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Impact of Exchange Rate on Vietnamese Import-Export Enterprises

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Abstract
The paper clarifies the goal based on two suitable research methods: Literature review and meta-analysis. The exchange rate has an impact on import and export activities, especially in developing country markets such as Vietnam. From secondary data on Vietnam's import and export situation, the authors conducted an assessment of import and export growth in the period from 2013 to 2023. Although Vietnam achieved a trade surplus during the study period, it is still quite low and less stable compared to other countries in the region. The analysis results have shown that when the exchange rate increases, Vietnam's main export enterprises such as technology, textile and garment industry, rubber industry, and fishery industry are the group of beneficiaries. In contrast, the group of mining, metallurgy, real estate, electricity industry... facing many difficulties in the face of the strengthening dollar. From the results of this assessment and analysis, the research team has proposed several directions to solve difficulties for the group of enterprises that have to import foreign materials. Such measures are that businesses need to plan financially in the context of fluctuating exchange rates; select import and export markets and diversification; choose payment currency and gradual reduction of dependence on the dollar; and use transferable measures such as buying insurance for the exchange rate.

Keywords: Business, Exchange Rate, Export, Import, Vietnam

1. Introduction

In 2023, Vietnam's trade surplus will reach a 10-year high of $28 billion. However, total exports decreased to 355.5 billion USD, down from the same period last year by 4.6%, and total import turnover in 2023 reached 327.5 billion USD, down from the same period last year by 9.2%. Thus, Vietnam's total import-export turnover for the whole year 2023 has decreased by about 50 billion USD. The reason for this decrease is partly due to the impact of the increase in the exchange rate between the USD and VND. Assessing the impact of exchange rates is one of the important studies of interest to many authors. The general opinion of many researchers is that the exchange rate makes import and export activities, especially in emerging markets, also known as young economies. In the past two years, the foreign exchange rate has fluctuated highly, causing import-export enterprises to face many difficulties. Although the dollar appreciates, export revenue when converted into Vietnamese dong will increase, helping export enterprises benefit. But, besides, enterprises when producing must import many raw materials, and the USD price increases, causing revenue to be overspent on import fees, transportation fees, and warehousing. In addition, if the enterprise has USD debts, it will have to bear a huge price difference. The goal of the article is to elucidate the theoretical basis of the exchange rate; the effect of the exchange rate on Vietnam's import and export; assess the situation of Vietnam's import and export market; Consider the impact of the increase in the exchange rate on the group of importing and exporting enterprises.

2. Theoretical basis

2.1 Exchange Rate

According to Frieden *et al*. (2019), "In finance, the exchange rate is the rate at which one currency will be exchanged for another" [1]. O'Sullivan *et al*. (2003) again state that "Exchange rates are also considered to be the value of one country's currency relative to another" [2]. For example, the exchange rate between the US dollar and the VND is about 24,755, or 1 USD ≈ 25,000 dong. In this case, we say that the price of one dollar against the Vietnamese dong is 25,000 dong, or the equivalent, the price of one VND against the dollar is 1/25,000 of the dollar. Thus, the exchange rate (foreign exchange rate, Forex rate,) represents the exchange rate between two currencies. There, one country's currency will be exchanged for another's currency.

Influence of exchange rate on import and export

Edwards *et al*. (2009), when studying the problem of preventing currency crises in emerging markets, made many important observations about the effect of exchange rates on imports and exports. "Research on target regions has mainly focused on the benefits of exchange rate stability for industrialized countries, but some studies argue that unstable bilateral exchange rates among industrialized countries are partly responsible for financial crises in emerging markets," the authors state. When instability occurs, "the competitiveness of emerging market economies is weakened as many currencies are tied to the U.S. dollar in various ways (such as the appreciation of the U.S. dollar against the yen or the German mark) that contribute to destabilizing shocks." [3]

The effect of exchange rates on exports

The impact of exchange rates on exports is in stark contrast to imports. When Vietnam's currency depreciates (also known as the USD appreciates), it will increase the amount of revenue earned from export activities. At this time, enterprises will tend to increase export volume. For example, the USD/VND exchange rate is 24,755 or equivalent to one USD equals 24,755 VND. If a commodity exporter earns 100,000 USD, it will be equivalent to 2.47 billion VND. When the exchange rate is increased to one USD equal to 26,000 VND, the exporter still earns 100,000 USD but now if converted into Vietnamese currency, the corresponding revenue is 2.6 billion VND. The revenue difference when the exchange rate increases is 153 million VND. It can be said that when the domestic currency depreciates, export activities are encouraged. Conversely, when the domestic currency appreciates or the exchange rate falls, export activities are carefully considered, and the appropriate market is selected to avoid being affected by a decrease in revenue from the exchange rate difference.

