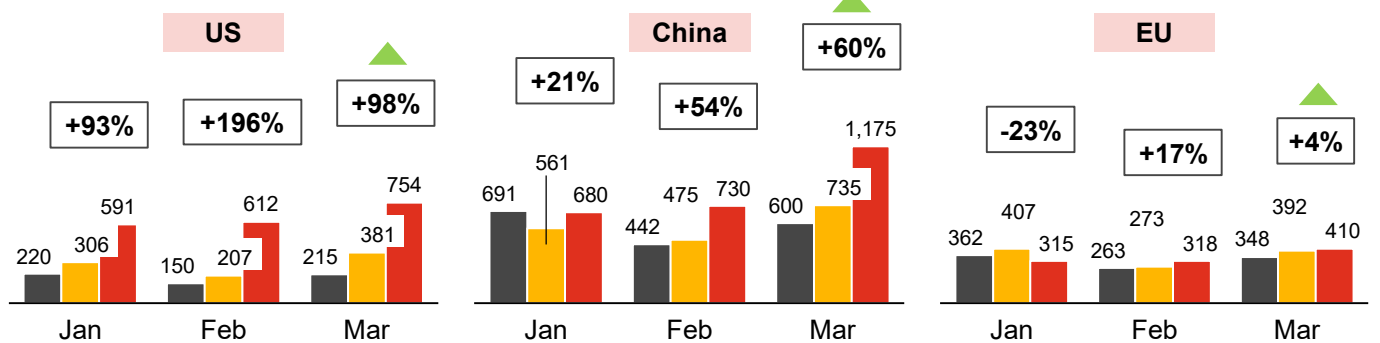
2018 2019 2020



Vietnam's export value of computers, electronics and parts

Unit: USD million

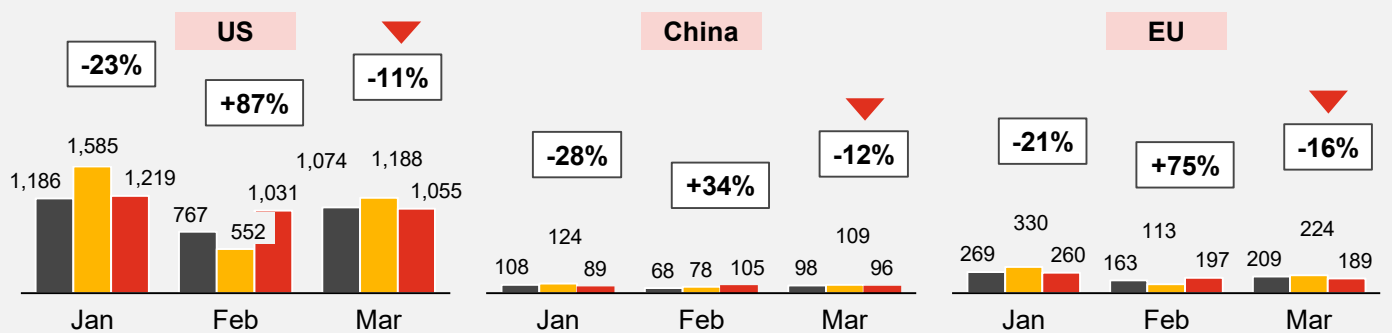
2018 2019 2020



Vietnam's export value of textiles and garments

Unit: USD million

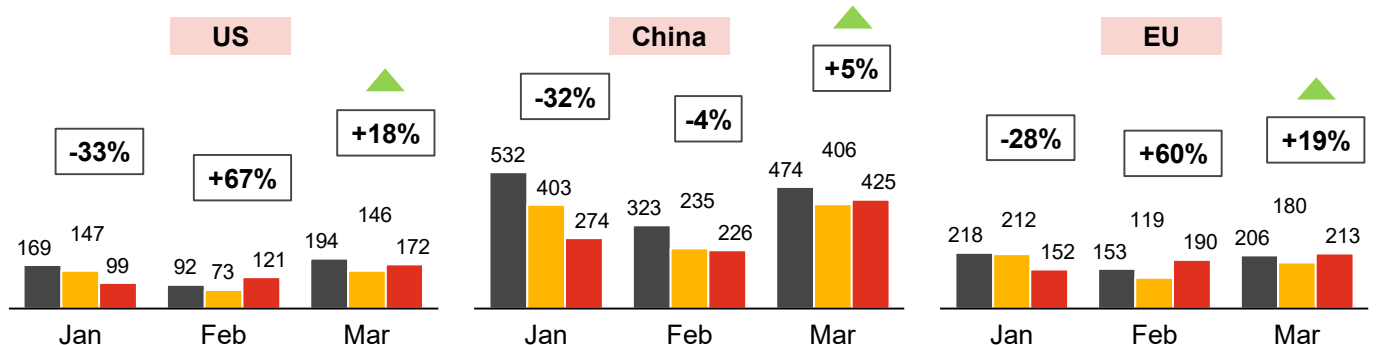
2018 2019 2020



Vietnam's export value of agricultural products

Unit: USD million

2018 2019 2020



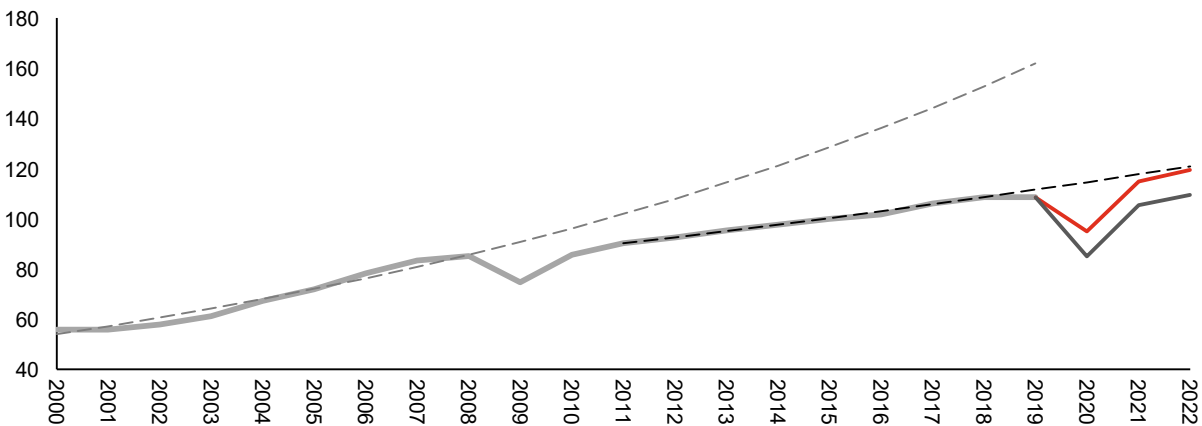
Part II. Sluggish Economic Prospects to Come in Vietnam's Key Export Markets

