

# EuroCham Business Climate Index


Quarter 1, 2023

**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.decisionlab.co](http://www.decisionlab.co)

# 01 |

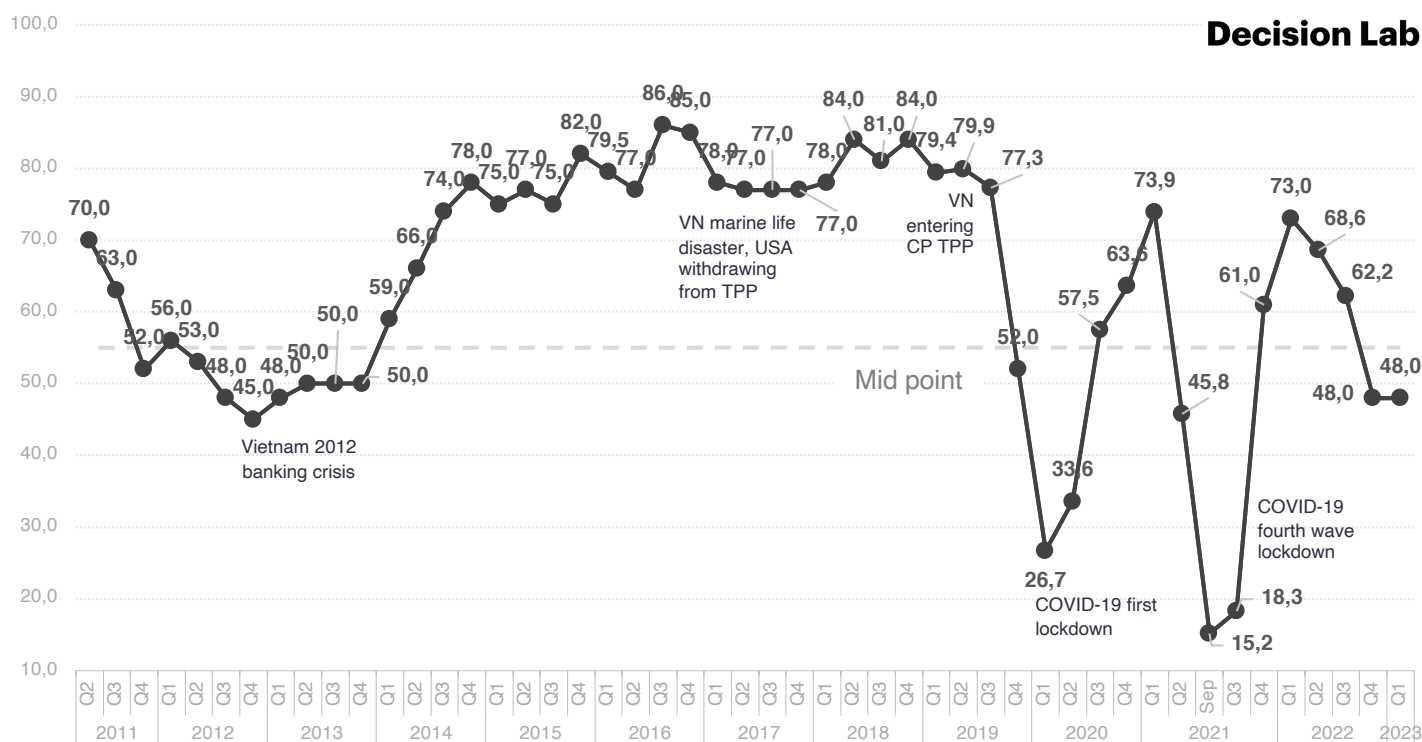
# BCI, the macroeconomy, and the business outlook



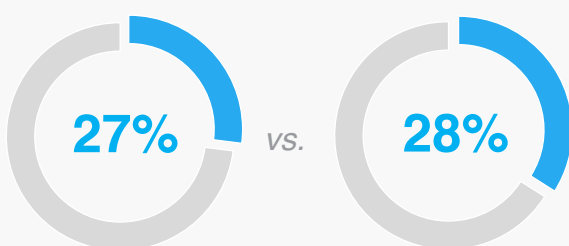


## Business confidence shows some indications of improvements though leaders remain cautious

The business climate index continues to be slightly below the midpoint at 48.00, indicating a sustained skepticism in the economy's performance from business leaders.



