

EuroCham Business Confidence Index






Quarter 2, 2023



Decision Lab



Content

	Introduction	03
	BCI, the macroeconomy, and the business outlook	04
	Vietnam FDI attraction	09
	EVFTA implementation & beyond	13
	Current Events	17
	Methodology	23

Introduction

The Business Confidence 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.

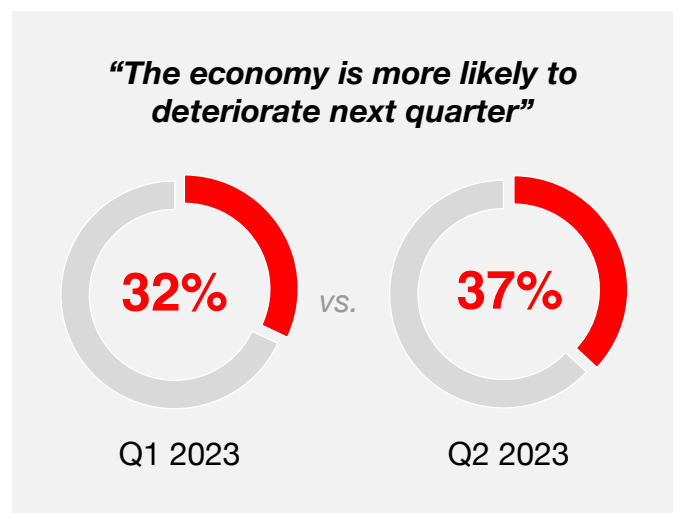
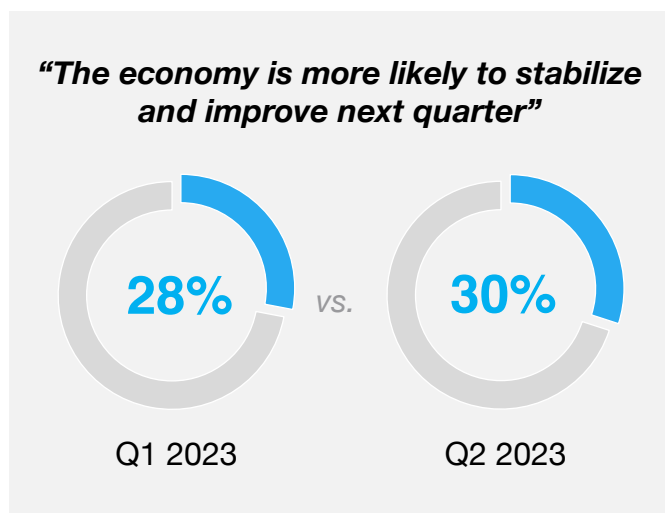
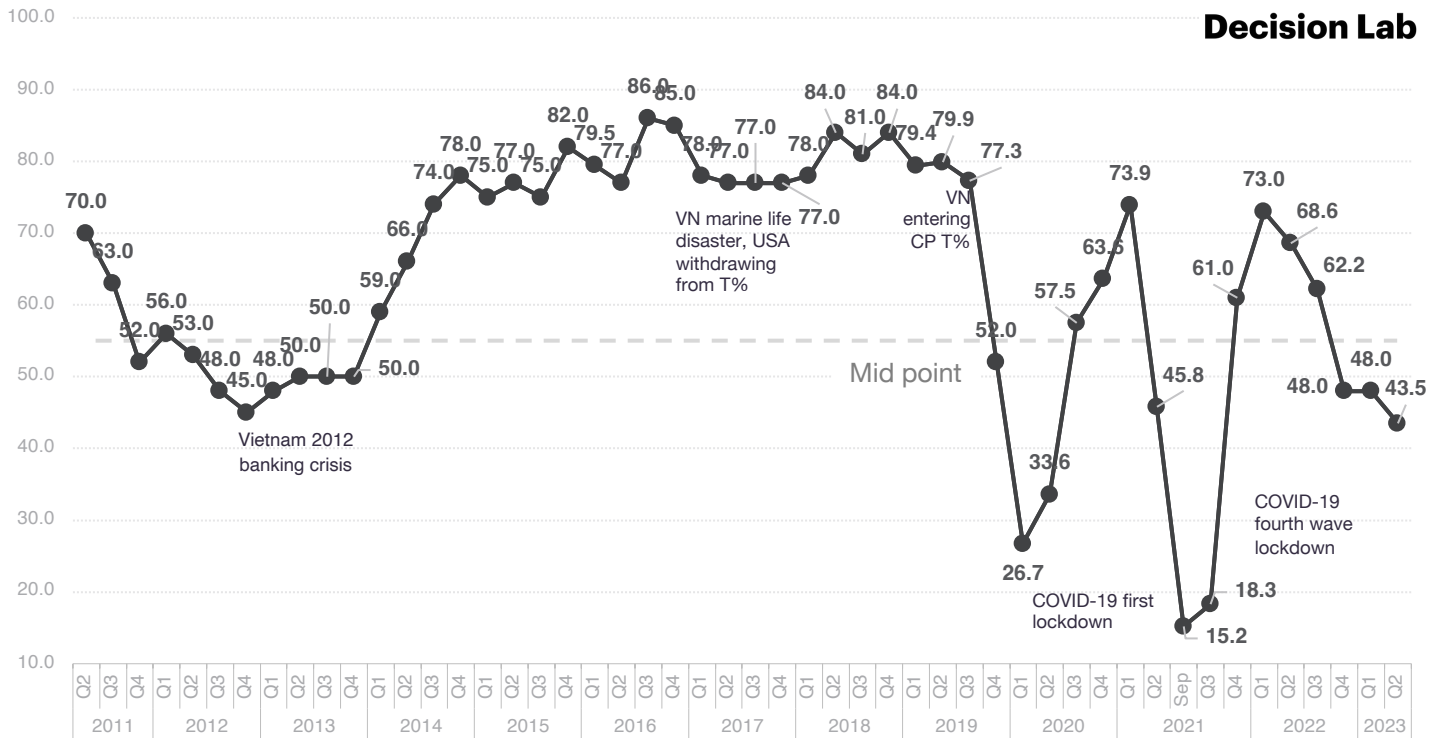
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Read more about our services at www.decisionlab.co

01 | BCI, the macroeconomy, and the business outlook



The BCI dropped by 4.5 points, highlighting business leaders' worsening sentiment towards the economy

At 43.5, the current BCI is lower than when Vietnam was experiencing the banking crisis of 2012. The drop in the index score could be attributed to low scores in the Transportation and Logistics, Automotive, and Energy sector.