In the upcoming period, one key driver of the Vietnamese economy will be the effects of the COVID-19 outbreak on the consumption indicators of significant export destinations – specifically, the U.S. and Europe. The most recent projections from the WTO, dated April 2020, forecasted an unprecedented decline in global trade, with U.S. and Europe imports being expected to be significantly impacted.

World merchandise trade volume, 2000-2022

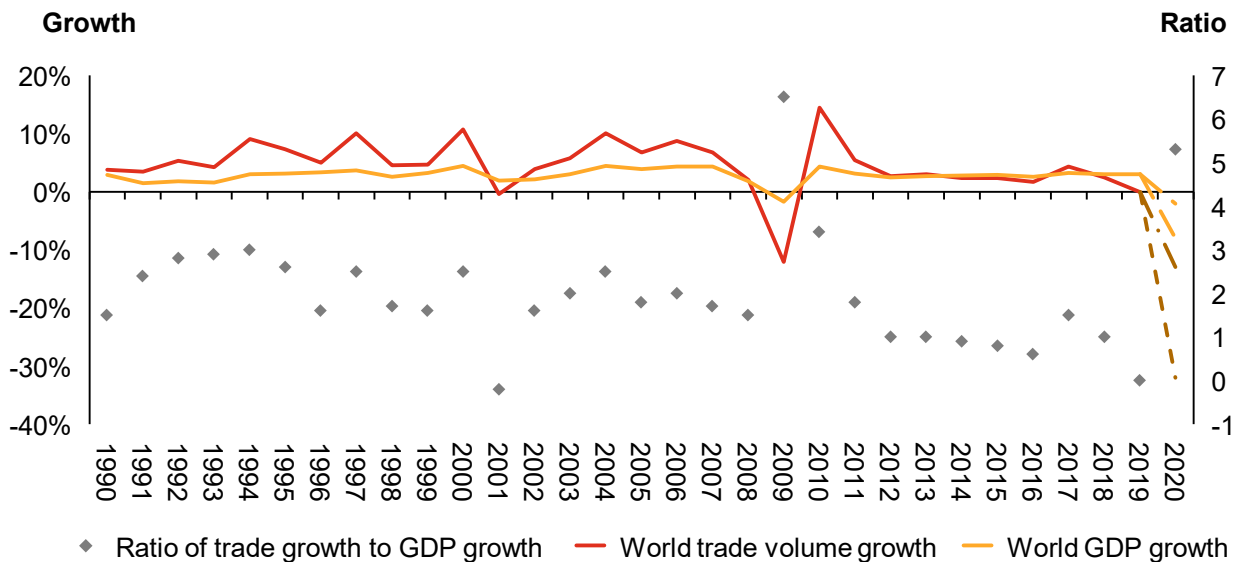
Index, 2015=100

— Merchandise Trade - - - Trend 2011 - 2018 — Pessimistic Scenario
 - - - Trend 1990 - 2008 — Optimistic Scenario