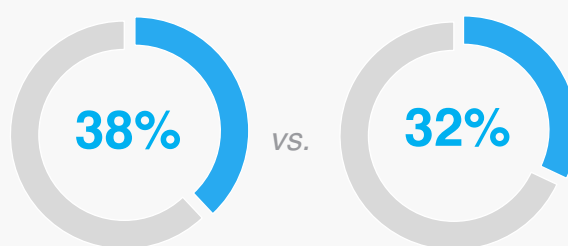
***“The economy is more likely to stabilize and improve next quarter”***



Q4 2022

Q1 2023

***“The economy is more likely to deteriorate next quarter”***



Q4 2022

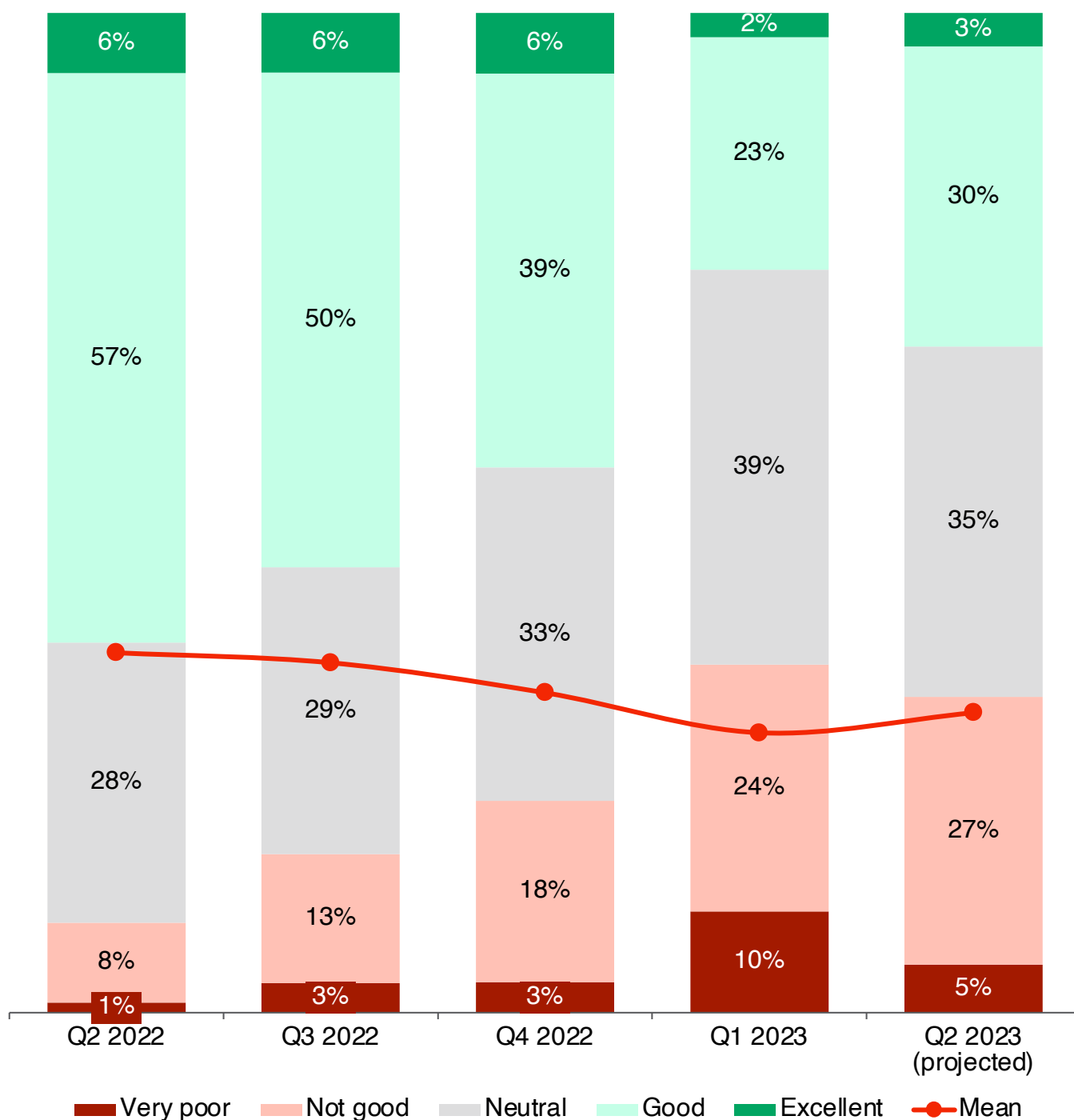
Q1 2023

Six percentage point (ppts) fewer business leaders agreed that the Vietnam economy would deteriorate in Q1 2023, while one percentage point more respondents indicated that the economy would stabilize and improve in the next quarter in Q1 2023, compared to the previous quarter.

