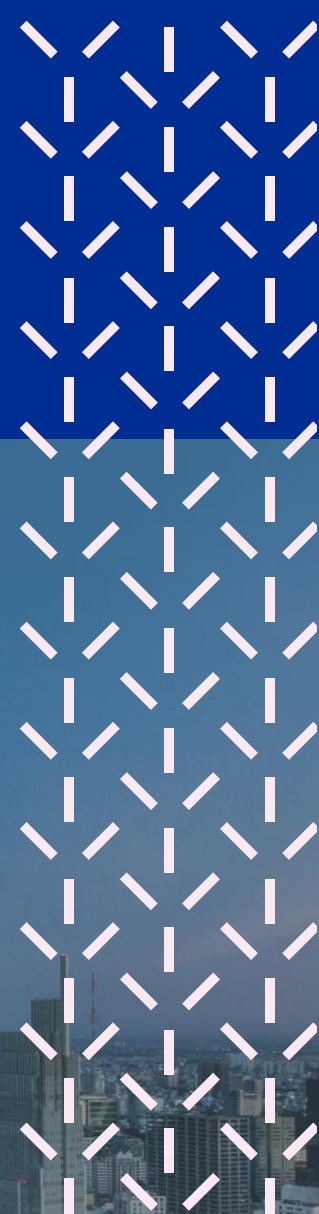


# EuroCham Business Climate Index

Quarter 3, 2022



YouGov | Decision Lab



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# Introduction

The Business Climate Index (BCI) is a regular barometer of the business sentiment among European companies operating in Vietnam. Because of the active participation of EuroCham members in this survey since 2011, the BCI is seen by decision-makers, media, and business professionals in Vietnam as a key indicator of economic activity in the country.

The BCI consolidates perceptions of European and Europe-related companies operating in Vietnam regarding the state and evolution of the business environment in the country.

Since Quarter 2 of 2018, the quarterly BCI survey has been conducted by Decision Lab, a Vietnam-based market research agency with the mission to deliver agile, connected and decision focused market research. Decision Lab is the exclusive partner of YouGov in Vietnam. We help clients by delivering the best possible basis for decision making. Our value chain is a virtuous circle of a highly engaged online community, powerful analytics technology, delivery of syndicated data products, expert insights and an authoritative media presence.

We don't just collect data, we connect data.  
Read more about our services at [www.ygdl.vn](http://www.ygdl.vn)



# 01 | BCI, the macroeconomy, and the business outlook



# Business outlook dims as the Vietnam economy recovers

Though the Vietnamese economy reached a record-breaking 13.67% GDP YOY growth in Q3 2022, the BCI declined for the second time in a row, falling by 6.4 units compared to Q2 2022. While still a positive indicator of growth, the declining BCI may reflect the instability of a recovering Vietnam economy.