Ratio of world merchandise trade growth to world GDP growth, 1990-2020

% change and ratio



Source: WTO, PwC Research and Analysis

Unit: Annual % change

	Historical		WTO - Optimistic Scenario		WTO - Pessimistic Scenario	
	2018	2019	2020F	2021F	2020F	2021F
World Imports	2.9	-0.1	-12.9	21.3	-31.9	24.0
North America	5.2	-0.4	-14.5	27.3	-22.8	29.5
Europe	1.5	0.5	-10.3	19.9	-28.9	24.5
Real GDP - World	2.9	2.3	-2.5	7.4	-8.8	5.9
North America	2.8	2.2	-3.3	7.2	-9.0	5.1
Europe	2.1	1.3	-3.5	6.6	-10.8	5.4

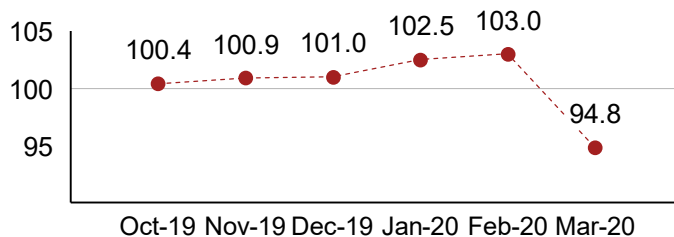
The most recent indicators also raise the possibility of substantial difficulties in Q2 and Q3 of this year. For example, U.S. unemployment has already surpassed the 2008 figures, as a result of the COVID-19 outbreak - and, with U.S. unemployment continuing to increase each week, it is now projected to exceed 20% by end of 2020.

The partial or total lockdown in these countries will strongly affect consumption spending. In Europe, a number of government policies have been implemented in order to support employment in many key markets, mitigating the risk of dramatic increases in unemployment, for the moment. Two examples of such policies are the “kurzarbeit” in Germany and the “chômage partiel” in France, which enable workers to file for public unemployment and / or social subsidies on a temporary basis, via the public scheme.

 **European Union**

EU Economic Sentiment Index (avg. 2000-2019 = 100)

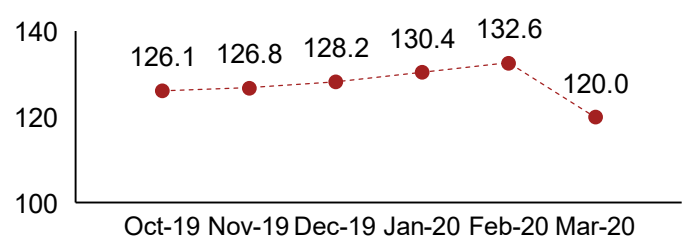
Unit: points



 **United States of America**

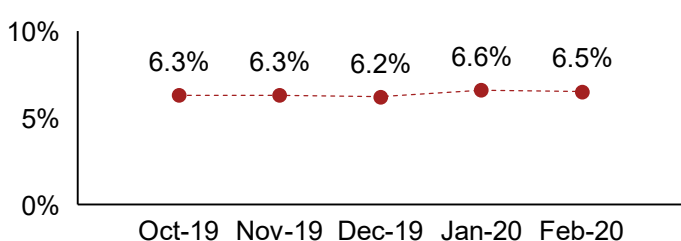
US Consumer Sentiment Index (1985 = 100)

