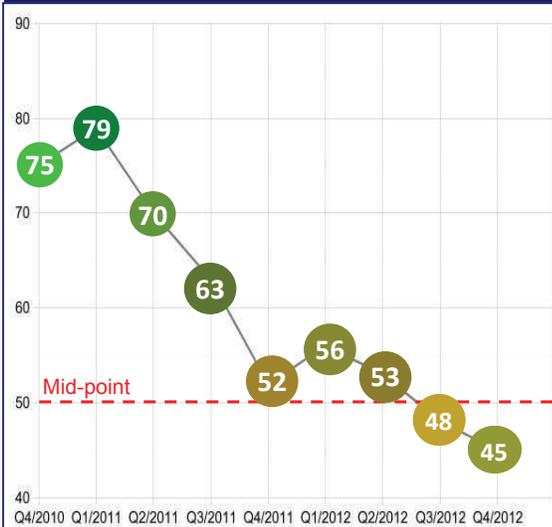




EuroCham Business Climate Index Vietnam

4th Quarter 2012

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, 2nd November 2012 - Results of the 9th quarterly EuroCham Business Climate Index survey, conducted in October 2012 and released today, show that business confidence and outlook among European businesses in Vietnam continues to drop. This quarter the level has reached a record low with only 45 points. EuroCham members that participated in the survey expressed increasing concern about their current business situation and outlook as well as the impact of increased taxes, fines and official scrutiny.

The EuroCham Business Climate Index dropped a further 3 points to 45.

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

Unease about current business situation:

Compared to our last survey, there was a further drop in respondents assessing their current business situation as positive ('good' or 'excellent') from 30% to 26%. **More than a third of businesses continue to have a negative view of their current situation.** At the same time the neutral assessment of the current situation grew to 37% - up by 7 points compared to last quarter.

Downward slide in business outlook:

The business outlook also continues its negative trend, with 35% of respondents assessing their business outlook as 'not good' or 'very poor'. Additionally, this quarter sees **a further decrease in businesses having a 'good' or 'excellent' outlook - down from 31% last quarter to 26%.**

More positive attitude towards investment plans:

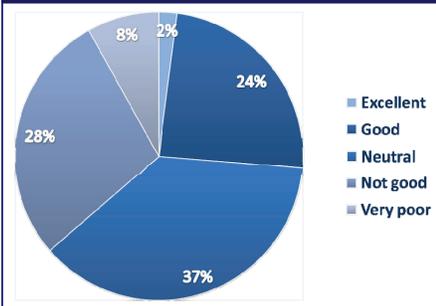
Interestingly, when asked about their investment plans for 2012, **the percentage of respondents planning to increase their investments has grown. Since last quarter there has been an increase of 7 points to 39%.** Furthermore, there has been a reduction in the percentage of businesses aiming to reduce their investments 'significantly' in 2012 - only 13% - down from 20% last quarter. This shows a change towards businesses' plans to invest in Vietnam. The number of companies that are looking to maintain their current level of investment remained relatively constant at 32%. This development probably reflects the medium term optimism linked to the recent improvements in macroeconomic stability of Vietnam.

Continued expectation of drop in number of orders and/or revenue:

When asked about their expected number of orders and revenue in the medium-term the answers were mixed. At 44% the share of companies expecting revenue to increase experienced a small drop, down 1 point as compared to last quarter. A relatively consistent 20% of respondents expected revenue to remain the same in the medium term. However, **approximately a third still expect their orders to decline, much in line with last quarter's survey** and significantly higher than previous years, where the numbers have been much lower.

The respondents' recruitment plans have improved, with 40% of respondents expecting to hire more staff in the medium-term and 33% expect to maintain the same level. The percentage of businesses **planning to reduce their staff in Vietnam has slightly decreased** - this percentage has gone down by 3 points to 23%.

Q.3: "I estimate the overall current business situation of my company here in Vietnam as being....."