The effect of the exchange rate on imports

The impact of the exchange rate on import activities is as follows: When the domestic currency depreciates, importers will tend to reduce the volume of imports or reduce the value of imports. The reason is that at this time the value of the domestic currency decreases, and businesses will have to pay a larger amount of VND to buy the same amount of goods. For example, an enterprise imports materials from the US for an amount of $ 100, 000. If the exchange rate at USD/VND is 24,755, then enterprises will have to pay VND 2.47 billion. But, if the domestic currency depreciates, assuming USD/VND is 26,000 at this time, enterprises will have to pay 2.6 billion for the same number of materials. Thus, at this time, the importer lost an amount due to the difference in increasing the exchange rate of VND 153 million. It can be said that the depreciation of the domestic currency is the time when imports decline. Importers will consider reducing import activities. Conversely, when the domestic currency appreciates, it is also the time when businesses increase imports, and it is encouraged at that time.

2.2 Overview

According to Genc & Artar (2014), there are always mixed opinions around the exchange rate issue. These opinions mainly focus on an exchange rate policy according to the desires of a market in which the market will achieve optimal performance and profitability. Genc & Artar (2014) argue that when the exchange rate changes policy and fluctuates, it will affect the market economy. In this study, the author determines the degree of influence of exchange rates on the import and export of emerging economies. The author focuses on identifying the relationship between rates and exchanges and the import-export efficiency of countries in the study sample. The author said that many studies have determined that the policy of the exchange rate will closely affect the international trade of a country. In fact, in this study, the author also demonstrated through the method of tabular data for the period 1985 to 2012 (from the World Bank database) and showed that exchange rates have a mutually beneficial relationship with the import and export performance of young economies in the long term [4].

The study, authored by Oluyemi & Isaac (2017), looked at the effect of the exchange rate on the Nigerian nation's imports and exports between 1996 and 2015. The author uses the automatic regression method of 3 variable vectors (import; export; exchange rate) for research. The regression method results show that the exchange rate has a positive but negligible impact on import activity. But on the other hand, it has a negative impact on exports but to a negligible extent. The author said that the exchange rate in Nigeria is not affected by import and export activities or vice versa import and export is not affected by the exchange rate. Based on this result, Oluyemi & Isaac (2017), refuted the economic theory that a fall in the exchange rate would cause imports to fall because of the fact that imports in Nigeria continuously increase without being affected by the exchange rate. The author also makes some suggestions that exports in this region should be sharply increased, especially in the non-oil sector, and that imports of consumer goods should be prevented through government regulation policies [5].

Duasa (2009) hypothesized and studied the effects of the rise and fall of the exchange rate on Malaysia's import and export prices. The study uses methodologies and methods that simulate variance analysis. Through methodology, the author uses a set of data on the nominal exchange rate between the money supply and imports and exports for the period 1999 to 2006. As for the method of simulating the analysis of variance, the author showed that the rise and fall of the exchange rate has a great influence on the fluctuations of import and export prices. "The findings indicate that, while exchange rate shocks have a significant effect on fluctuations in import prices, the level of transmission is inadequate" [6].

To investigate the effects of exchange rates in Indonesia, authors Harnani *et al*. (2022) collected data for assessment from 2000 to 2019. The data is processed by modeling self-regression vectors. This method aims to understand the relationship between exchange rate - export - import. The authors "use the exchange rate of the rupiah against the U.S. dollar, exports and imports in Indonesia as variables. It assesses the causal relationship between exchange rates, exports, and imports in Indonesia." The results of the study have shown that high-value imports weaken the exchange rate. The reason is only that Indonesia is a mainly importing country. In addition, the research results also show the relationship between imports and exchange rates between exports and imports. The relationships of other factors are affected negligibly [7].

