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# EuroCham Business Climate Index Vietnam

## 2<sup>nd</sup> Quarter 2011

**Ho Chi Minh City, May 10<sup>th</sup> 2011** — Results of the third quarterly EuroCham Business Climate Index survey, conducted in late April 2011, and released today, show that business confidence and outlook among European businesses in Vietnam has fallen by 9 index points since our last survey. Among the EuroCham members that participated in the survey, business confidence appears to have dampened. **This resulted in a EuroCham Business Climate Index of 70 points.**

### **Current business situation:**

Compared to our last survey, the respondents were more cautious this time, although the responses remained largely positive: The majority of businesses assessed their current situation as 'good' or 'neutral'. The number of businesses describing their situation as 'neutral' rose from 19% to 28% while responses stating a 'good' or 'excellent' business situation came down to 56% from 64% last time.

### **Mixed responses to business outlook:**

51% of respondents had a 'good' or 'excellent' outlook on the business outlook for their enterprise. While still overall positive, this is a significant fall from the 72% that answered similarly in the last survey. Companies with a 'neutral' business outlook marked the largest increase with 33% up from 20%. Negative business outlook doubled from 8 to 16% of companies in the survey.

### **Investment plans solid, but more moderate:**

When asked about their investment plans for 2011, respondents remained largely optimistic with 51% wanting to increase their investment and 26% planning to keep the same level. However, compared to the last quarter, the companies wanting to 'significantly increase' their investments sunk from 32% to 18%, while plans to increase investment by 'a little bit' rose to 41% up from 35% in the last quarter.

### **Significant salary increases expected:**

Salaries for skilled labor are expected to increase significantly: 59% indicated they expect salaries to rise by more than 10% this year (up from 54% last time). For unskilled labor salaries, an increase of more than 10% was expected by 45% of respondents (up from 36% last time). For the vast majority of companies, industrial action by employees presents no concern, but 19% indicated that they were expecting difficulties in their sector (up from 11% last quarter)

### **Varied growth forecasts for country but increase in optimism about own sector:**

When asked about the growth of Vietnam's economy, the answers were mixed: 53% of respondents expected growth to be 6% or lower (up from 26% last time). Outlook for the growth of their own business sector remains positive, with 47% of respondents expecting 8% or more growth. This presents a slight decrease from the last survey, but is still positive.

### **High inflation is a major concern for businesses:**

With 72 %, the majority of our businesses is expecting very high inflation of more than 10%. This figure has risen significantly from only 47% last quarter.

As for the VND/USD exchange rate, 52% expect the VND to depreciate by 6-8% or remain unchanged by mid-2011, while 57% expect the currency to depreciate 8% or more against the USD by the end of the year. This represents a continuing lack of confidence in the Vietnamese currency by European Businesses.

### **Power cuts have impacted on businesses:**

74% of respondents have been impacted by recent power cuts, although the majority of respondents noted the impact as 'minor'.

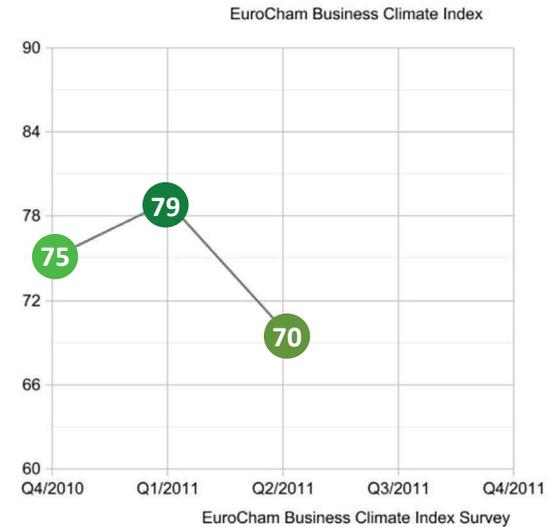
### **EuroCham members would welcome a Vietnam - EU Free Trade Agreement (FTA):**

60% of European businesses surveyed stated that they would see a positive impact to their business arising from a Vietnam – EU FTA.

EuroCham Chairman Alain Cany commented on the survey: "The fall of the EuroCham Business Climate Index from 79 to 70 appears to be largely due to increasing concerns about inflation and the weakness of the VND. But the EuroCham BCI still reflects the good overall confidence of our membership in Vietnam's business prospects.

EuroCham Executive Director Matthias Dühn added that "In particular, our members are increasingly concerned about the volatile macro-economic environment in Vietnam. EuroCham therefore believes the key challenges for Vietnam's leadership in 2011 will be maintaining investor's confidence in macro-economic stability, in particular by balancing carefully growth and inflation, and emphasize growth in the added-value industries."

Please see the detailed findings of the survey here: [www.eurochamvn.org](http://www.eurochamvn.org)



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.

**Contact:**

Dr. Matthias Dühn  
Executive Director  
European Chamber of Commerce in Vietnam  
EuroCentre, 5th Floor, 49 Mac Dinh Chi Street  
Da Kao Ward, District 1  
Ho Chi Minh City, Vietnam  
T: (84-8) 3827 2715 F: (84-8) 3827 2743  
Email: [exec-director@eurochamvn.org](mailto:exec-director@eurochamvn.org)

**Press:**

Mr. Jan Wiehler  
Marketing & Services Manager  
T: (84-8) 3827 2715 F: (84-8) 3827 2743  
Email: [services@eurochamvn.org](mailto:services@eurochamvn.org)

**Website:** [www.eurochamvn.org](http://www.eurochamvn.org)

**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.