Unit: points



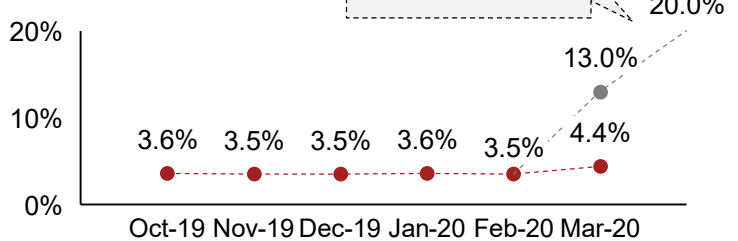
EU unemployment rate

Unit: %



US unemployment rate

Unit: %



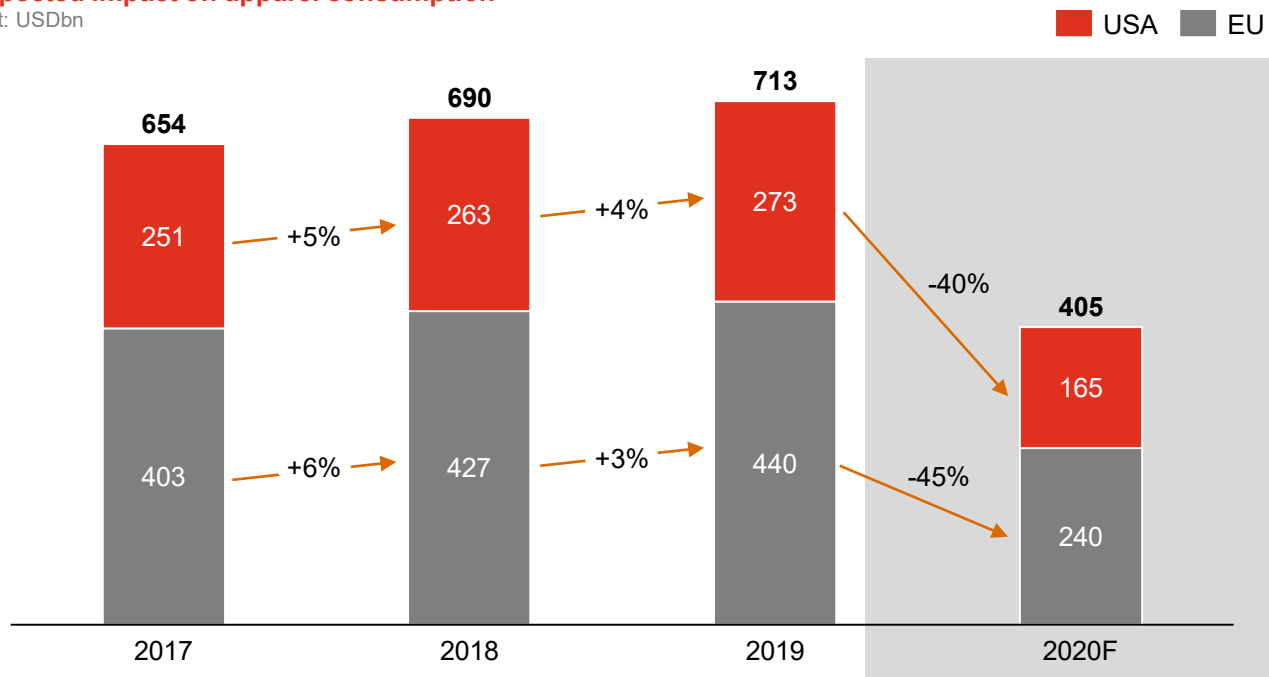
Source: Eurostat, European Commission, US Bureau of Labor Statistics, PwC Research and Analysis

Overall, the most recent industry reports project an unprecedented decline in the consumption of: (1) footwear and apparel; and (2) phones / other related consumer electronics in 2020. Most of the scenarios for these two industries currently appear to project a steady decline in Q2 and Q3 of 2020, with a progressive rebound to pre-COVID-19 crisis demand levels by end of 2020 and into Q1 2021.

- 1) For textiles, apparel and footwear, the global textiles consultancy Wazir Advisors projects consumption declines of -40% and -45% in the U.S. and Europe, respectively. Any return to normal levels of consumption will of course be highly dependent upon the development of the lockdown measures and the reopening of stores in 2020. In the scenario that they present, Wazir Advisors expect a progressive return to pre-COVID-19 consumption levels by the end of 2020.