Research by Tekin & Yazgan (2009), Exchange Rate Transmission in Turkish Export and Import Prices, published in Applied Economics. The objective of the paper is to examine the influence of the exchange rate on the price of imports and exports in a small and newly developed economy. This study was conducted in Turkey with the desire to find empirical evidence on the impact of the exchange rate on export prices in Turkey. Through secondary data on the manufacturing sector, Tekin & Yazgan (2009), stated that the data included in the study were not very effective in assessing the impact of exchange rates on imports and exports in Turkey. The authors said that this result is completely different from the findings of the same literature on the impact of the exchange rate on import and export activities. The author concluded, "Although Turkish importers may react quickly to exchange rate changes to a certain extent in the short term, in the long run, they seem to lose market power perhaps due to rapid competition." [8]

Research by Rahman *et al*. (2020), on the impact of exchange rate volatility on export and import in Bangladesh published in the European Online Journal of Natural and Social Sciences. The objective is to assess the impact of exchange rate fluctuations on import and export trade in Bangladesh. The study was conducted to determine the import-export risks and the impact of financial leverage. The study sample was taken in a time series from 2013 to 2019, this is a secondary data source for calculating and estimating results. Research has shown exchange rate volatility produces many negative impacts on trade, but it has no impact on leverage in the country studied. In addition, the results of this study also support theories of economic activity consistent with the characteristics of the Bangladeshi economy. Finally, the author argues that "trade volumes will increase with time and the stability of macroeconomic variables" [9].

Thus, assessing the impact of the exchange rate on import and export activities is of interest to many researchers. In particular, the impact of the exchange rate on the economies of emerging markets, also known as young economies, is very strong. Vietnam is one of the developing countries, our economy compared to other countries in the world is weak and vulnerable to the rise and fall of currency value. Therefore, it is necessary to study the impact of the exchange rate on the import and export activities of enterprises in Vietnam.

3. Method

The article collects and uses secondary data sources. First of all, the author seeks outstanding studies on the issue of the impact of the exchange rate on import and export activities. Search sources from the internet, magazines, and seminars... These studies are included in the study review when they meet the condition that they are widely published, without disputes and clear data. Next, secondary data on the import and export activities of the Vietnamese market and the impact of the exchange rate on Vietnam's import and export activities are taken from financial magazines and news websites; statistics of the General Department of Customs; and statistics from the General Statistics Office. Scientific research methods used in the article include methods of studying literature, methods of analysis, and synthesis. For the method of researching documents, the authors have based on outstanding studies on exchange rates of other authors, from which to draw an overview of the research and have grounds to affirm that it is necessary to study the impact of the exchange rate on import and export activities of Vietnamese enterprises. Second, the authors used the import and export data of the Vietnamese market collected to conduct an analysis: Of the rise and fall of import and export activities when the exchange rate changes. From the analysis, the authors have synthesized and made comments to evaluate and clarify the impacts of the exchange rate on import and export activities in Vietnam.

4. Results

4.1 Import and export situation of Vietnam market

In the period before 2012, Vietnam's imports and exports faced many difficulties. Total import turnover is always at a much higher level than total exports. After 2012, the situation has changed more positively, specifically according to the data on Vietnam's import and export turnover summarized in Table 1. In 2013, Vietnam's trade surplus was positive at $0.01 billion. Since 2014, Vietnam has achieved a trade surplus of US$2.14 billion and kept the growth rate low in the period 2014 to 2016. In 2017, Vietnam's trade surplus reached 8.92 billion USD, up 3 times over the same period in 2016. During the period affected by the COVID-19 epidemic, from 2019 to 2020, Vietnam's import and export market was greatly affected. Under the efforts, in 2020, we reached the highest trade surplus of 19.1 billion USD, the largest level in the period from 2012 to 2020. In the period of 2021 to 2023, we encountered a disruption in the supply of raw materials due to the epidemic lockdown, so production activities must be delayed. The trade surplus in 2021 has plummeted to only 4 billion USD, but under the efforts of the government along with import-export enterprises, Vietnam's trade surplus gradually increased again from 2022 to 2023 to reach a peak of 28 billion USD.

