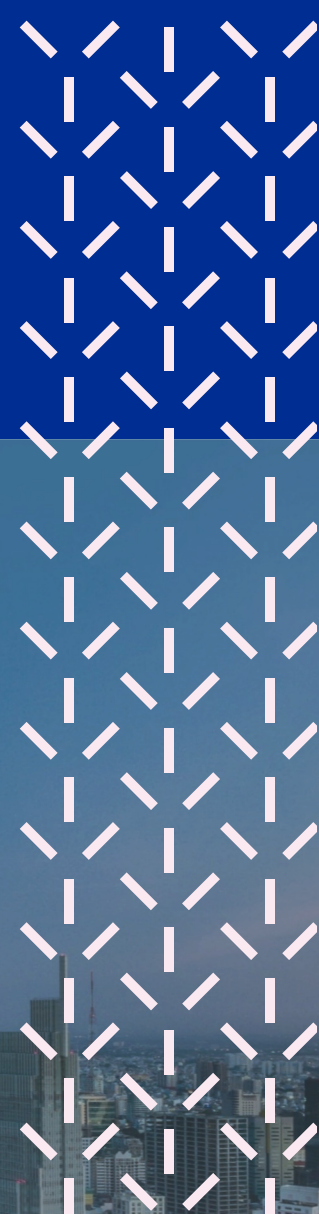


EuroCham Business Climate Index

Quarter 4, 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

01 | BCI, the macroeconomy, and the business outlook

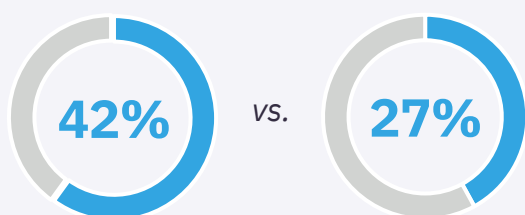


Confidence in economic performance continued to worsen in Q4 2022

The BCI dropped to just below the baseline in Q4 2022, marking European business leaders' falling confidence in the Vietnam economy.



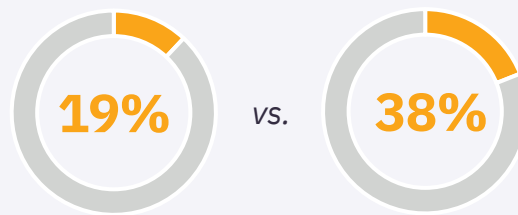
"The economy is more likely to stabilize and improve next quarter"



Q3 2022

Q4 2022

"The economy is more likely to deteriorate next quarter"