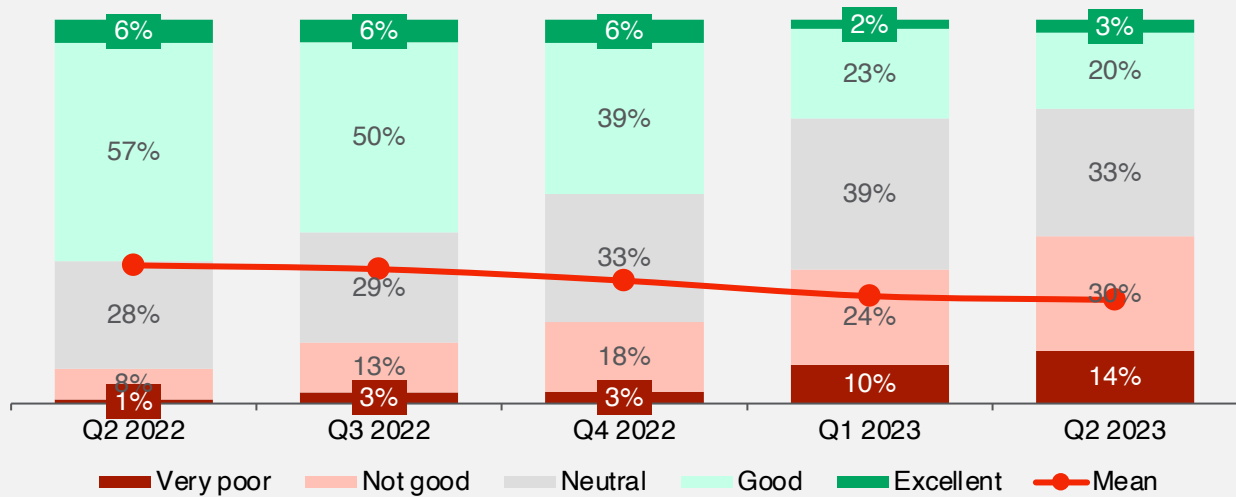


Compared to Q1 2023, 5% more businesses think that the macroeconomics conditions will deteriorate, reflecting the drop in the BCI. While there is a 2% increase in numbers of business leaders thinking the economy will improve or stabilize, only 10% out of these say it is likely to improve.

The lower BCI was due to the decrease in both current business assessment and projected outlook.

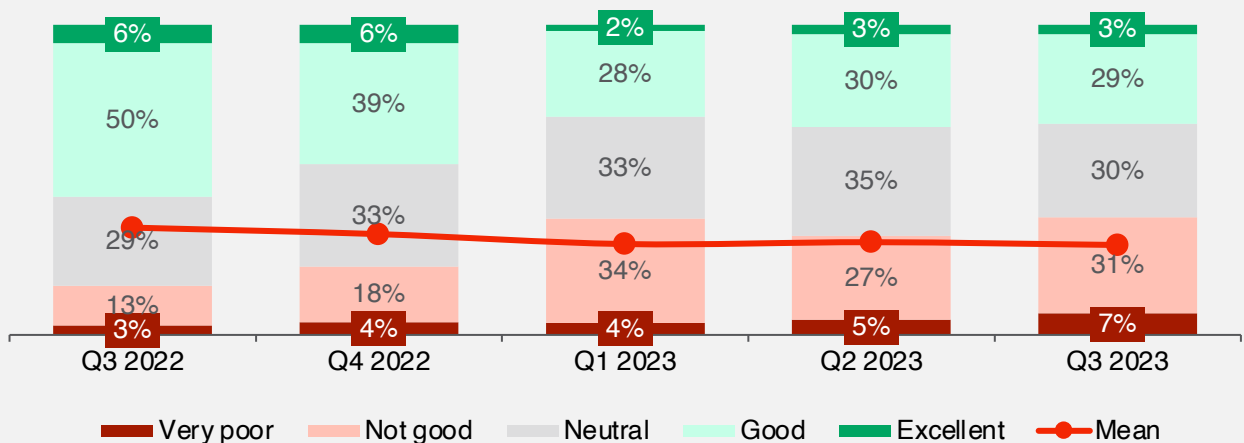
Those who gave negative responses for current situation grew by 10% and the negative sentiment for next quarter also grew by 6%. However, business leaders seem to still have some confidence in their business in the next quarter, with 9% more feel positively about their business in Q3 2023.

Business assessment of current situation from Q3 2019 to Q2 2023



Q: How do you feel about the current business situation of your enterprise in Quarter 2 of 2023? | n=232 | Base: Total

Business outlook from Q3 2019 to Q3 2023

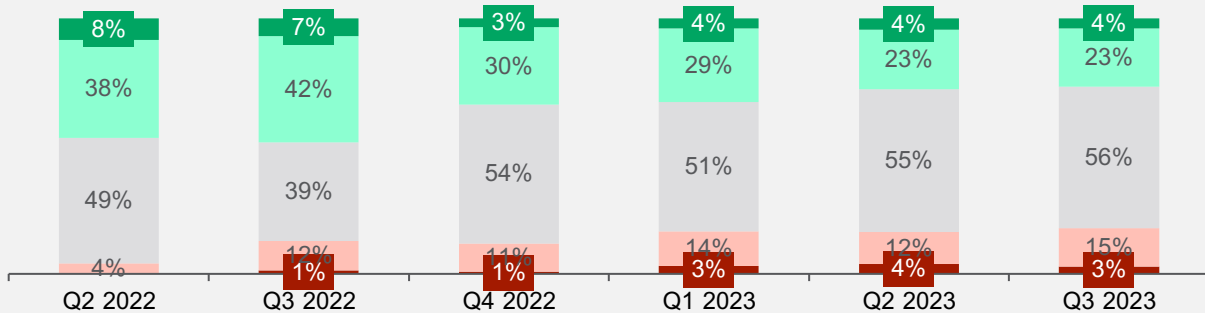


Q: How do you feel about the business outlook for your enterprise in Quarter 3 of 2023? | n=232 | Base: Total

Businesses expect worse revenue/order outcomes and reductions in investment in future quarters .

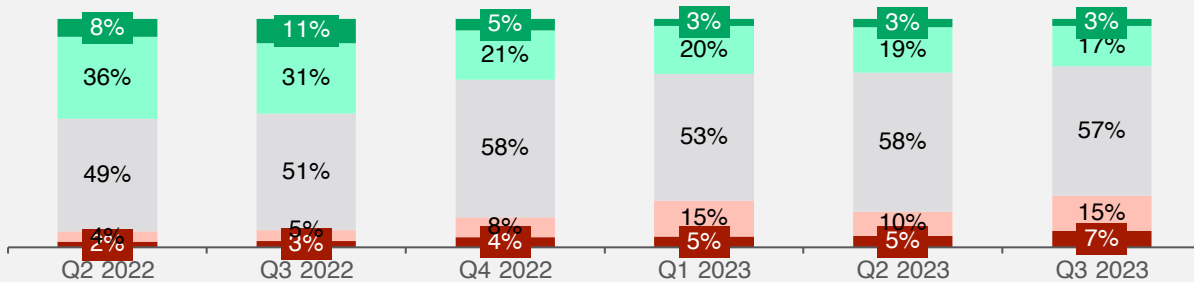
While 4% more businesses expect reductions in revenue/orders, businesses are more likely to reduce in investment rather than headcount in Q3 2023, with 7% more businesses say they plan to cut back on investment whereas headcount planning stays at last quarter’s level.

Headcount Planning



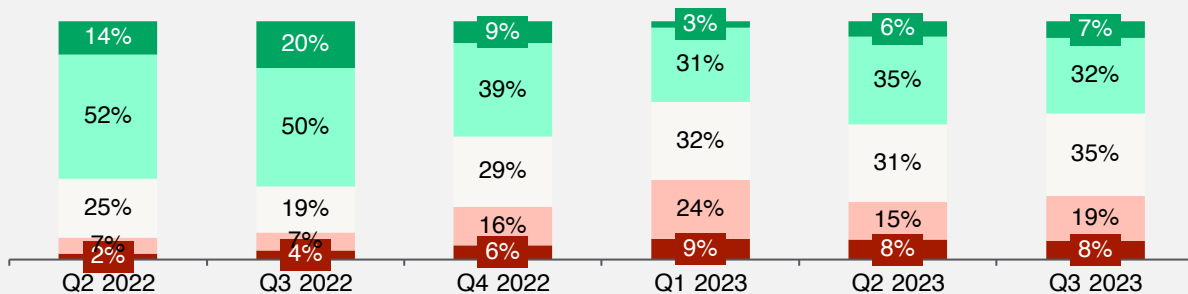
Q: How do you expect your company's headcount to develop in Quarter 3 of 2023? | n=229 | Base: Total (eliminating "Not sure" responses)