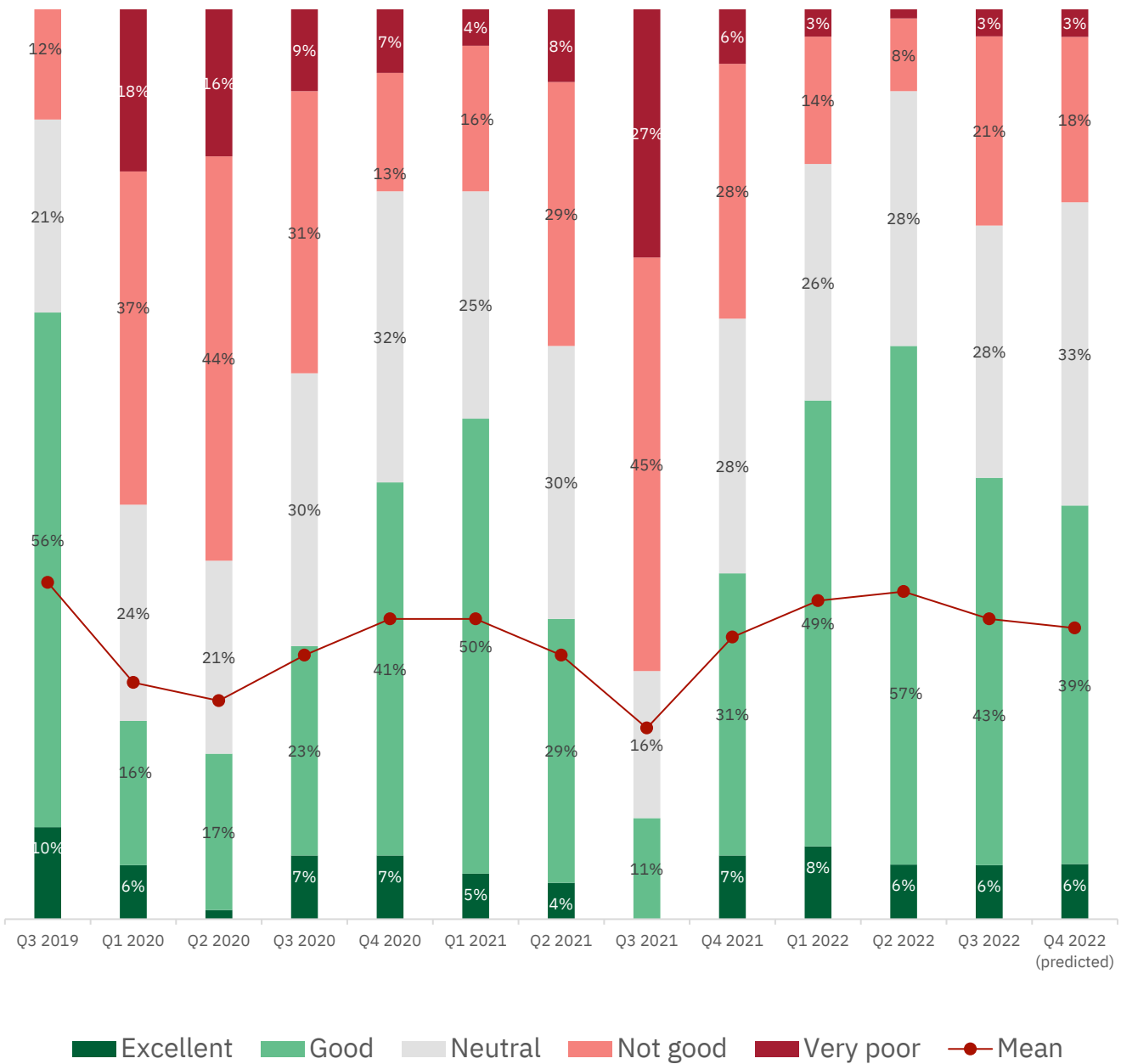


Business leaders’ faltering optimism is reflected in their projected outlook for Q4 2022. Forty-two percent in Q3 2022 vs. 60% in the previous quarter believed the economy would stabilize and improve in Q4 2022. The number of leaders who predicted the deterioration of the economy increased by 7 percentage points (pp).