Q3 2022

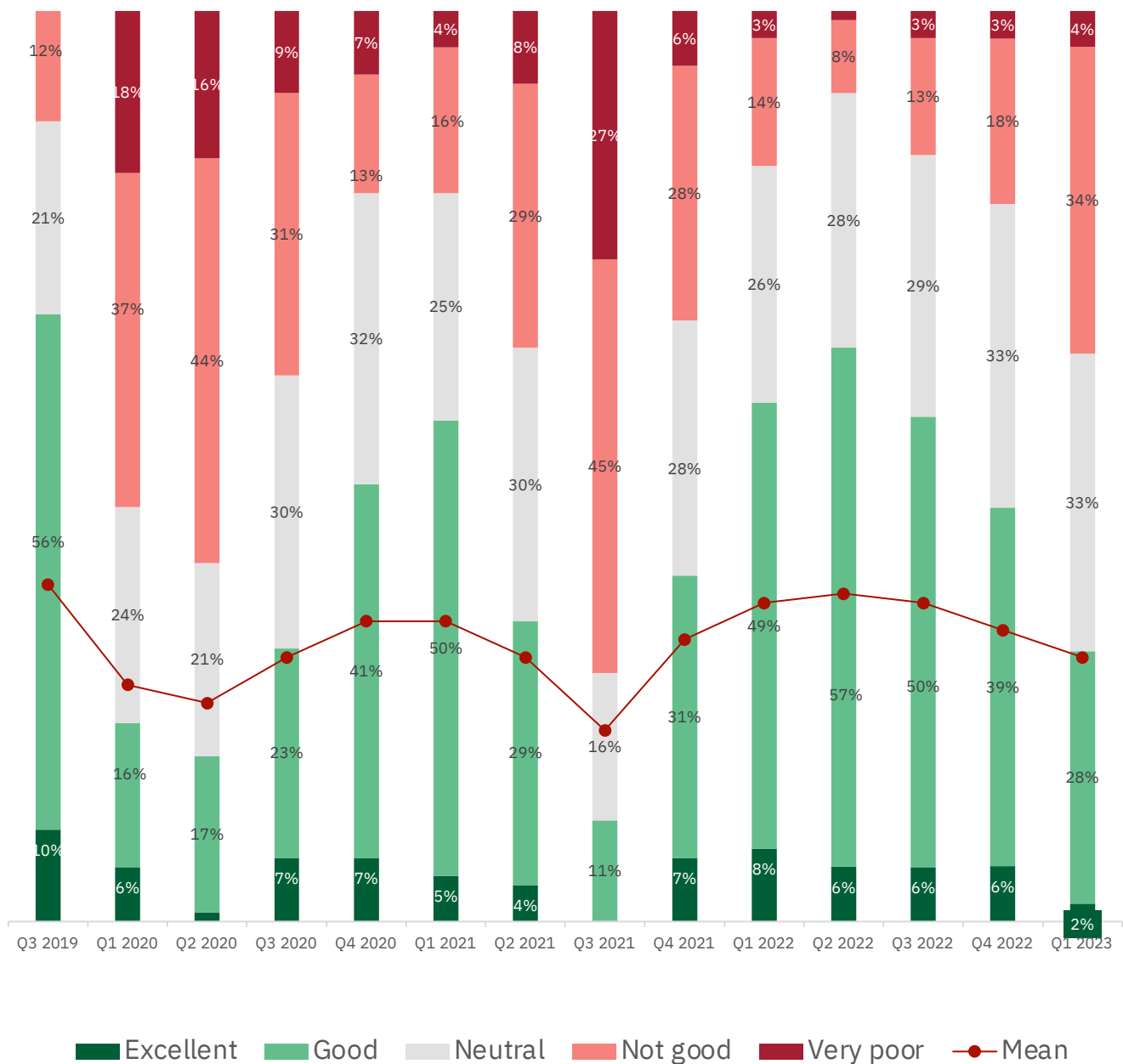
Q4 2022

Belief in the economy's ability to stabilize and improve in the future decreased by 15% in Q4 2022, while twice as many business leaders predicted the further deterioration of the economy in Q4 2022 as in the previous quarter.

Prediction of business performance by leaders reflects pessimism

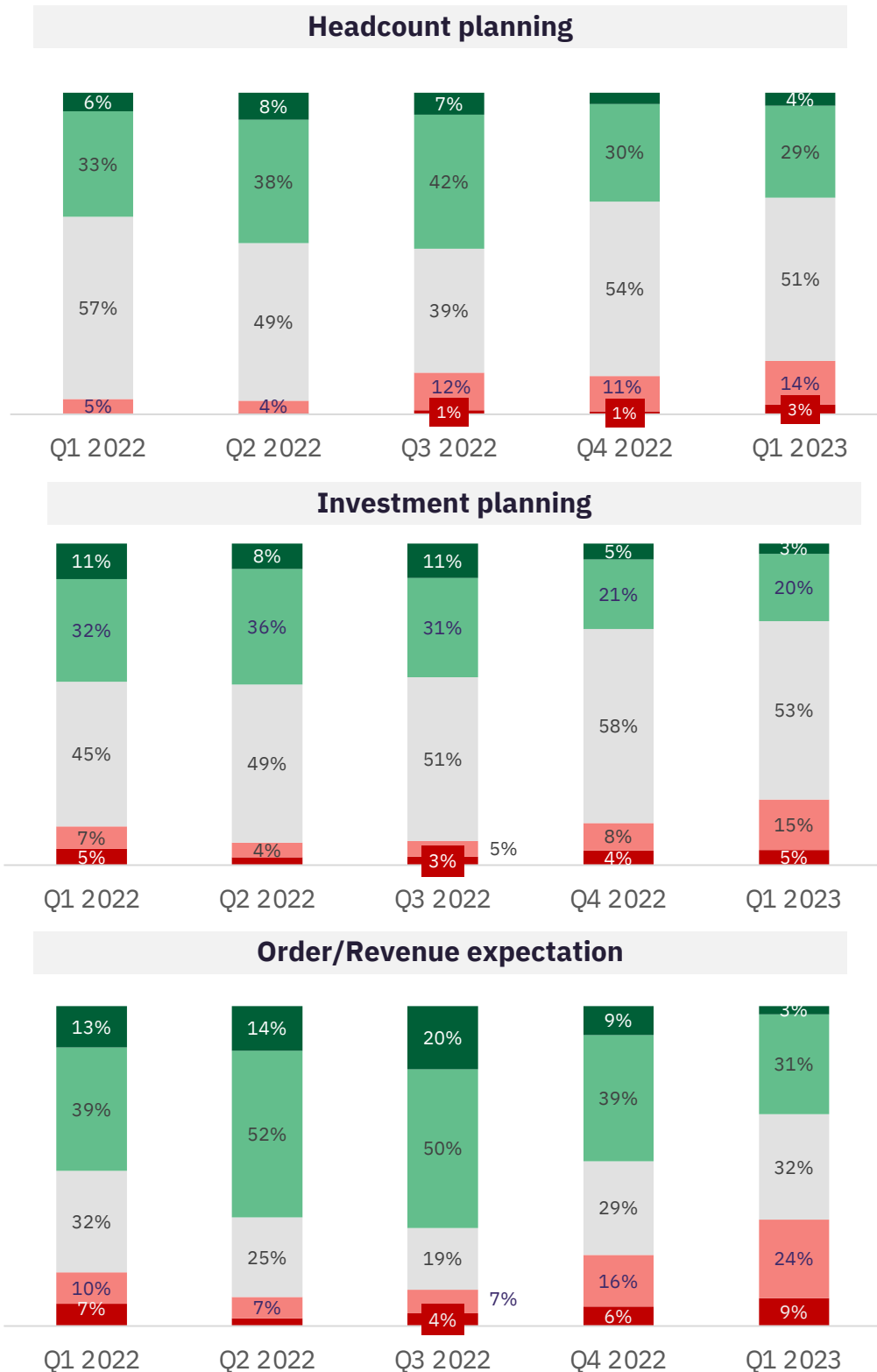
A gloomy start to 2023 was projected by business leaders. This stands in stark contrast to the optimism of a year ago.