Investment Planning



Q: How do you expect your company's investment to develop in Quarter 3 of 2023? | n=223 | Base: Total (eliminating "Not sure" responses)

Revenue/ Orders

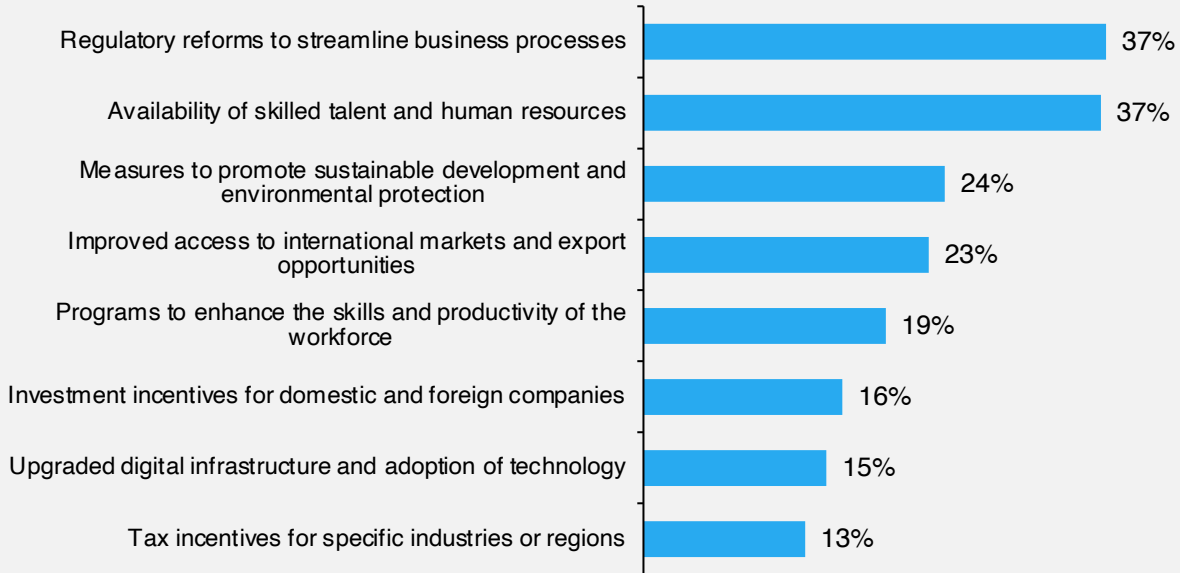


Q: How do you expect your company's revenue to develop in Quarter 3 of 2023? | n=225 | Base: Total (eliminating "Not sure" responses)

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

Amidst the cautious business climate, regulatory reforms and availability of skilled labor resources gain importance as primary drivers for growth.

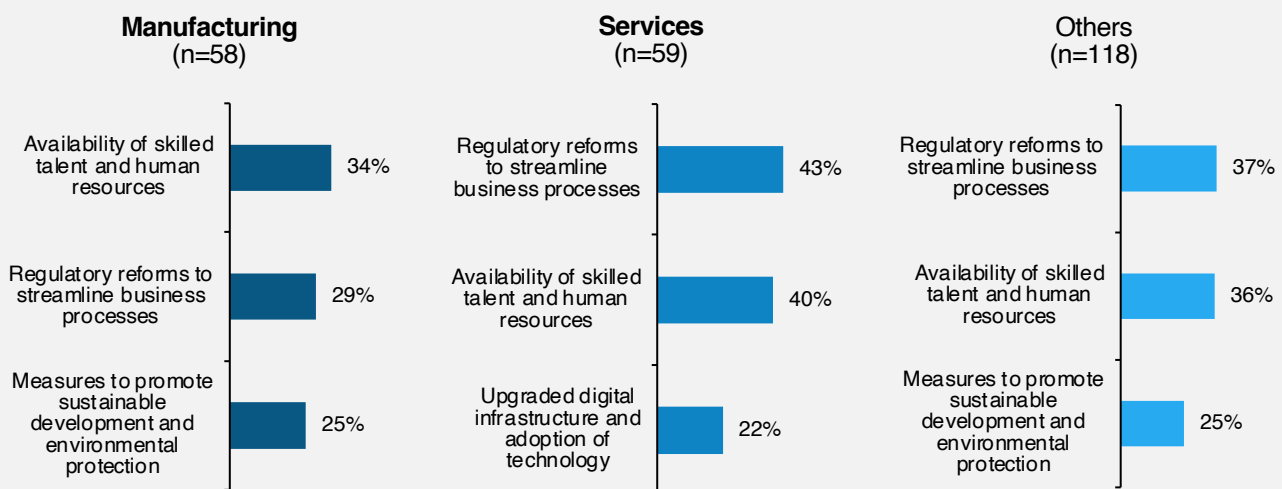
Key factors for growth



Q: What are the key factors driving growth for your company in Vietnam? | n=232 | Base: Total

The key factors for growth remain similar among different sectors. Regulatory reforms are the top factor for growth in the Services and other sectors. Meanwhile, availability of skilled labor takes the first place as key factors for growth in the Manufacturing sector.

Key factors for growth by Sectors



Q: What are the key factors driving growth for your company in Vietnam?

02 | Vietnam FDI attraction

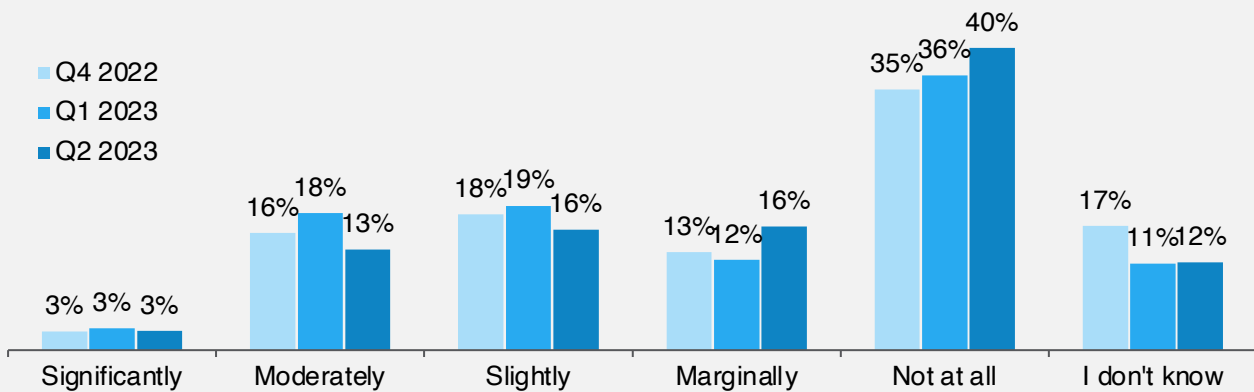


Vietnam remains attractive to foreign investors as 48% of European business leaders still expect their company's FDI in Vietnam to increase

Nevertheless, the negative sentiment in the business climate could be seen in the FDI expectation, with about 4% more businesses say they are not planning any increase in investment. There is also a 4% rise in those who expect marginal increase while there is a drop among those who expect moderate or slight increase in FDI.