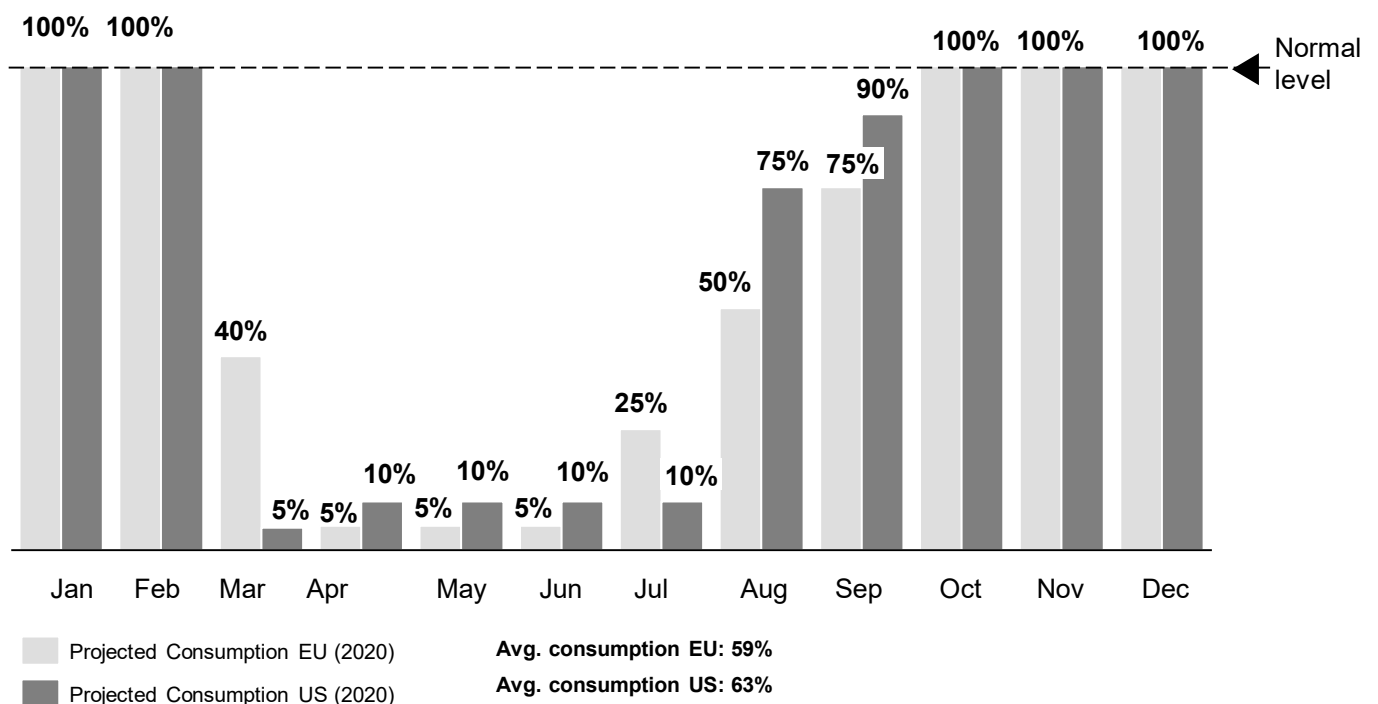
Expected impact on apparel consumption

Unit: USDbn



Expected impact on apparel and textile consumption

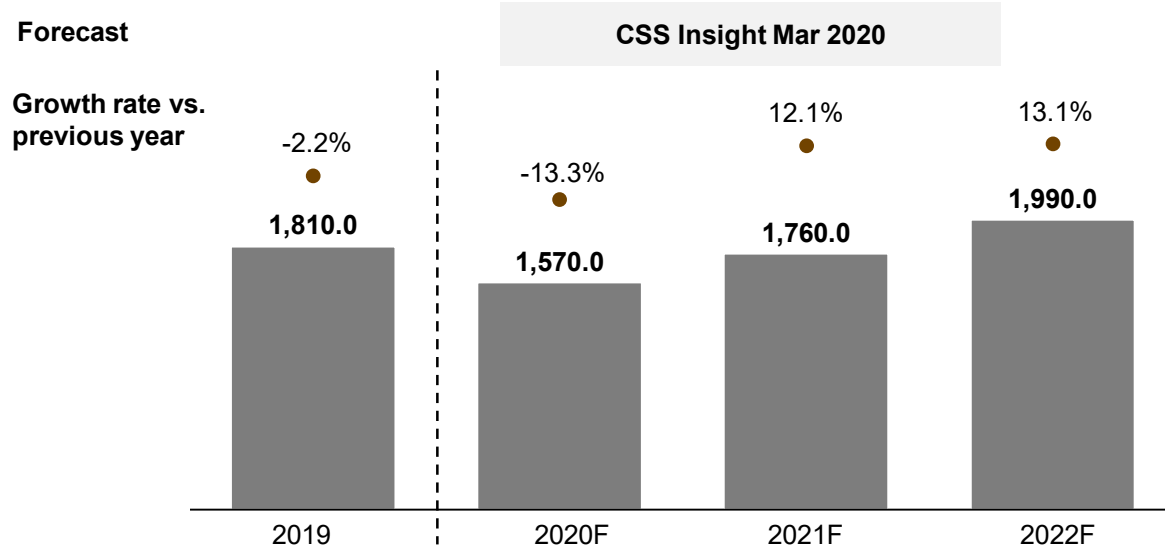
Unit: %



- 2) According to specialist market research firm CCS Insight, the 2020 consumption of phones is projected to drop by 13% (with -10.6% for smartphones). Indeed, this year is expected to be the lowest year for sales since 2010. In the scenario that they present, the recovery in the consumption of phones and consumer electronics, is expected to attain pre-COVID-19 levels by the end of 2020 as well.