# Businesses remain hopeful against future challenges

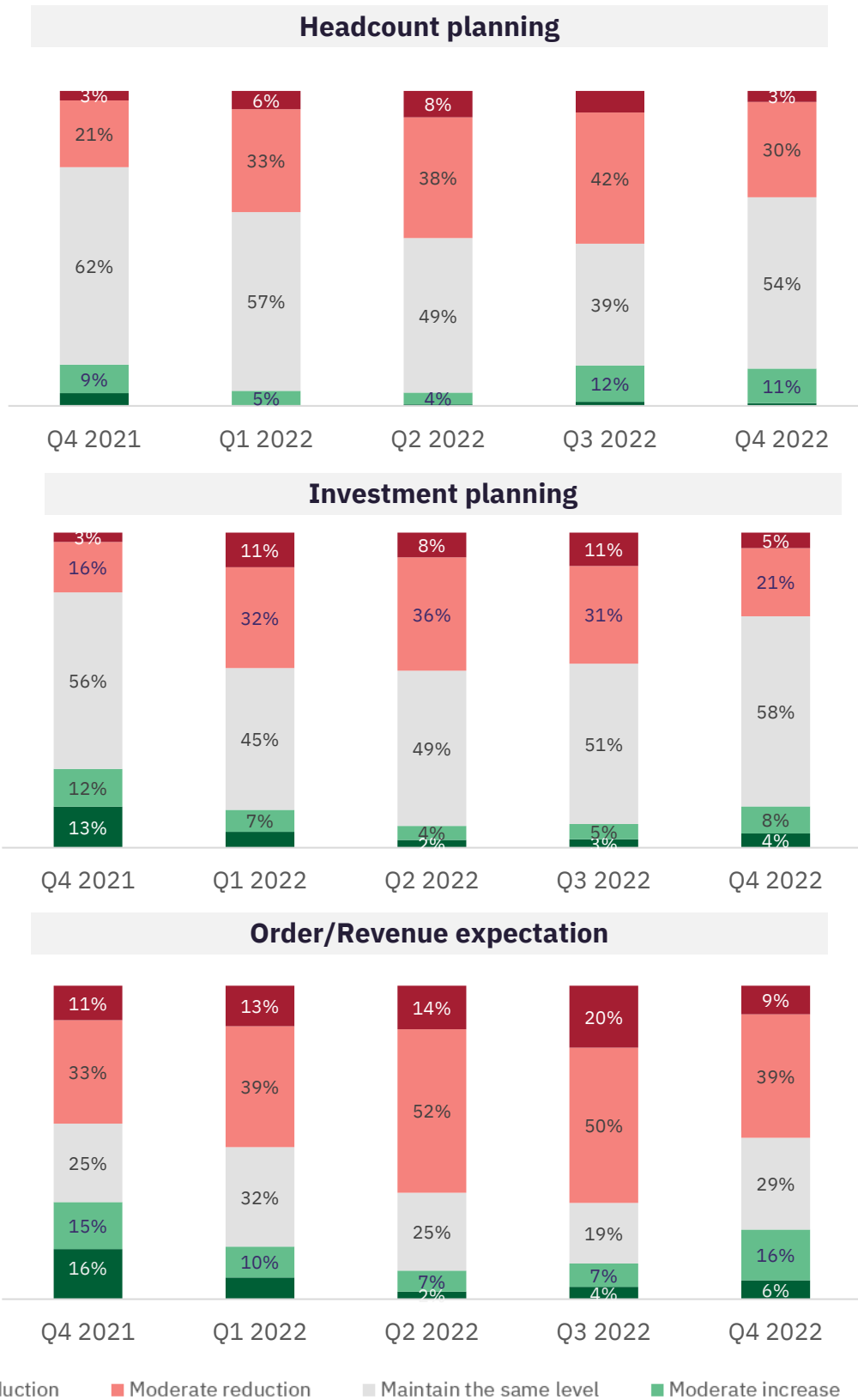
Business leaders reported a markedly declining good business performance in Q3 2022. That said, business performance for Q4 is expected to maintain.