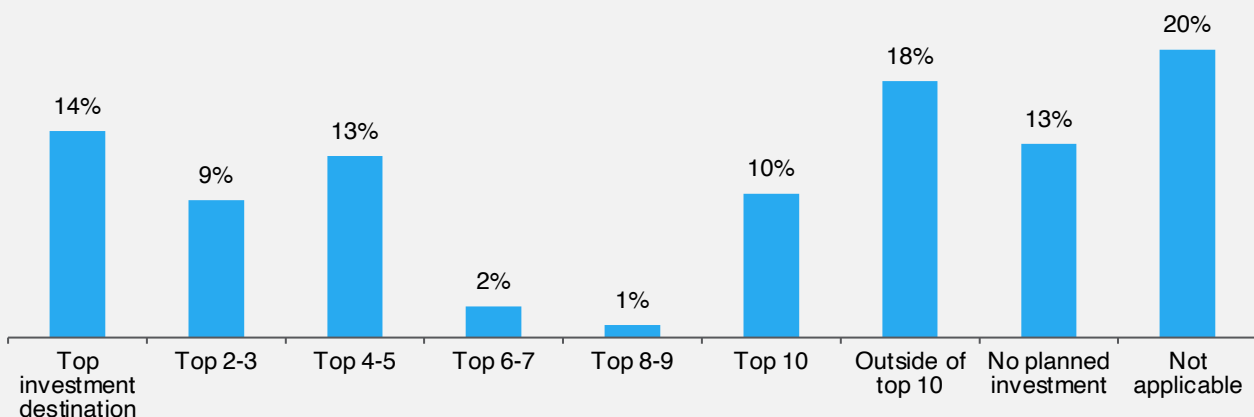
More than one-third of businesses still consider Vietnam within their top 5 investment destination against the negative business backdrop.

FDI Expectation



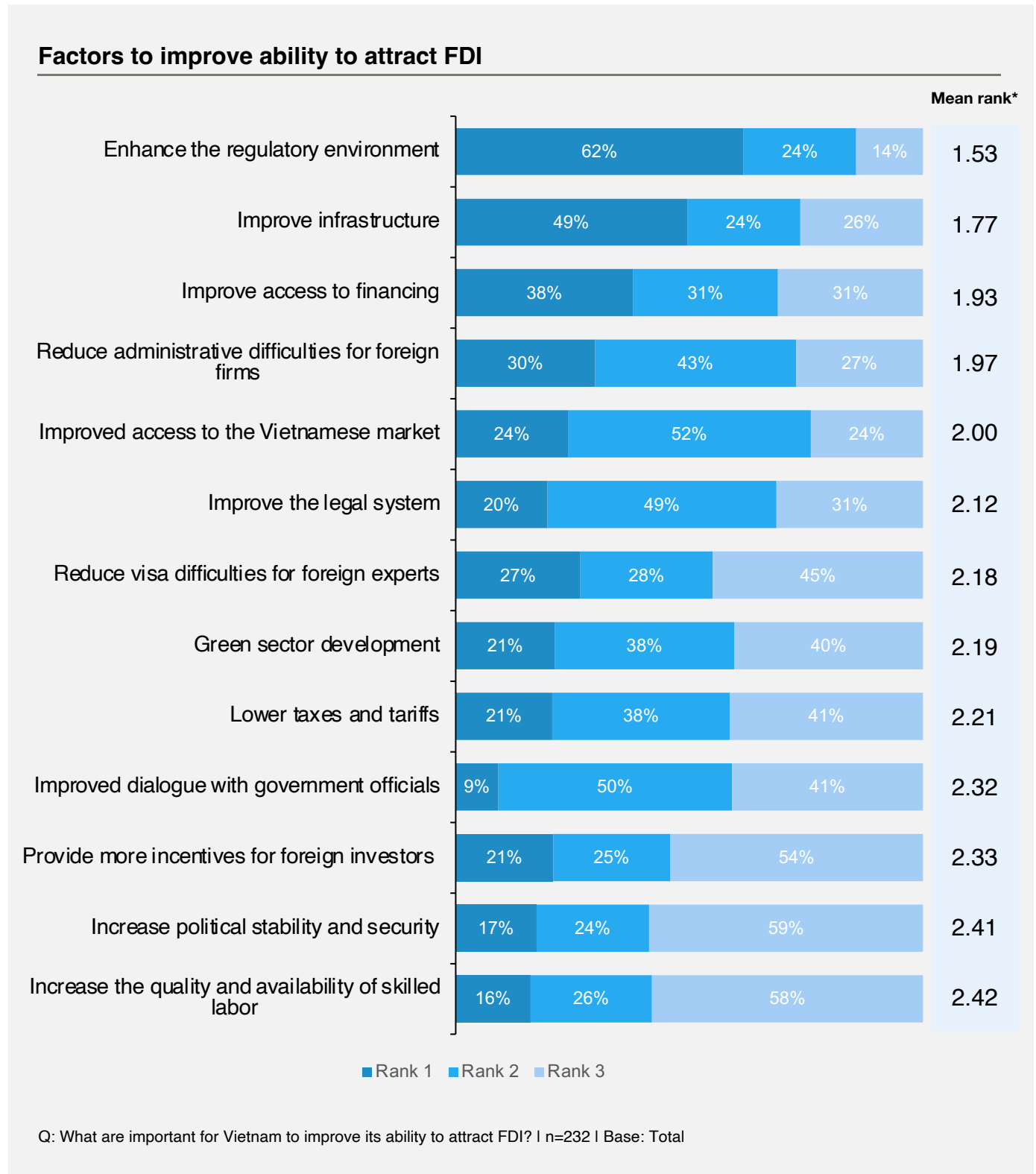
Q: Do you expect your company's FDI in Vietnam to increase by the end of next quarter? | n=232 | Base: Total

Vietnam ranking as investment destination, Q2 2023



Q: What is Vietnam's present ranking as a global investment destination for your company? | n=232 | Base: Total

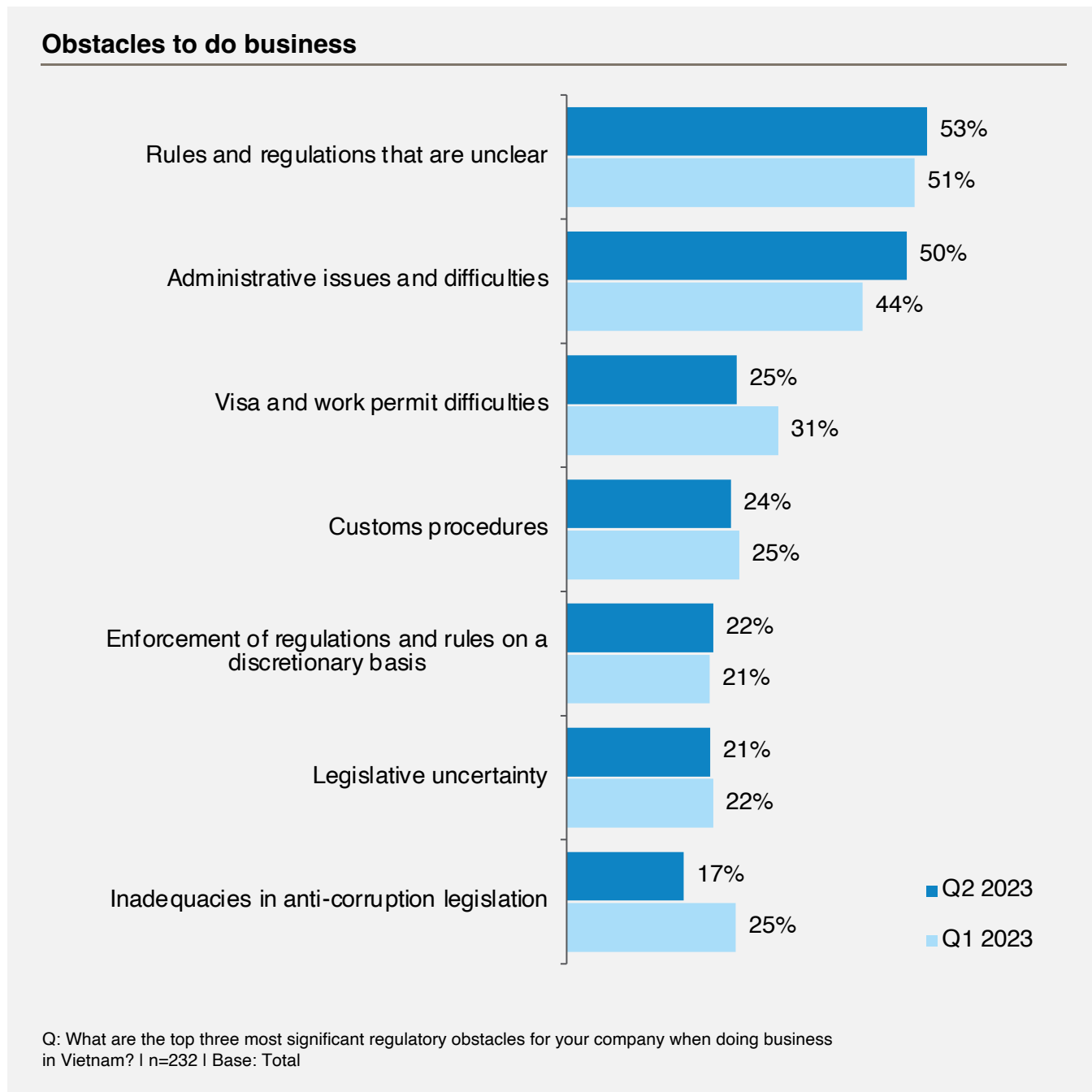
Improving the regulatory environment and businesses' access to financing are the most significant ways to enhance Vietnam's attractiveness to attract FDI



