



EuroCham Business Climate Index Vietnam

3rd Quarter 2011

Business Climate Index Development



The EuroCham Business Climate Index ranges from 0 to 100 index points, with 100 index points representing the highest and 0 the lowest confidence level. Midpoint or "neutral" is 50 index points.

Ho Chi Minh City, July 19th 2011 — Results of the fourth quarterly EuroCham Business Climate Index survey, conducted in early July 2011 and released today, show that business confidence and outlook among European businesses in Vietnam has continued to fall for a third consecutive quarter. EuroCham members that participated in the survey continued to be more cautious about their business outlook and somber in assessing their current situation.

The EuroCham Business Climate Index dropped 7 points further to 63.

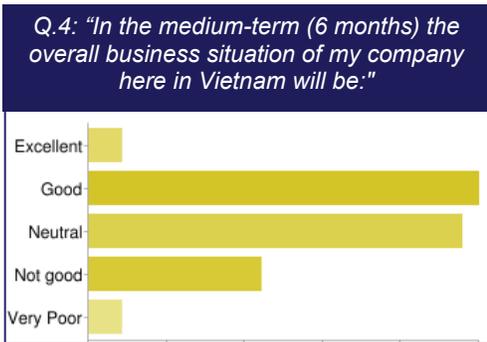
Around half of the businesses that participated in the survey are active in the services industry, about a quarter in manufacturing and the rest in trading or other activities.

Current business situation:

Compared to our last survey, there was a 10% drop in respondents assessing their current business situation as 'good' or 'excellent' to 46% down from 56% before and 64% in the 1st quarter 2011. The shift was mainly towards a neutral assessment of the current situation which was up 10% to 38% compared to the last survey. The number of businesses having a negative view on their current situation rose slightly from 12 to 16% points.

Worries about business outlook:

We can witness a similar shift in companies business outlook. **41% stated a 'good' or 'excellent'. This is a 10% drop from the last survey and a significant drop from the 72% of respondents** that had a positive business outlook in the 1st quarter 2011. The shift has been towards a neutral outlook which is the 2nd highest category with 37%. 20% of businesses surveyed had a negative business outlook, slightly up from 16% in the 2nd quarter.



"Wait and see" attitude towards investment plans:

When asked about their investment plans for 2011, respondents have shown to be more cautious than in previous surveys. Most companies (32%) want to maintain their level of investment and 31% are looking to increase their investments in Vietnam by a little bit. This shows a continuation of the trend that businesses are getting more cautious about investing. 52% of businesses still want to increase their investment but this is put in perspective by 45% of respondents that are looking to maintain or even reduce their investment in the country.



Firms optimistic about revenue:

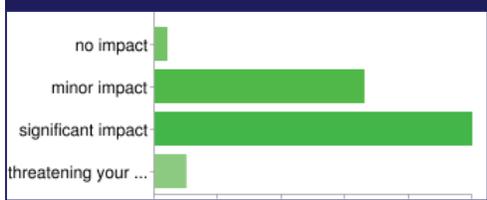
When asked about their expected number of orders and revenue in the medium-term the answers were quite positive. 54% expected an increase in revenue in the medium term, this is an increase of more than 10% from 43% in the last quarter. Fewer companies (42%) expected their number of orders to remain constant or decline than last quarter where this view was shared by more than half (56%). In line with this were the respondents recruitment plans. 51% of respondents expected to hire more staff in the medium-term. 34% expected to maintain the same level and only 9% where looking to reduce their staff in Vietnam.



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Q. 11: Will inflation have an impact on your business in Vietnam in the medium-term?



High inflation remains a major concern for businesses:

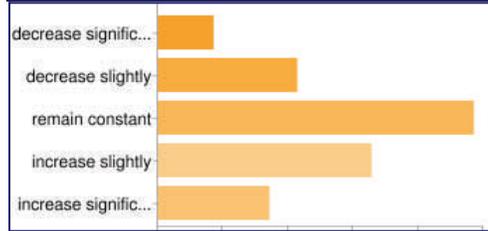
Predictably, 56% of companies expect inflation to have a significant impact on their business and 37% expect to be impacted in some way. 6% stated that inflation was actually threatening their business in the country.



Effects of administrative reform remain elusive:

Despite ongoing initiatives like Project 30 to reduce the administrative burden on companies operating in Vietnam, these reform have yet to have an impact on businesses. When asked about the amount of bureaucracy affecting their business over the past year, 53% responded that it had remained constant. 33% reported an increase in bureaucracy and only 10% reported a decrease. When asked about their outlook on the level of bureaucracy over the next 1-2 years, 39% expect it to rise further, followed by 38% who expect it to remain constant and 24% expecting bureaucracy to decrease in the future. This shows that the administrative reforms are being recognized as a step in the right direction, but need to be carried on and intensified in order to have a real effect on companies operating in Vietnam.

Q. 14: "Over the next 1-2 years, you expect the level of bureaucracy and corruption in Vietnam to..."



Corruption still affecting many investors:

When asked whether corruption had ultimately reduced or delayed their investment in Vietnam, opinions were split roughly in thirds. About 40% stated a slight impact, and 30% said corruption had not affected them at all, 28% of companies said that corruption had 'significantly' reduced or delayed their investment in Vietnam. This indicates that corruption is still a serious problem but affects some sectors more than others.

EuroCham Chairman Alain Cany commented on the survey: *"The further fall of the EuroCham Business Climate Index from 70 to 63 points shows an increasing uncertainty amongst investors. This appears to be largely due to continuing concerns about inflation and the weakness of the VND."*

EuroCham Executive Director Matthias Dühn added that *"Administrative reform initiatives such as the completed Project 30 for simplification of Administrative Procedures have been a welcome step in the right direction. However, there still appears to be room for improvement as companies in our survey are still looking forward to seeing an overall reduction the level of bureaucracy in their day-to-day business in Vietnam."*

Please see the detailed findings of the survey here: www.eurochamvn.org

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ABOUT EUROCHAM:

Since its establishment with only 60 members in 1998, the European Chamber of Commerce in Vietnam (EuroCham) has grown to represent more than 750 European businesses, counting among its supporters many of the world's leading enterprises. With offices in both Hanoi and Ho Chi Minh City, EuroCham's mission is to represent the business interests of our European members in Vietnam, and to improve the business environment in Vietnam for the benefit of all players. EuroCham also aims at helping Vietnamese enterprises to successfully meet the many challenges posed by the nation's ongoing global economic integration.

As the lead organization representing European business interests in Vietnam, EuroCham now works in partnership with the German Business Association in Vietnam (GBA), the French Chamber of Commerce and Industry in Vietnam (CCIFV), the Dutch Business Association Vietnam (DBAV), the Belgium Luxembourg Chamber of Commerce in Vietnam (BeluxCham), the Italian Chamber of Commerce in Vietnam (ICham), the Spanish Business Group in Vietnam (SBG) and the Hanoi chapter of the Nordic Chamber of Commerce Vietnam (NordCham). EuroCham is also a member of the European Business Organizations (EBO) Network, which works to represent the interests of European businesses in more than 30 countries.