Global number of Mobile phone shipments forecast

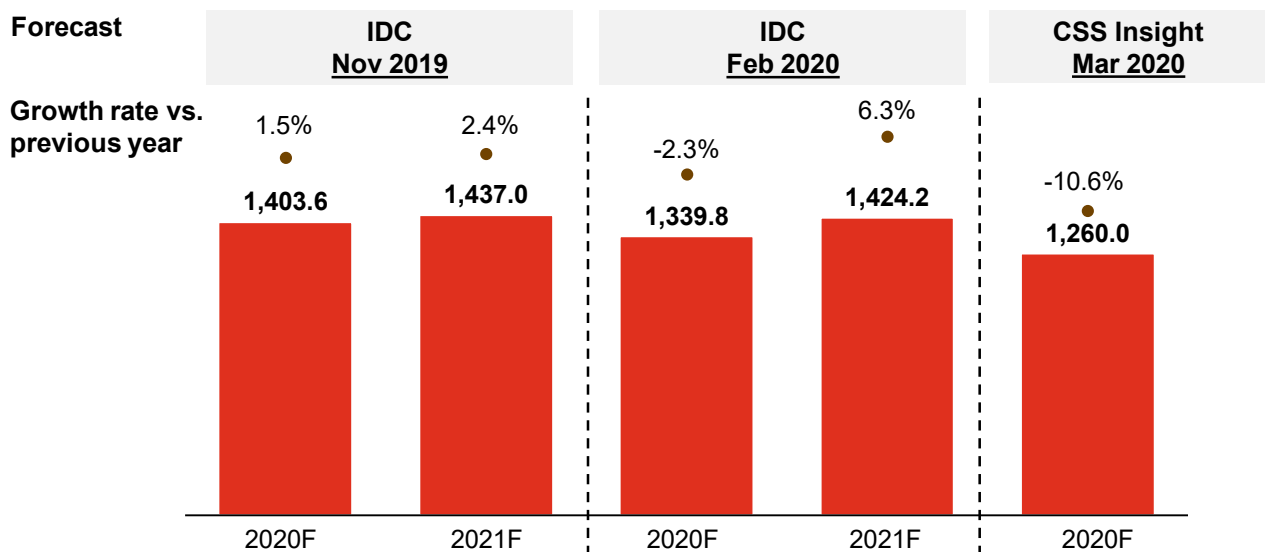
Unit: million shipments



Source: IDC, CSS Insight, PwC Research and Analysis

Global number of Smartphone shipments forecast






Unit: million shipments



Source: IDC, CSS Insight, PwC Research and Analysis



Overall, given the unprecedented nature of the COVID-19 crisis, any attempts at projecting the actual impacts on American and European consumption levels are highly uncertain. In the case that COVID-19 is managed well and relatively controlled in Europe and the U.S., the most notable impact is likely to be a dip in consumption lasting for several months, before progressively returning to pre-COVID 19 levels at the end of 2020 and into Q1 2021.

Country	First Lockdown	Expected end of lockdown	Conditions to ease restrictions	Notes (as of 25/04)
 USA	March 19 th *	Late-April & Onwards*	<ul style="list-style-type: none"> Decreases in the rates of increase for cases, deaths Confirmed capacity of hospitals & frontline workers 	<ul style="list-style-type: none"> US States have already begun to ease their restrictions – a ‘partial re-opening’ Early June has been targeted as the most likely time for the majority of states to more fully ‘re-open’
 Italy	21 st Feb (First) March 9 th (National)	May 3 rd	<ul style="list-style-type: none"> Sustained declines in rates of increase for cases, deaths 	<ul style="list-style-type: none"> The opening of factories and large gatherings are projected to be delayed into the summer
 Germany	March 22 nd	Late April	<ul style="list-style-type: none"> Maintenance of hygiene, social distancing measures Sustained declines in rate of increase for cases, deaths 	<ul style="list-style-type: none"> Mass gatherings are banned until at least August 31st
 France	March 17 th	May 11 th	<ul style="list-style-type: none"> Sustained declines in rate of increases for cases, deaths Needs to have full testing capacity 	<ul style="list-style-type: none"> After May 11th, the ‘progressive’ lifting of confinement is expected Full restrictions are projected to extend until at least July Social distancing will still be enforced and there will be some restrictions for the high-risk population
 UK	March 23 rd	May 7 th	<ul style="list-style-type: none"> Sufficient protection for NHS Sustained, consistent falls in deaths, infection rates Sufficient testing capacity 	<ul style="list-style-type: none"> The UK has communicated the need to assess whether the situation is optimal for minimizing the risk of a second peak before fully re-opening

Source: Local press, PwC Analysis

How will these few months of a sharp decline in consumption level in both the U.S. and Europe likely to affect Vietnam? Although Q1 2020 revealed only a slight and limited impact on the Vietnamese economy, the worst may be ahead in Q2 and Q3, since: (1) consumer demand in key export markets is expected to face an unprecedented decline; and (2) there will be stiffer competition from China, with its business returning progressively to normal over Q2. Both of these factors pose considerable threats to Vietnam’s trade balance and its surplus for 2020, and on the path to a smooth return to the pre-COVID 19 situation.

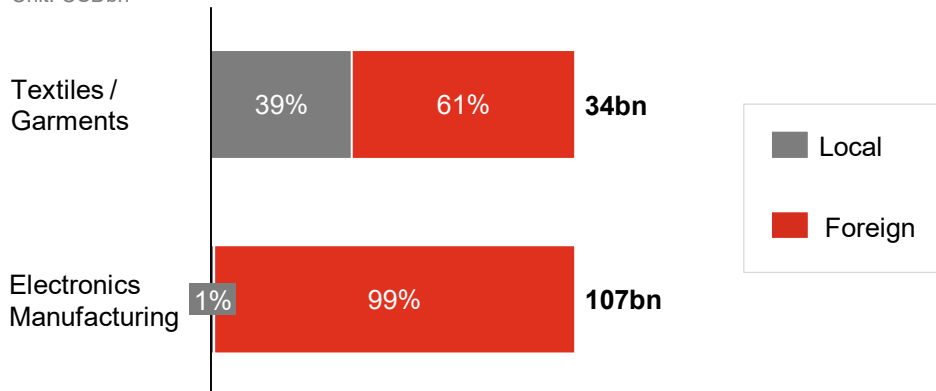
Part III: Selected Sectors Snapshot: Textiles/Garments and Consumer Electronics Manufacturing

At the sector level, the production of (1) textiles / garments and (2) phones and consumer electronics reveal quite different market structures in Vietnam.