Unclear regulations and difficult administrative procedures remain the top barriers to attract FDI

53% and 50% of businesses say that unclear rules and administrative issues are the most significant regulatory obstacles for them to do business in Vietnam respectively. This is an increase from last quarter.

At the same time, visa issues seem to have somewhat been addressed in Q2 2023, as 6% fewer businesses report it was a problem in attracting FDI.



03 | EVFTA implementation



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

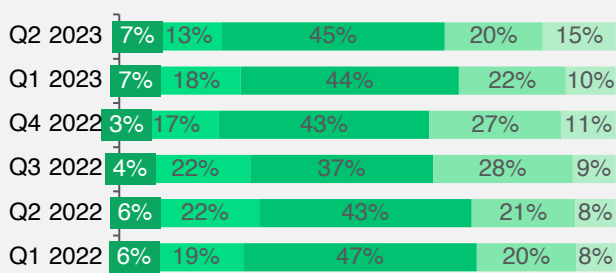
- 1. Tariff Reductions:** The EVFTA will eliminate almost all tariffs between the EU and Vietnam. It removed tariffs on 65 percent of the value of EU exports the moment the FTA entered into force, with the remaining tariffs being phased out over the following decade. Meanwhile, 71 percent of EU imports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



Five percentage more businesses report that they do not understand the agreement and its implication at all, the highest since Q1 2022. There is also a 4% rise in those who say that it is irrelevant to their business.

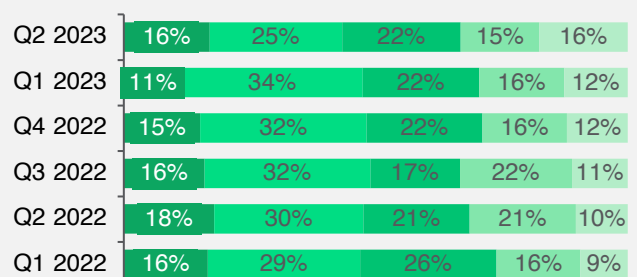
EVFTA Understanding



■ Very well ■ Reasonably well ■ Adequately
■ Inadequately ■ Not well at all

Q: How well do you understand EVFTA and its implications? | n=232 | Base: Total

EVFTA Relevance



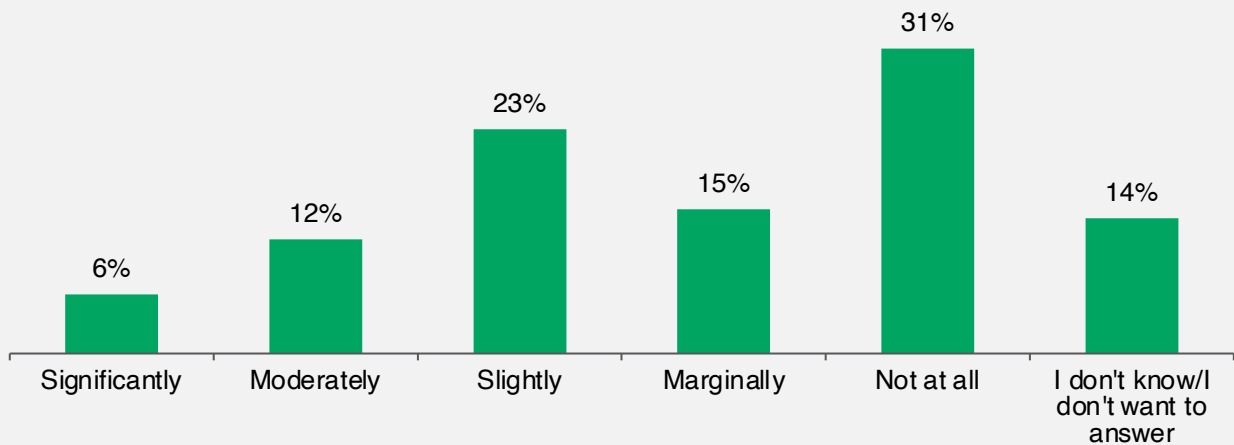
■ Very relevant ■ Relevant ■ Neutral
■ Slightly relevant ■ Irrelevant

Q: How relevant is the EVFTA, either directly or indirectly, to your business? | n=232 | Base: Total

More than half of businesses say that their businesses have benefitted from the trade agreement

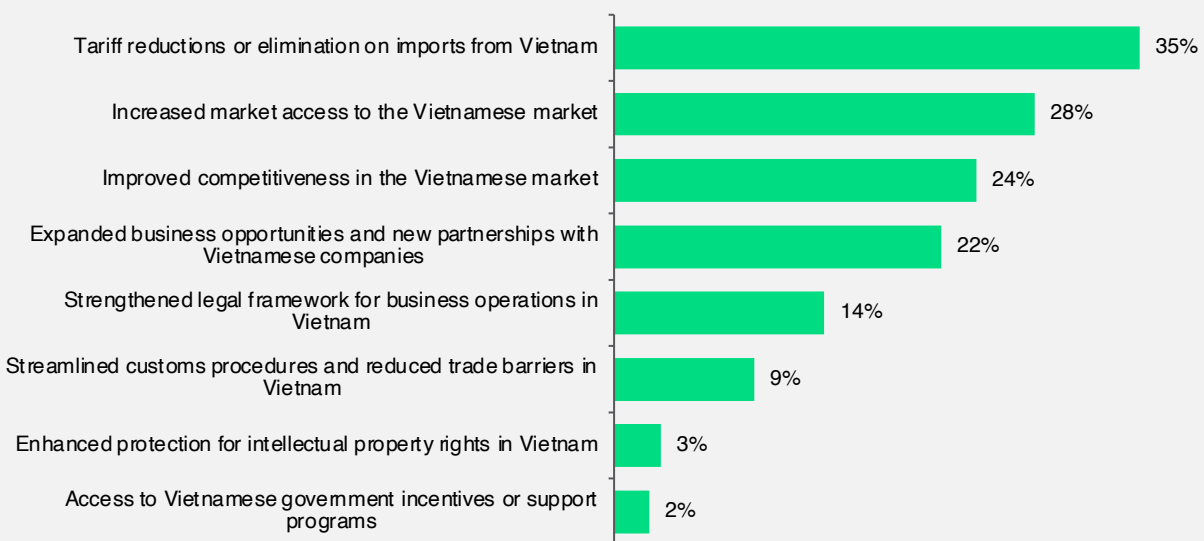
Amongst those who do, the EVFTA could realize its intended purposes of reducing tax barriers to trade and increasing access to the Vietnamese market, with 35% of business leaders saying that they benefitted from the tariff reductions and elimination of imports from Vietnam.