**Business outlook from Q3 2019 to predicted Q4 2022**

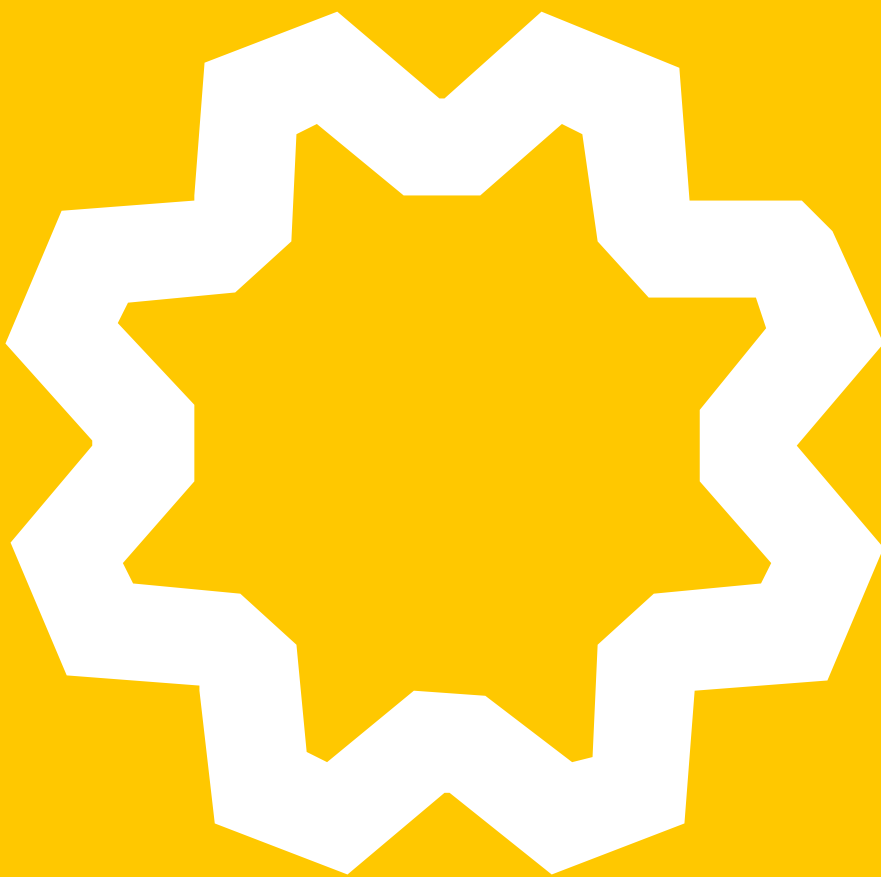


## Businesses hope for a strong end of year

While bearish on business outlook for Q4 2022 (pg. 6), business leaders expect headcount planning to remain static in the next quarter. Investment and revenue performance are expected to maintain or improve in Q4 2022.



# 02 | EVFTA implementation and beyond





## 02 | EVFTA implementation and beyond

The EU-Vietnam Free Trade Agreement (EVFTA) represents a notable change in EU-Vietnam relations. It is designed to change three areas:

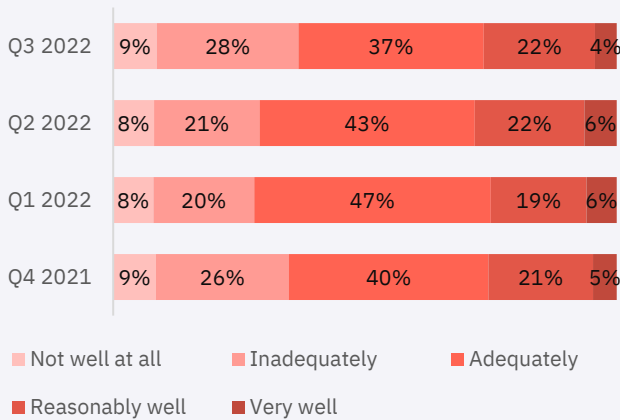
- 1. Tariff Reductions:** The EVFTA will eliminate almost all tariffs between the EU and Vietnam. It removed tariffs on 65 percent of the value of EU exports the moment the FTA entered into force, with the remaining tariffs being phased out over the following decade. Meanwhile, 71 percent of EU imports from Vietnam became tariff-free once the EVFTA entered into force. This is expected to rise to more than 99 percent over the following 7 years.
- 2. Customs Duties:** Customs duties will be almost eliminated over a transitional period of 7 years for Vietnamese goods and 10 years for EU goods. This is designed to benefit both business and consumers in the form of lower prices and greater competitiveness.
- 3. Market Access for EU Service Providers:** In the EVFTA, Vietnam goes further than the World Trade Organization (WTO) in terms of market access granted to EU service providers. Additional (sub)sectors are set to be opened up, giving the EU the greatest possible access to Vietnam’s market. The FTA also contains a ‘Most-Favored Nation’ clause.

Source: [EuroCham EVFTA 2019 Report](#)

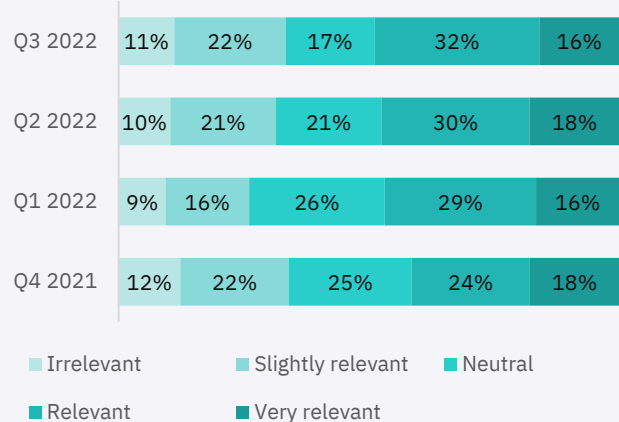


**Close to half of the surveyed business leaders thought that the EVFTA was relevant to their business, even though the overall understanding of this trade agreement and its implications was reduced by 8 pp in Q3 2022.**