Business outlook from Q3 2019 to predicted Q1 2023



Headcount and investment are expected to remain largely despite contracted revenue

A moderate reduction is expected in revenue. Though the BCI is down, more than half of the business leaders expect headcount and investment to maintain.



■ Significant reduction ■ Moderate reduction ■ Maintain the same level ■ Moderate increase ■ Significant increase

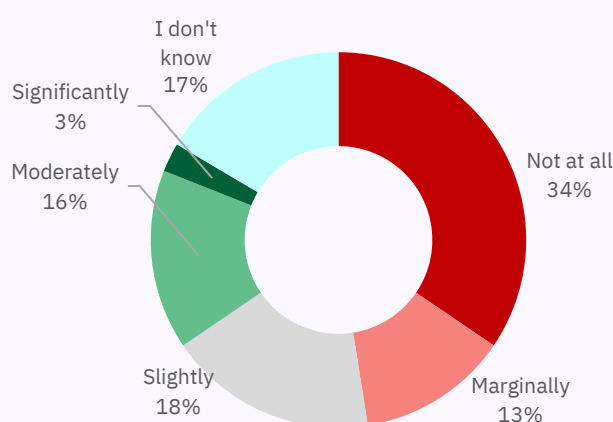
02 | Vietnam FDI attraction



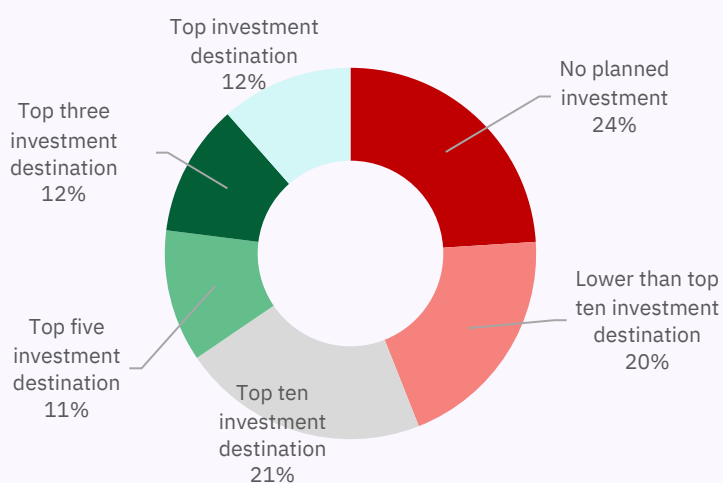
Vietnam's FDI attraction

Expected FDI investment in Vietnam reduced by 5% to 37% in Q4 2022. Vietnam is within the top 5 FDI investment destinations of 35% of surveyed companies, with 12% considering Vietnam as the top destination.