Businesses benefitted from the EVFTA



Q: Has your company benefitted from the EVFTA? | n=232 | Base: Total

Ways EVFTA benefit businesses

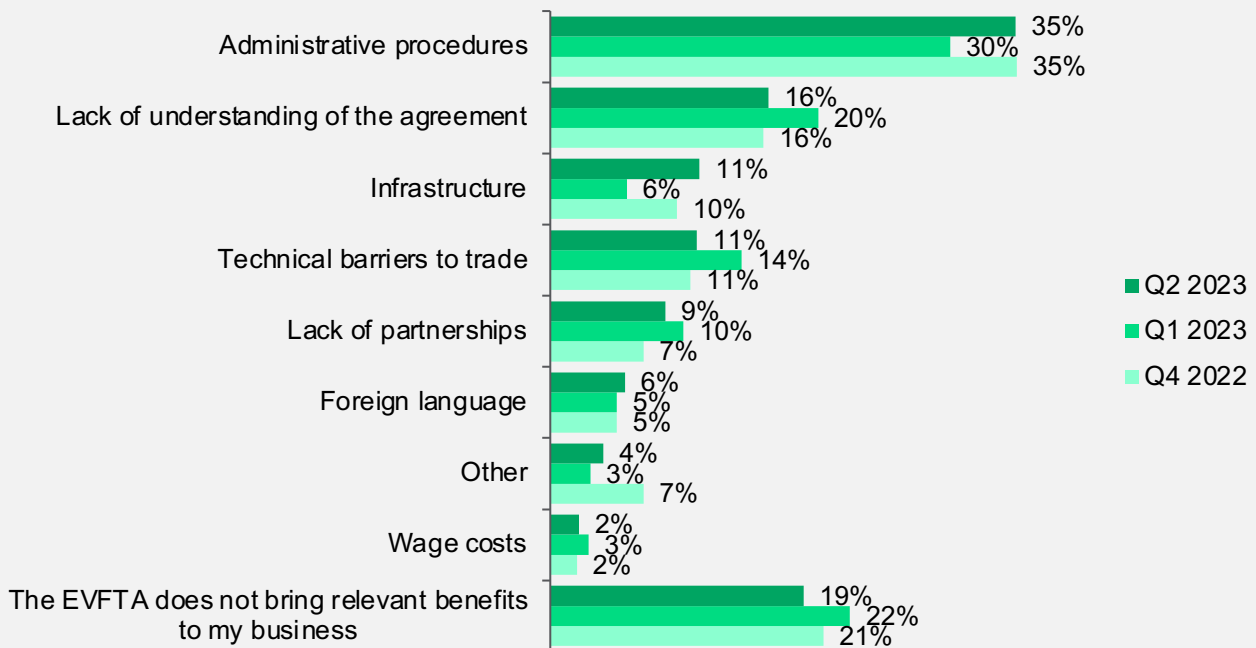


Q: How has your company benefitted from the EVFTA? | n=128 | Base: Those benefitted from EVFTA

Administrative procedures are still the leading barrier for businesses to benefit from the EVFTA

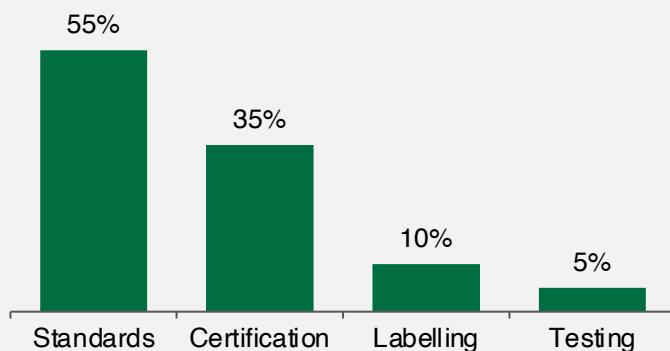
Having dipped 5% in Q1 2023, administrative procedure as a barrier to EVFTA benefits rose in prominence again in this quarter. At the same time, lack of understanding remains as one of the top barriers to benefit from the EVFTA.

Main barriers to benefit from EVFTA



Q: What are the main barriers for you to benefit from the EVFTA in your business? | n=232 | Base: Total

Technical barriers to benefit from EVFTA



Q: Please specify which technical barriers you are currently experiencing. | n=20 | Base: Those facing technical barriers to EVFTA

In Q2 2023, about 11% of businesses identified technical issues as a barrier to benefit from the EVFTA.

Of those, more than half say that they find standards as a barrier, while labelling and testing are less of an issue.

04 | Current events

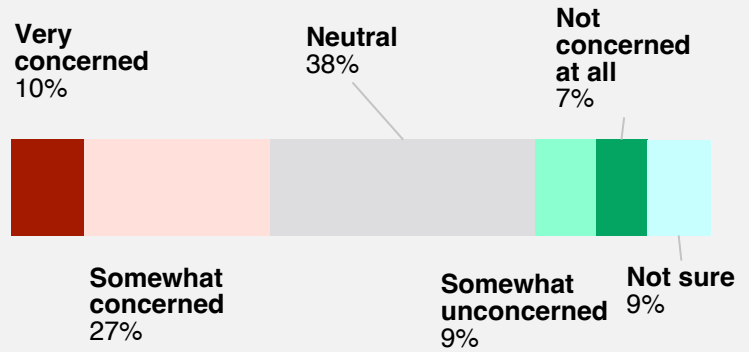


1

Global Minimum Tax

The global minimum tax implementation raised concerns for close to 40% of surveyed respondents

Potential compliance challenges – Global minimum tax implementation in Vietnam

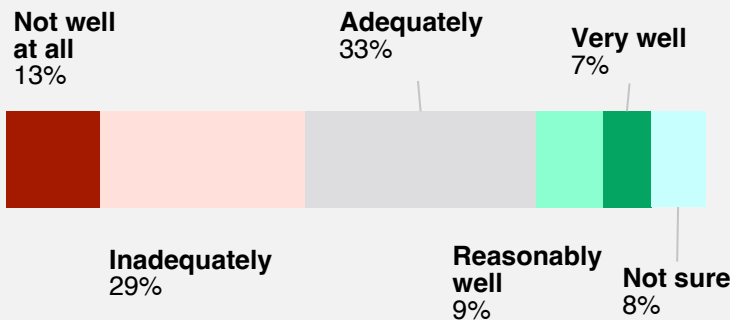


Q: Are you concerned about any potential compliance challenges arising from the implementation of the global minimum tax in Vietnam? | n=232 | Base: Total

2

Personal Data Protection Decree

Compliance requirements understanding – Vietnam’s Personal Data Protection Decree



Q: How much do you understand the compliance requirements outlined in Vietnam's Personal Data Protection Decree? | n=232 | Base: Total

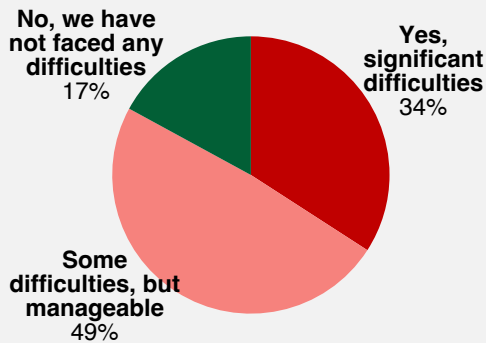
Similarly, around 42% reported inadequate understanding of Vietnam’s Personal Data Protection Decree, highlighting the need for further education on the Decree.