Selected sectors: Split by ownership (2018)

Unit: USDbn

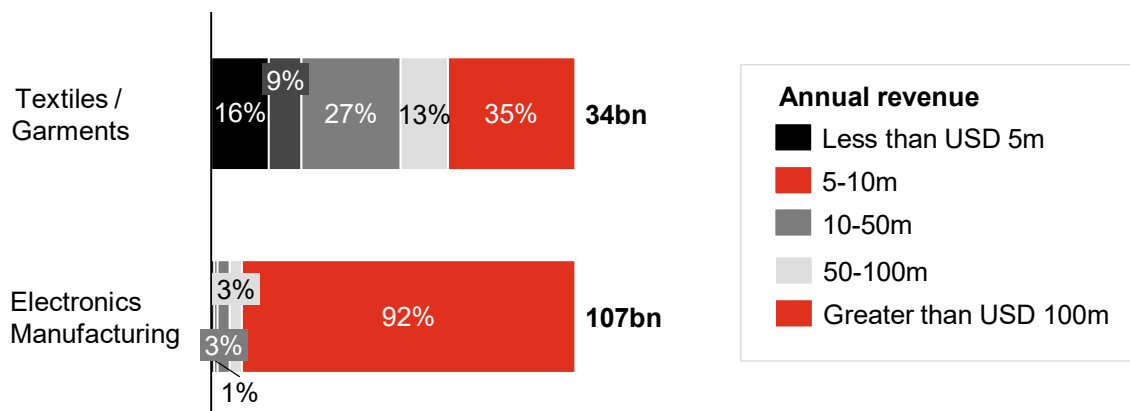
Source: GSO, PwC Research and Analysis



Selected sectors: Split by enterprise size (2018)

Unit: USDbn

Source: GSO, PwC Research and Analysis



In 2019, there were c.11,000 and c.1,800 registered enterprises in Vietnam in the sectors of (1) textile / garment and (2) consumer electronics manufacturing, respectively. These companies employed c.3 million workers in 2019. Taking into account the other manufacturing enterprises that rely directly upon these two sectors (e.g. the subcontractors of and the suppliers to the textile / garment and consumer electronics manufacturers), the total number of employees who work in these sectors would be closer to 10 million.

- 1) The Vietnamese textiles industry remains largely driven by small and medium local enterprises, working as contracted manufacturers to foreign clients in Europe, the U.S., and China. These small and medium enterprises (i.e. enterprise with annual revenues of less than 50m) are estimated to account for more than 50% of the sector.

No.	Top Textiles Manufacturing Countries	Value Chain Stages				
		Branding	Designing	Material Sourcing	Cut and Trim	Distribution/Retail
					① CMT	
				②	FOB	
			③	ODM		
		④	OBM			
1	China					
2	EU (28)					
3	India					
4	Bangladesh					
5	Vietnam					
6	Turkey					
7	United States					
8	Hong Kong					
9	Indonesia					
10	Cambodia					

Source: PwC Research and Analysis

The sector in Vietnam is largely composed of small “cut, make, and trim” (“CMT”) companies, which conduct their work at the very final stages of the manufacturing value chain. A few of these companies have been able to move to the FOB level.

Furthermore, Vietnamese CMT textile companies are labour-intensive, and relatively low-margin businesses (with a 5 to 10% net profit, on average, as compared to 15 to 20% for FOB textile companies). A recent survey that was conducted by Dragon Capital in Q1 2020 revealed that CMT companies have already lost 20 to 30% of their orders for Q1, as compared to Q1 2019. The impact of the COVID-19 outbreak in Q2 may be of even greater magnitude, given the prospects for the U.S. and Europe.

For the textiles / garment industry in Vietnam, the COVID-19 crisis may accelerate (i) the recently observed trend of concentration, and (ii) a shift towards increased value-added activities by moving to FOB activities.

- Regarding consumer electronics / phones / computers and parts, the sector is largely driven by large international companies that have recently been relocated elements of their production to Vietnam. For such companies, their exposure to the COVID-19 crisis is not likely to be as critical as for the Vietnamese textiles / garment sector. Even so, such companies can expect to face a contraction of 10 to 20% in their orders for 2020 (as suggested by the recent market projections in Part II), as compared to 30 to 40% contraction for textiles firms.