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



What is Vietnam's present ranking as a global investment destination for your company?

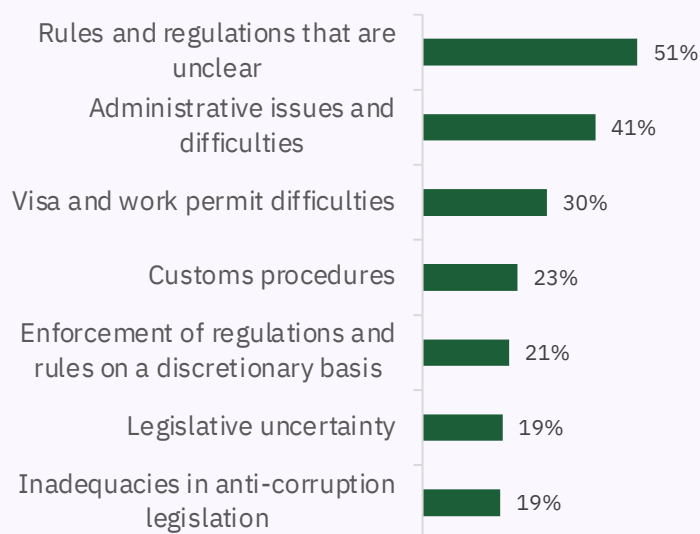


Vietnam's FDI attraction

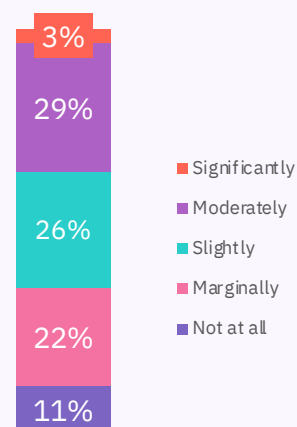
Unclear rules & regulations, administrative issues, and visa difficulties emerged as the top three biggest obstacles to foreign businesses' operations in Vietnam. Indeed, administrative difficulties remain the top area of improvement for Vietnam's FDI attractiveness. Improvement of the visa and work permit for foreign experts also became more relevant, jumping 8% to 47% in Q4 2022.

Yet, business leaders are mostly satisfied with policymakers' attention to business needs.

What are the top three most significant regulatory obstacles for your company when doing business in Vietnam?



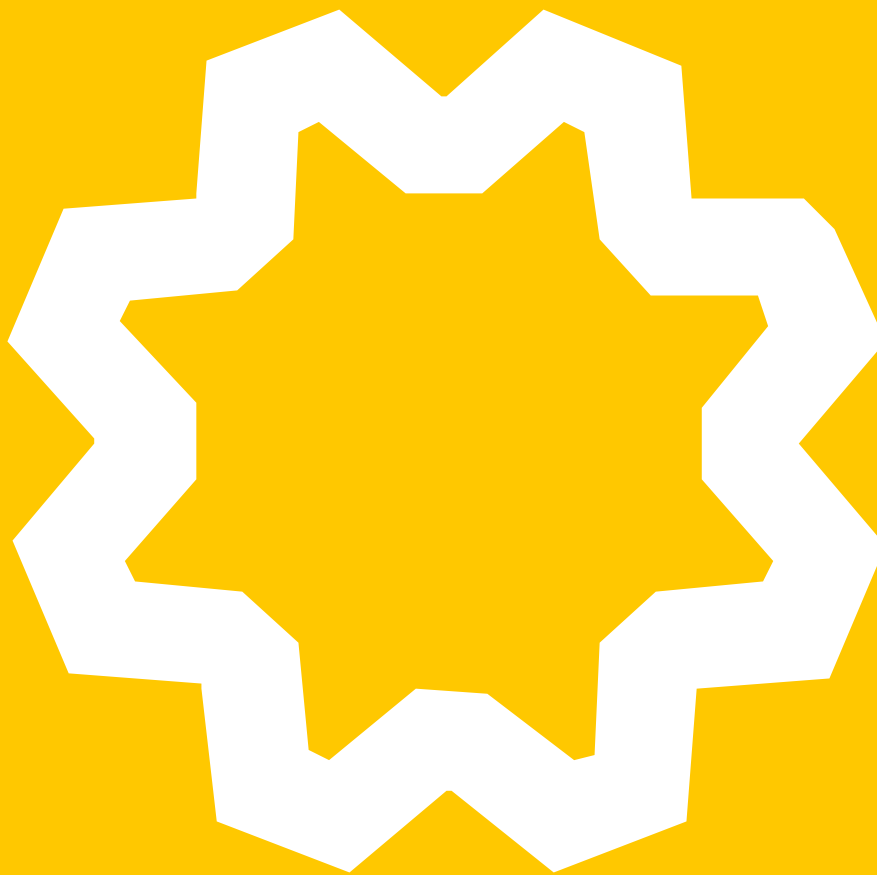
Are you satisfied with Vietnam's top policymakers' attention to business needs when setting relevant policies?