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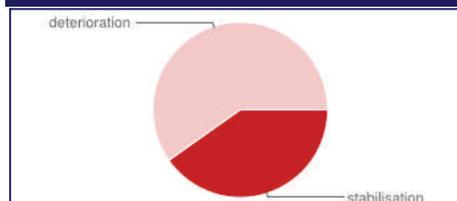
Concerns about inflation remain:

Concerns about inflation remain high with 50% of companies expecting inflation to have a significant impact on their business in the medium-term. Members were also asked to indicate what THEY think the rate of inflation will be and the average came to **5.63%**, representing a slight drop from last quarter's 5.82%, and considerably lower than the forecast a year ago, where the average inflation rate was predicted at 7.83%.

Surge in pessimism about overall economic outlook:

When asked about the macroeconomic outlook for Vietnam over the next 6 months, a staggering **72% of respondents think that they will see a further deterioration of an already difficult economic situation**. This is a rise by 12 points since last quarter and it shows that the measures taken to stabilize the economy do not ease the concern of the business community about the macroeconomic outlook. The fact that only 28% think that the situation will stabilize and gradually improve is likely to be linked to the concerns about the banking situation.

Q.10: "How do you assess the Macroeconomic outlook for Vietnam over the next 6 Months?"



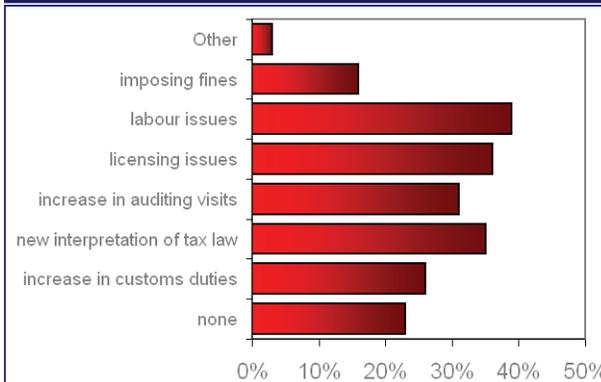
Anxiety and worry about increased taxes, fines and official scrutiny:

The current downturn in the economy impacts Vietnamese government tax revenues. This has resulted in cases of increased fines, auditing visits, customs duties etc. and 72% of respondents have experienced a form of increased scrutiny. **10% of the respondents find that this threatens their business in Vietnam**. It is an unfortunate development, as these measures further impede the competitiveness of Vietnam as a market for European businesses. Increased official scrutiny and fines have certainly played a role in terms of this quarter's overall decline of the Business Climate Index and it is therefore of utmost importance that these issues are addressed.

Increased scrutiny measures lead to a bad business environment:

When asked what aspects of the official scrutiny are of biggest concern to them, the most cited concerns were : labour issues (39%), licensing issues and new interpretation of the tax law (both at 36%) and increased auditing visits (31%). EuroCham will continue to advocate the need for removing this increased scrutiny. In the current business climate, it is more important than ever not to deter potential investors willing to do business in Vietnam by unreasonable scrutiny.

Types of official scrutiny



EuroCham Chairman, Preben Hjortlund commented on the survey: "During the past 12 months, EuroCham's BCI has declined from 56 to 45 points - a drop of 11 points! This indicates a declining confidence in Vietnam as an investment destination for European business. We remain hopeful that recent developments such as the beginning of negotiations for the FTA between Vietnam and the EU will encourage Vietnam to improve its competitiveness and attractiveness and turn around the declining business climate."

EuroCham Executive Director, Paul Jewell added that "The further drop of EuroCham's BCI is caused by slow progress on many of the issues that we have flagged in the past. We will continue our dialogue with the Vietnamese government as illustrated by the upcoming publication of our annual Whitebook. The Whitebook will be published at the end of this year and will provide a helpful steer to the Vietnamese government in terms of addressing some of the issues that impede the business climate for European companies and organisations."

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.