3

Visa issues

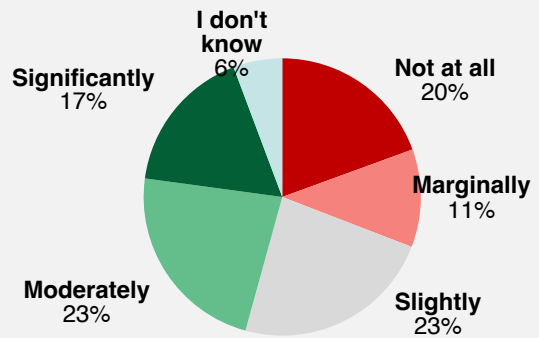
Obtaining visa/work permits for foreign workers appear to be a challenge, as >80% of surveyed enterprises faces at least some difficulties in this regard. This negatively impacts the transfer of knowledge & expertise from foreign workers for at least ¾ of companies.

Number of enterprises having experienced challenges with obtaining visas & work permit



Q: Have you experienced difficulties in obtaining visas and work permits for your foreign employees in Vietnam? | n=211 | Base: Those with foreign workers

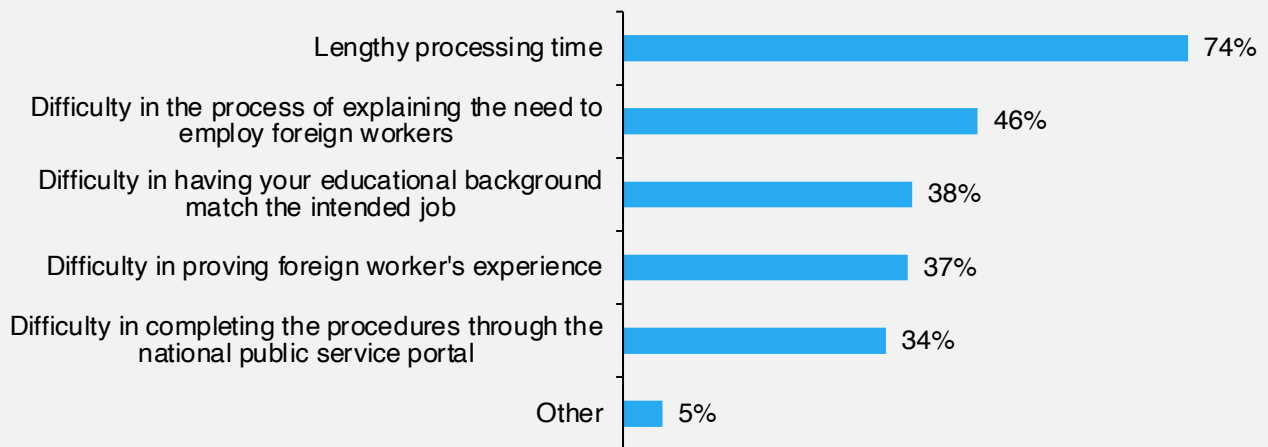
Impact of visa/work permit challenges on knowledge & expertise transfer



Q: Have the difficulties in obtaining visa/work permits for foreign employees prevented you from transferring knowledge & expertise to local employees? | n=175 | Base: Those who face difficulties with obtaining visa/work permit.

Long processing time is the most prominent issue plaguing companies who want to obtain visa/work permit for foreign personnel. Close to 50% of companies also struggle to explain the need to employ foreign workers.

Most challenging aspects of obtaining visas/work permits for foreign personnel



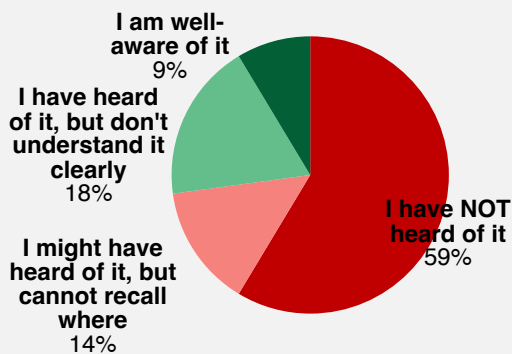
Q: Which aspects of the visa and work permit process in Vietnam do you find most challenging? | n=175 | Base: Those who face difficulties with obtaining visa/work permit

4

Carbon Border Adjustment Mechanism

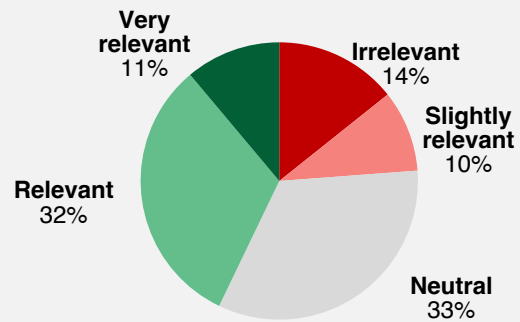
Only around 27% of respondents know about the Carbon Border Adjustment Mechanism. Of these, only 43% said CBAM is relevant to their business. The top 3 concerns about the CBAM revolve around compliance, administrative procedure, and adapting business processes.

Awareness of the Carbon Border Adjustment Mechanism (CBAM)



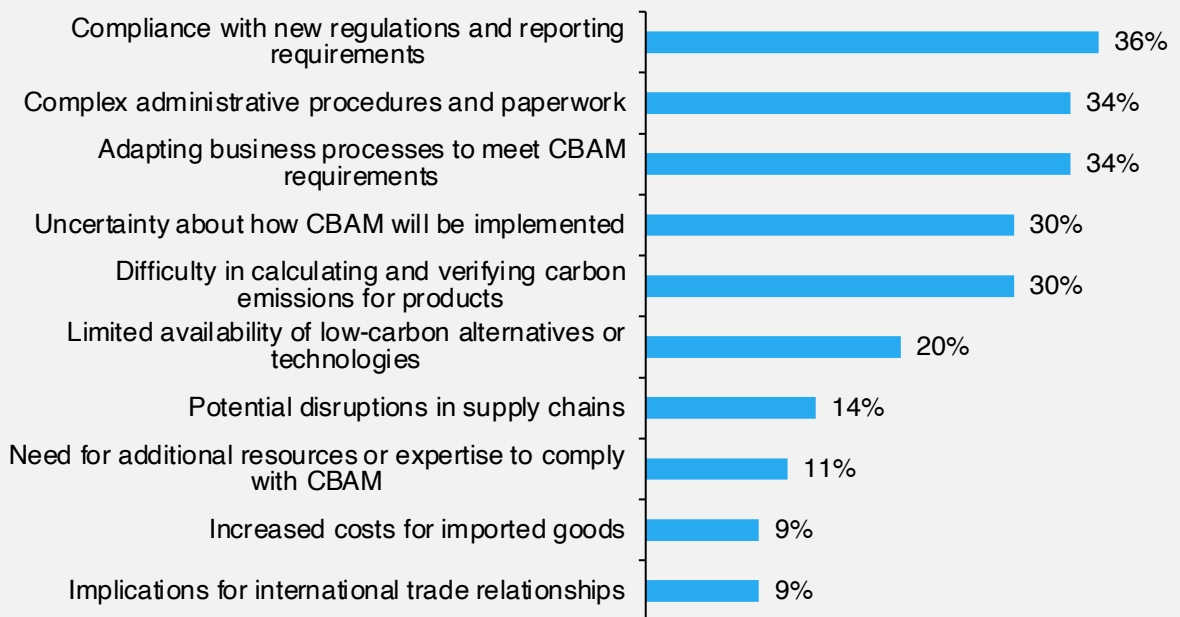
Q: Have you ever heard of or known about the EU's Carbon Border Adjustment Mechanism (CBAM)? | n=232 | Base: Total