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

		Mean rank*
Reduce administrative difficulties for foreign firms	70%	1,9
Infrastructure development	53%	2,4
Human resource capacity development	35%	2,5
Reduce visa difficulties for foreign experts	47%	2,7
More favorable tax rates for FDI firms	28%	3,0
Green sector development	29%	3,2
Improved dialogue with government officials	30%	2,7
Improved access to the Vietnamese market	26%	2,8

03 | EVFTA implementation



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:

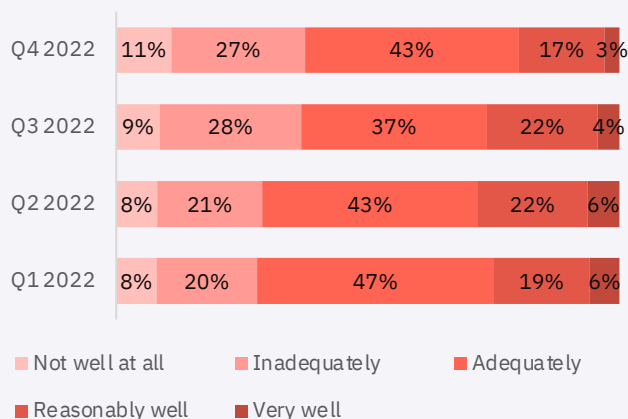
- 1. Tariff Reductions:** The EVFTA will eliminate almost all tariffs between the EU and Vietnam. It removed tariffs on 65 percent of the value of EU exports the moment the FTA entered into force, with the remaining tariffs being phased out over the following decade. Meanwhile, 71 percent of EU imports 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](#)

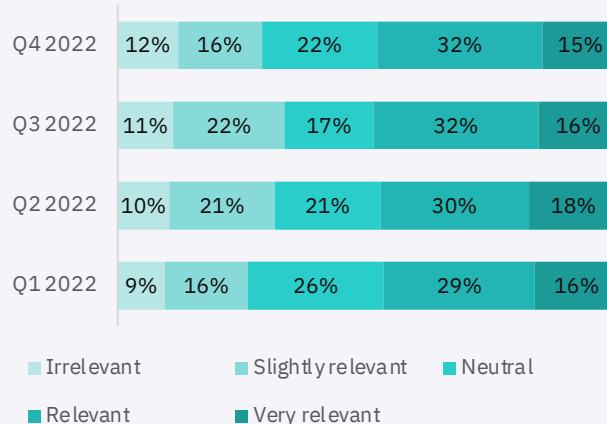


Sixty-three percent of business leaders are adequately informed about EVFTA. They also think that the EVFTA are relevant to their businesses.

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



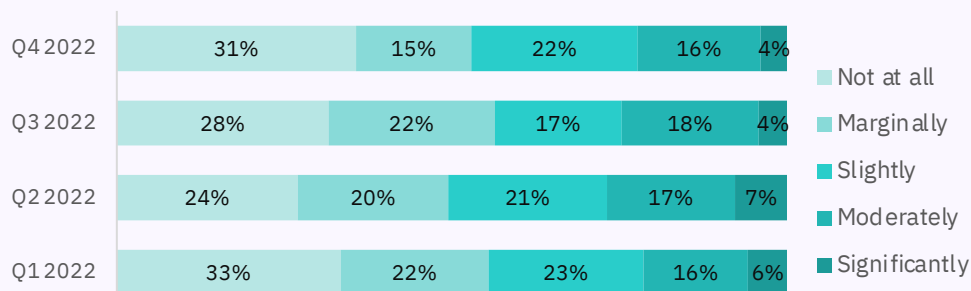
“How relevant is EVFTA to your business?”



EVFTA

The final quarter of 2022 marked a 2-percent reduction in the percentage of companies benefiting from the EVFTA. The trade agreement is reported to have positive influences on companies' business (bringing more clients), financial (tariff reduction), and supply chain.

Has your company benefited from the EVFTA?



How did your company benefit from the EVFTA?