### “How well do you understand EVFTA and its implications?”

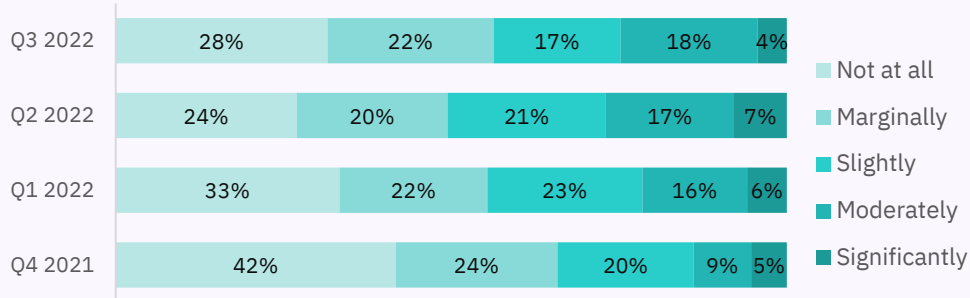


### “How relevant is EVFTA to your business?”



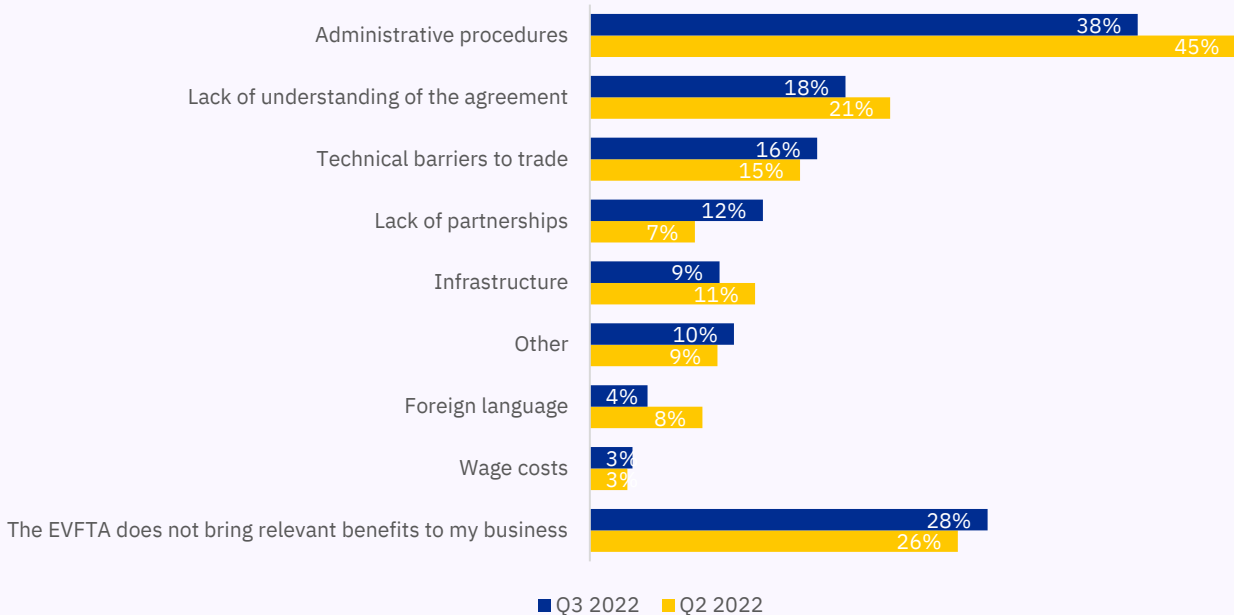
The perceived benefits of EVFTA contracted by 4 pp in Q3 2022 as a result of a lower understanding of the free trade agreement.