	Factory	Location	Investment overview	Description
Samsung Vietnam (Korea)	Samsung Electronics Vietnam	Bac Ninh	- Phase I: USD 670mn (operation in April 2019) - Phase II: USD 830mn (completed disbursement in 2013) - Phase III: USD 1bn + 2013-2015: USD 600mn + 2016: USD 200mn + 2017: USD 200mn	The Samsung Electronics Vietnam complex (Bac Ninh), produces cell phones, tablets, smart watch, computer display and other electronics products
	Samsung Electronics Vietnam Thai Nguyen ("SEVT")	Thai Nguyen	- Phase I: USD 2bn (operation in March 2014) + 2013-2016: USD 1.6bn + 2017: USD 200mn + 2018: USD 200mn - Phase II: USD 3bn + 2015-2017: USD 2.5bn + 2018: USD 300mn + 2019: USD 200mn	The SEVT complex, produces cell phones, tablets, smart watches, and other electronics products
	Samsung CE Complex ("SEHC")	Ho Chi Minh City	USD 2.0bn (operation since June 2016)	The SEHC produces TVs and electrical household appliances such as AC units, washing machines, fridges, vacuum cleaners, etc.
Nidec Group (Japan)	Nidec Shimpo Vietnam	Hanoi	- 2018: registered capital of USD 200mn	Developing, manufacturing and trading small-sized gear reducers with high accuracy
	Nidec Techno Motor Vietnam	Hanoi	- 2018: registered capital of USD 200mn	Developing, manufacturing and selling of DC brushless motor
	Upcoming Projects	Hanoi	3 other projects in the future, increasing the total investment in Hanoi to USD 1bn	Motors and industrial products supporting manufacturing of high-tech engines
LG Electronics (Korea)	LG Electronics Hai Phong	Hai Phong	- 2013: registered capital of USD 1.5bn (operation since March 2015) - 2016: registered capital of USD 1.5bn (operation since June 2016) - 2018: increased capital by USD 500mn - 2019: increased capital by USD 410mn	Established complexes with 3 factories in Hai Phong in order to produce and process OLED screens, smartphones, TV and other consumer electronic products Produces and processes OLED displays, including TV displays and plastic displays for mobile devices;
	LG Display Hai Phong	Hai Phong	- 2016: registered capital of USD 550mn (operation since late 2017) - 2018: increased capital by USD 501mn	Manufactures electronic components and micro camera modules;
	LG Innotek Hai Phong	Hai Phong	- 2019: registered capital of USD 650mn. The project will progress from 2021 to 2028	Produces of electrical equipment, electrical accessories, outdoor electrical appliances, lighting equipment, appliances; measuring tools, pumps and other similar tools, accessories and devices
Techtronic Industries (TTI) (Hong Kong)	Techtronic Tool Vietnam	HCMC	- 2019: registered capital of USD 650mn. The project will progress from 2021 to 2028	Produces of electrical equipment, electrical accessories, outdoor electrical appliances, lighting equipment, appliances; measuring tools, pumps and other similar tools, accessories and devices
Goertek (Hong Kong)	Goertek Vina	Bac Ninh	- 2019: registered capital of USD 260mn	Produces of headsets (wired headsets, Bluetooth headsets, etc.); conference phone systems; VR virtual reality glasses; speakers, speaker boards, microphones, receivers, etc.

One expected key impact of the COVID-19 crisis is the slowdown of foreign direct investment in the consumer electronics manufacturing sector. Most expansion plans have been suspended or stopped since the COVID-19 outbreak.

Although the outbreak is likely to result in a delay in investment, rather than threaten the overall attractiveness of the country in terms of foreign investment, the lower level of FDI that is expected for the rest of 2020 may place considerable short-term pressure on the Vietnamese economy.

Noticeable impacts of the COVID-19 outbreak on the FDI sector and investments

	Industry	Factory	Location	Actions	Details
Samsung Vietnam (Korea)	Electronics	Samsung Display Bac Ninh	Bac Ninh	Quarantined and isolated	Authorities ordered people working at a unit of Samsung Display in Bac Ninh province to be quarantined and isolated the Samsung factory after a worker tested positive for COVID-19. Samsung however, has stated that its production lines remain unaffected
Poongsan System (Korea)	Electronics	Poongsan System Hai Duong	Hai Duong	Postponing investment	n/a
Google (U.S.)	Electronics	n/a	n/a	Reconsidering investment timing	n/a
Microsoft (U.S.)	Electronics	n/a	n/a	Reconsidering investment timing	n/a
Apple (U.S.)	Electronics	n/a	n/a	Reconsidering investment timing	n/a
Shan Hong Vietnam	Textiles	Shan Hong Factory Dong Nai	Dong Nai	Postponing investment	Postponing investment from 9/2020 to 11/2020

Overall, as we look ahead to Q2 and rest of 2020, we are likely to see the first signs of a considerable slowdown in the Vietnamese economy. On April 21st, the International Labour Organisation (“ILO”) provided a re-adjusted – and less favorable outlook for Q2 2020. The ILO is now projecting that 20 to 40% of Vietnamese workers in textiles and electronics manufacturing becoming unemployed or suffering substantial salary cut as a result of the downturn, depending heavily on the pace of recovery in key export markets.

In a scenario where the orders from Europe and the U.S. would recover by September 2020, the key questions would be (1) the capacity of local entities to sustain several months of low business activities, resulting in low income, and (2) their ability to quickly return to pre-COVID 19 production levels, following several months of, effectively, complete shutdown. Both of the answers are currently unknowns for Vietnam at the moment, as companies in both textiles and consumer electronics have historically been more accustomed to dealing with issues resulting from overdemand than from excess capacity.

Thank you.

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