Select verbatim responses

As our clients are notably importers and exporters, all direct benefits on their side are indirect benefits for my company.	We can save material costs due to import tax exemption.	Few items got better import duty compared to China.
Customers benefit from reduced duty, hence there is a preference of placing orders in Vietnam.	We work in Transportation and Logistics. EVFTA support our customers with tax and duty, which will increase their import/export volume and affect our business.	Investors in the manufacturing sector are easier to start their operations in Vietnam.
We are a Vietnamese construction company and between 30 to 40% of our customers are from Europe.	...Unexpected EU import Tax reduction from commodity import	More European investments into Vietnam bring more opportunities for my company to get business from the new FDI inflow.

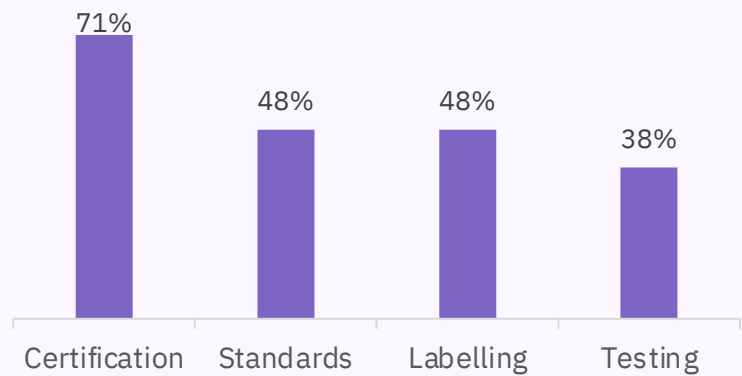
EVFTA

Companies reported less severity from prominent barriers to using EVFTA such as administrative procedures, lack of agreement understanding, etc. in Q4 2022. Only around 11% of companies cited technical barriers to trade as a deterrent to EVFTA utilization.

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



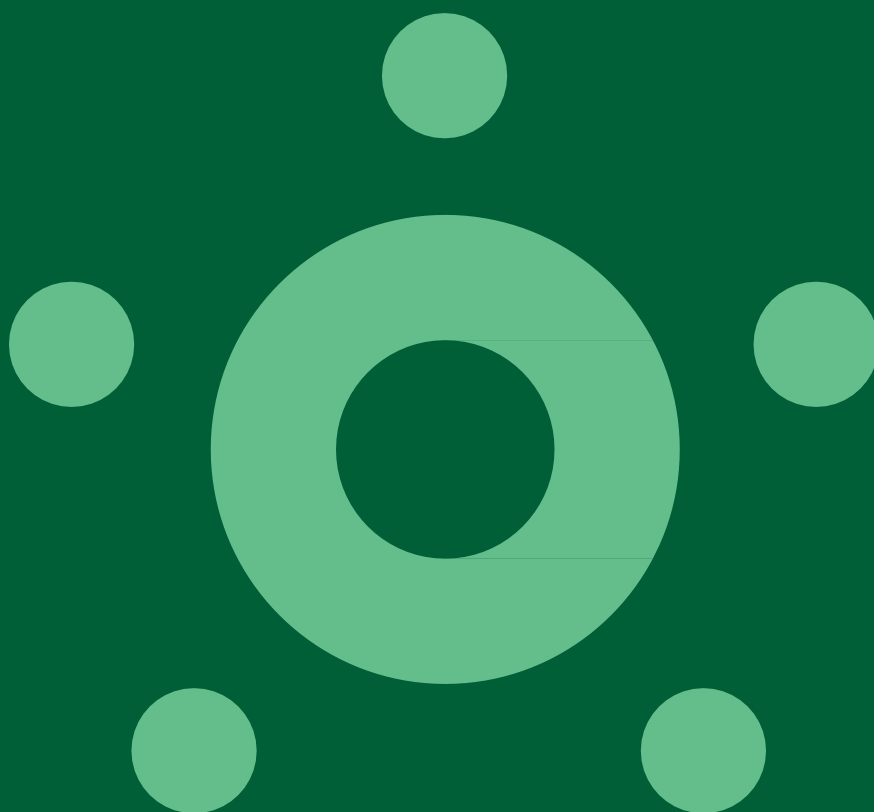
Please specify which technical barriers you are currently experiencing:



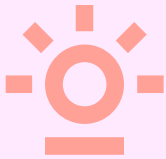
Close to three-fourths of companies facing technical difficulties cited Certification as a thorny barrier.

Standards and Labelling are factors influencing close to half of the companies. The least influential factor is Testing.

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, 200 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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