Has your company benefited from the EVFTA?



A lack of administrative procedures remains the most significant challenge to a better utilization of the EVFTA. Quarter 3 2022 also marked a lack of partnership as a fast-rising barrier to EVFTA utilization, having almost doubled in magnitude compared to last quarter.

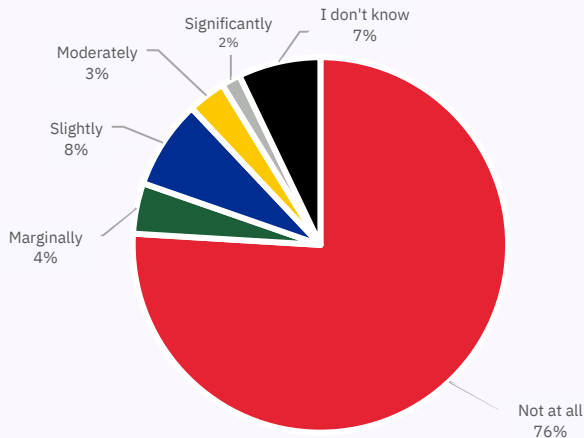
What are the main barriers for you to utilize EVFTA in your business?



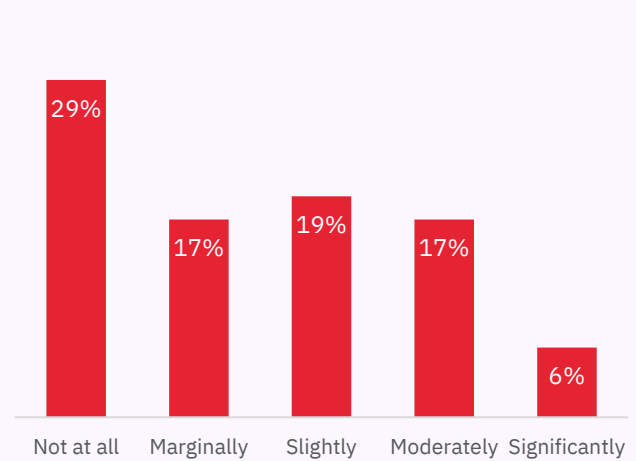
## Vietnam’s FDI attraction

One-fourth of foreign companies had reportedly relocated their operations from China to Vietnam, including 2% which have moved a significant portion of their operations into the country. Furthermore, forty-two percent of foreign companies are willing to divert at least a slight amount of FDI into Vietnam by the end of 2022.

Has your company relocated any of its operations from China to Vietnam?



Do you expect your company's FDI in Vietnam to increase by the end of Q4 2022?



Foreign companies identified a reduction of administrative bureaucracies and more infrastructure development as key leverages for Vietnam to attract more FDI.

What are important for Vietnam to improve its ability to attract FDI?

\* Mean rank: What are most important for Vietnam to improve its ability to attract FDI?

		Mean rank*
Reduce administrative difficulties for foreign firms	68%	1,96
Infrastructure development	53%	2,07
Human resource capacity development	39%	2,58
Reduce visa difficulties for foreign experts	39%	2,64
More favorable tax rates for FDI firms	28%	2,78
Green sector development	25%	2,61
Improved dialogue with government officials	24%	2,88
Improved access to the Vietnamese market	20%	2,70

## Green sector development

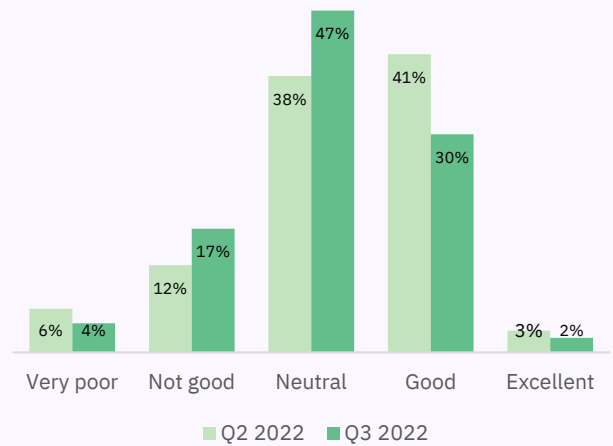
One-fourth of the surveyed companies suggested green development as an important factor in improving Vietnam’s FDI attraction. That said, positive outlook regarding Vietnam’s potential for green development decreased by 12 pp compared to the previous quarter, signaling companies’ conservatism regarding Vietnam’s prospects for green development. Vietnam can improve said prospects by having a solid legal framework, more infrastructure, and more incentives for green investments.