Table 1: Vietnam's export turnover in the period 2013-2023

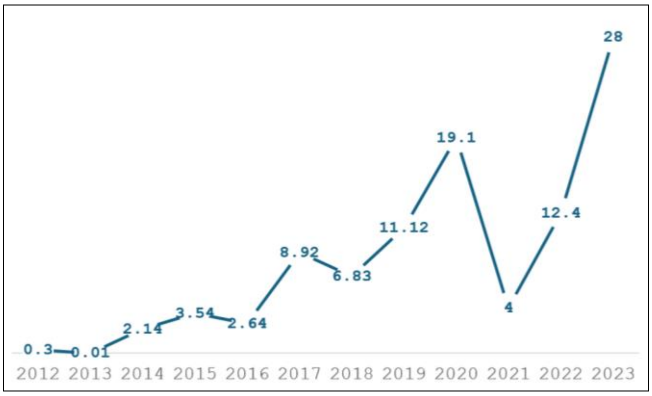
Unit: USD Billion

Year	Total import and export turnover	Total export turnover	Total import turnover
2013	264.26	132.135	132.125
2014	298.24	150.19	148.05
2015	327.76	165.65	162.11
2016	349.16	175.9	173.26
2017	425.12	217.02	208.1
2018	480.17	243.5	236.67
2019	517.26	264.19	253.07
2020	543.9	281.5	262.4
2021	668.5	336.25	332.25
2022	730.2	371.3	358.9
2023	683	355.5	327.5

Source: General Statistics Office [12]

Specifically, about export and import data in 2023. According to data published in the Vietnam Import and Export Report in 2023 of the General Department of Customs, the total import and export turnover of the country reached more than 683 billion USD, down 6.9%, corresponding to a decrease of about 50 billion USD compared to the previous year. Specifically, exports reached 355.5 billion USD, down 4.6% (equivalent to a decrease of 17 billion USD) and imports reached more than 327.5 billion USD, down 9.2% (corresponding to a decrease of 33 billion USD). Thus, in 2023, the country will have a trade surplus of 28 billion USD [10]. Total import-export turnover of foreign direct investment enterprises reached more than 466 billion USD, down 8% (equivalent to 40.49 billion USD) compared to the previous year. In which, exports reached more than 257 billion USD, down 6% (equivalent to a decrease of 16.40 billion USD) and imports reached more than 209 billion USD, down 10.3% (down 24 billion USD). Total import-export turnover of domestic enterprises reached more than 214 billion USD, down 4.3% (down 9.75 billion USD) compared to the previous year. In which, exports reached 97.46 billion USD, down 0.7% (down 649 million USD) and imports were more than 117 billion USD, down 7.2% (down 9.11 billion USD) [10].

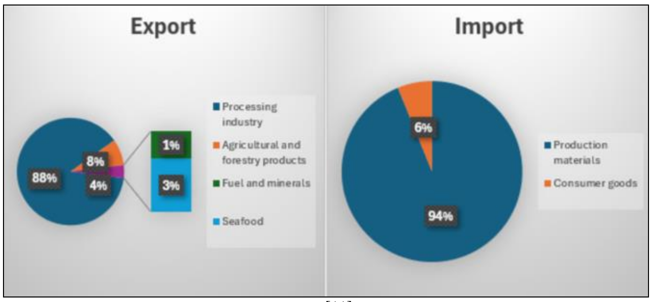
Unit: USD Billion



Source: Data compiled from the Report on the Socio-Economic Situation (2012-2023), General Statistics Office [12]

Fig 1: Vietnam's trade surplus in 2012-2022

Regarding the structure of export commodity groups, the group of fuels and minerals was estimated at 4.61 billion USD, accounting for 1.3%; the group of processed industrial goods was estimated at 313.73 billion USD, accounting for 88.3%; the group of agricultural and forest products was estimated at 28.15 billion USD, accounting for 7.9%; seafood products are estimated at 9.01 billion USD, accounting for 2.5%. Regarding the structure of imported goods, the group of capital goods was estimated at 307.32 billion USD, accounting for 93.8%; the group of consumer goods is estimated at 20.18 billion USD, accounting for 6.2% [11].



Source: General Statistics Office [11]

Fig 2: Structure of imported and exported goods of Vietnam, 2023

4.2 Impact of exchange rate on import and export of Vietnamese enterprises

The impact of Red Sea tensions and recent political upheavals has caused the exchange rate to continuously increase "The central exchange rate between USD/VND at the end of 2023 is at 24,076 VND/USD, currently around the highest peak in history" [13]. The rising exchange rate puts many businesses at a disadvantage, but at the same time, some businesses can grow their pre-tax profits. Specifically, businesses with more dollar-denominated debt will be affected when the dollar appreciates, leading to losses in exchange rate differences. This led to a change that reduced the profits of businesses borrowing USD. The group of enterprises facing difficulties is the group of enterprises with input materials that must be imported such as the steel industry, the mining industry, and the real estate industry.