Perceived relevance of the Carbon Border Adjustment Mechanism (CBAM)



Q: How relevant do you think the EU's Carbon Border Adjustment Mechanism (CBAM) is to your business? | n=63 | Base: Those aware of CBAM

Top 10 main concerns regarding CBAM's impact on business



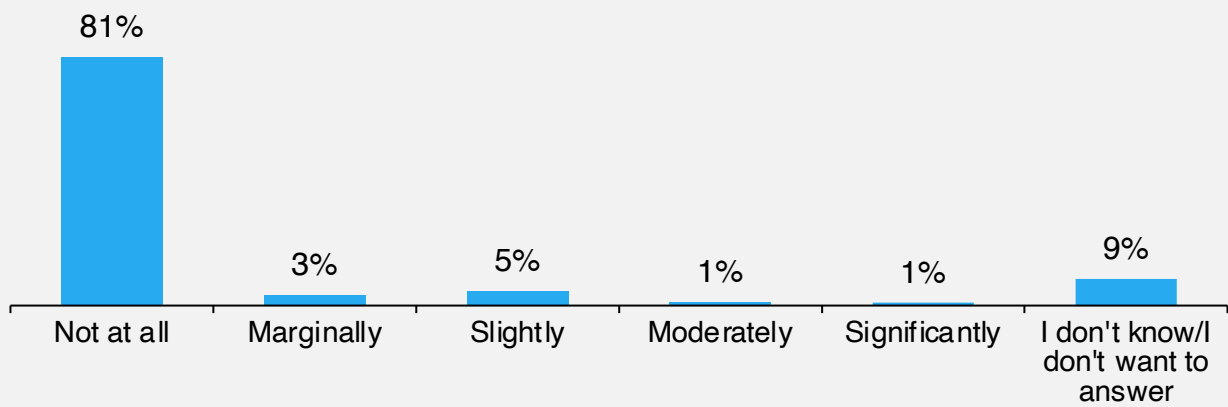
Q: What are your main concerns regarding the potential impacts of the EU's Carbon Border Adjustment Mechanism (CBAM) on your business? | n=63 | Base: Those aware of CBAM

5

Relocation

Intended & reported relocation from China to Vietnam are low in Q2 2023. 81% of companies have not relocated any of their operations from China to Vietnam. Among these, only 3% are considering and 2% actively planning to relocate.

Relocation from China to Vietnam



Q: Has your company relocated any of its operations from China to Vietnam? | n=232 | Base: Total

Plan/consideration for relocating from China to Vietnam

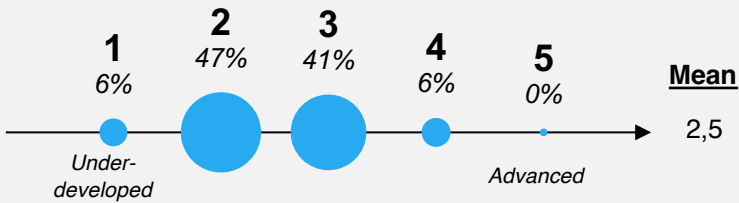


Q: Is your company considering or actively planning to relocate any of its operations from China to Vietnam in the near future? | n=188 | Base: Those who have not relocated from China to Vietnam

6

Power shortages

Ratings of Vietnam's infrastructure development



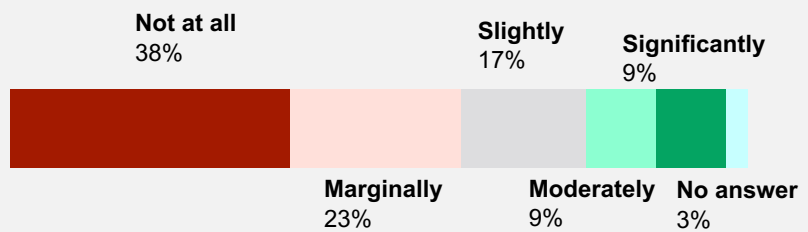
Q: How would you rate the level of infrastructure development in Vietnam? (compared to similar countries in the region) | n=232 | Base: Total

European business leaders appear to perceive Vietnam's infrastructure development as relatively less developed compared to similar countries in the region.

Power shortages pose some challenges to around 60% of companies, with around 10% being severely impacted.

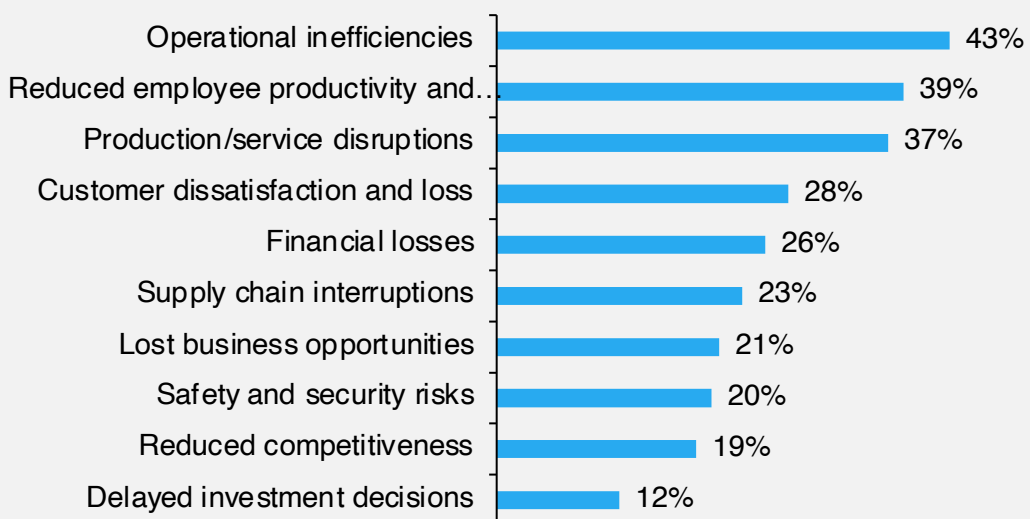
Power shortages impact mostly operational efficiencies, employee productivity & morale, and production/service disruptions.

Perceived impact of power shortages



Q: Have power shortages in Vietnam impacted your business operations? | n=232 | Base: Total

Impact of power shortages on business operations in Vietnam

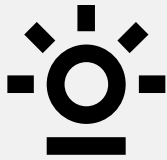


Q: What has been the specific impact of power shortages on your business operations in Vietnam? | n=137 | Base: Those who have been impacted by the power shortage

05 | 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 2,382 business leaders among representatives from EuroCham's 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, 232 completed the full questionnaire in this round. This represents a response rate of 10,22% which is considered moderately high for a survey amongst the top business executives.

Reach out to us

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