*What are important for Vietnam to improve its ability to attract FDI?*

**25%**

of respondents identified Green sector development as an important factor in helping Vietnam attract FDI

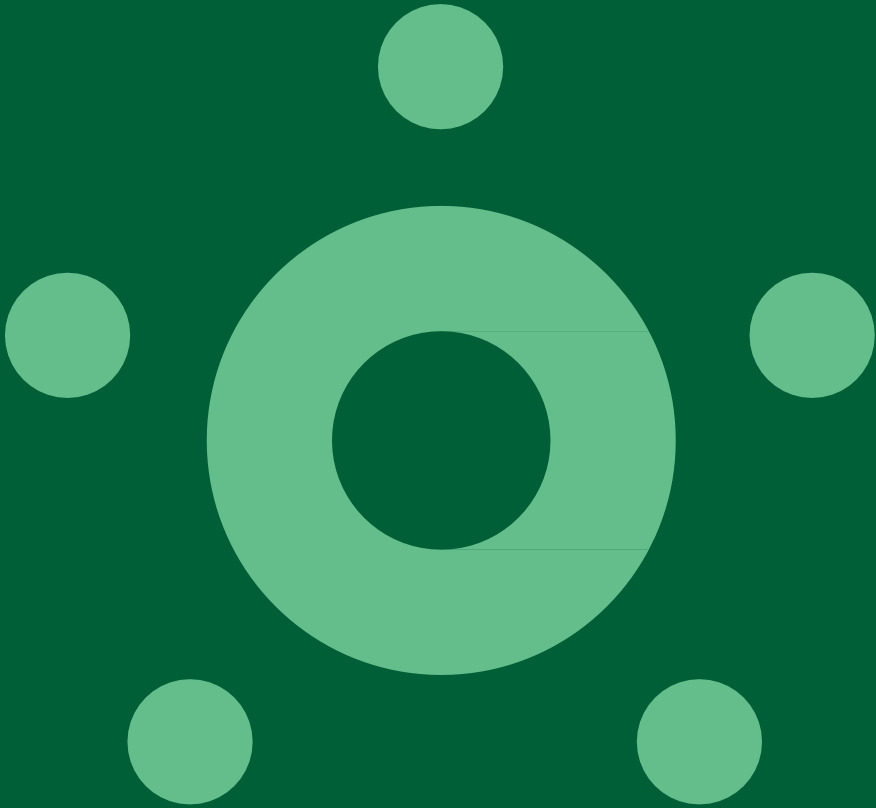
*How is your outlook regarding the potential for Vietnam's green, sustainable development?*



*What is most needed for Vietnam to accelerate its green development? (T3B)*

		Mean rank*
A stronger legal framework	92%	2,02
Infrastructure development	87%	2,34
More investment incentives	86%	2,45
Improved FDI access to the Vietnamese market	78%	2,86
Improved dialogue with government officials	78%	3,03
Increased funding	71%	3,10
Human resource capacity development	64%	3,52

# 03 | Methodology



# Methodology



## Purpose

The purpose of this survey is to collect European business leaders' opinions about their business situations, which reflects the state Vietnam's business environment and helps identify any potential changes in the economic climate.



## Research and Data Collection

The survey is conducted using an online questionnaire, scripted and managed by YouGov's surveying and data management platform. The survey is emailed quarterly to 2,259 business leaders among representatives from EuroCham's more than 1,000 members.

The respondents typically represent top management from European companies and Vietnamese companies with close business connections to Europe, such as suppliers or distributors. A minority are European individuals working in non-European companies in Vietnam.



## Result

Among the invited, 231 completed the full questionnaire in this round. This represents a response rate of 10.2%, which is considered moderately high for a survey amongst the top business executives.

# Reach out to us

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