Table 2: The industry group suffered a decrease in profit due to exchange rate losses when the USD rose

Horse	Industry	Loan value of USD (billion VND) by the end of 2022	Exchange rate loss as USD rises 3.3%	The impact of reducing pre-tax profit in 2022
MWG	Retail	5,903	196	3.20%
VIC	Real estate	88,841	2,955	23.20%
NVL	Real estate	23,187	771	19.40%
QTP	Electricity	18,327	610	75.70%
BSR	Petroleum	2,004	67	0.40%
PGV	Electricity	35,397	1,177	38.50%
BWE	Water	2,098	70	8.30%
HPG	Steel	16,680	555	5.60%
HSG	Steel	1,483	49	12.90%
MSN	Steel	652	22	_
PVT	Water transport	4,319	144	9.90%

Source: Excerpt [13]

Conversely, when the USD/VND exchange rate increases, enterprises with foreign currency revenues from export activities will benefit from the exchange rate difference. The textile and garment industry can receive a two-way impact and is not too affected by changes in exchange rates because most of these enterprises import raw materials from abroad and then process them for export. For the outsourcing group, there is a technology industry that will benefit from software outsourcing and exporting activities. The major beneficiaries are the fisheries, rubber industry, and rice export because most of the revenue of this business group comes from export activities, and the debt in USD is not large.

Table 3: Industry groups increase profits due to exchange rate interest when USD rises

Horse	Industry	Export value	Exchange rate interest when USD rises 3.3%	The impact of increasing pre-tax profit in 2022
DPR	Rubber	363	12	5%
FPT	Technology	18,915	629	8%
GIL	Textile	2,952	98	20%
TCM	Textile	3,766	125	36%
TNG	Textile	6,606	220	61%
TAR	Food	548	18	21%
VNM	Food	9,252	308	3%
VHC	Fisheries	8,826	294	13%
MPC	Fisheries	14,592	485	52%
IDI	Fisheries	3,117	104	17%
FMC	Fisheries	5,422	180	55%

Source: Excerpt [13]

4.3 Solution

The exchange rate rose and fell largely due to objective factors and outside the control of the Vietnamese market. “This makes businesses passive in planning financial plans to import raw materials or export goods abroad. In the context of fluctuating exchange rates, import-export enterprises must pay attention to the exchange rate in order to promptly adjust their business plans select import and export markets, and choose a favorable payment currency for their enterprises, gradually reducing the use of only USD foreign currency”.

For exporters, increasing the competitiveness of goods, and making a difference for products is always something to aim for. For importers, maximizing domestic resources, finding alternative partners, especially from home, and gradually reducing dependence on imports will also help reduce costs.

Developing and using risk transfer instruments is an important measure. One of the tools that businesses are researching is exchange rate insurance because if you spend a lot of money to ensure the exchange rate in the context of the current exchange rate increase, it is also an effective solution.

To hedge against exchange rate risks, enterprises can also choose banks with good trade finance capabilities, using derivative financial instruments such as term foreign currency trading, and swap contracts, ensuring scientifically planned import and export activities.

The Government and ministries need to continue boosting exports, and attracting foreign investment, thereby reducing pressure on the exchange rate.

5. Conclusions

From the import and export situation of the Vietnamese market and the difference between increasing and decreasing profit before tax, the exchange rate has a great impact on import and export activities. While the increase in the exchange rate has a good impact on the group of exporters with low USD debt, the increase in the exchange rate will help these enterprises increase their pre-tax profit due to interest from the exchange rate when the USD rises. However, we can see that the increase in this group of enterprises is not significant compared to the loss due to the increase in exchange rates from enterprises importing raw materials such as the steel industry, the mining industry, and the electricity industry. Thus, at present, the increase in the exchange rate in Vietnam has negative effects on import and export activities. In order to reduce the impact of the exchange rate on import and export activities, it is necessary to involve import-export enterprises along with appropriate policies from the State.

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