## Business leaders expect slightly improved economic performance in the next quarter

Projected positive business outlook in Q2 2023 increased by 8 pts compared to Q1 2023, resulting in a slightly more positive outlook on average

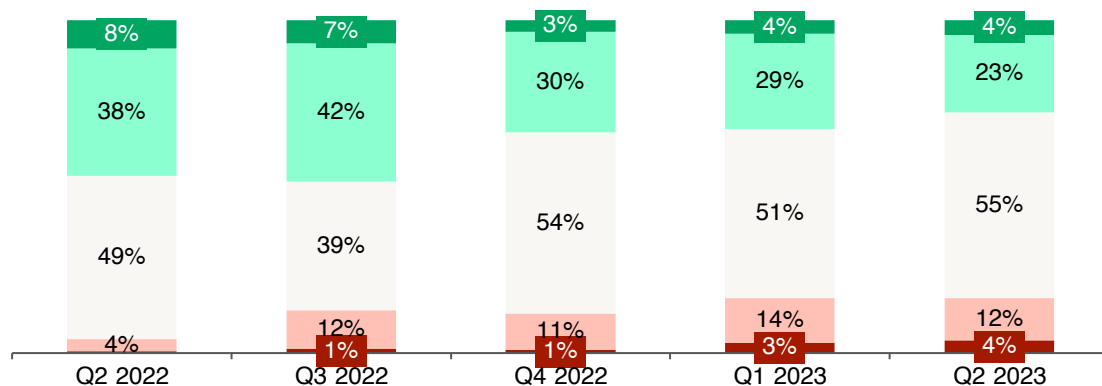
Business outlook from Q3 2019 to predicted Q2 2023



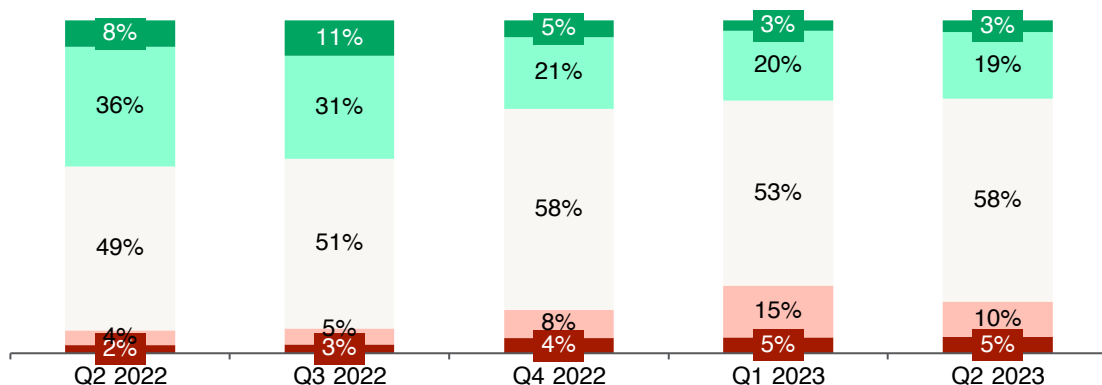
## Investment and headcount are bound for a freeze, despite revenue/order growth in Q2 2023

In line with business leaders' confidence in future economic performance, they expect order/revenue growth in the next quarter. However, they will continue to be conservative regarding headcount and investment expansion.

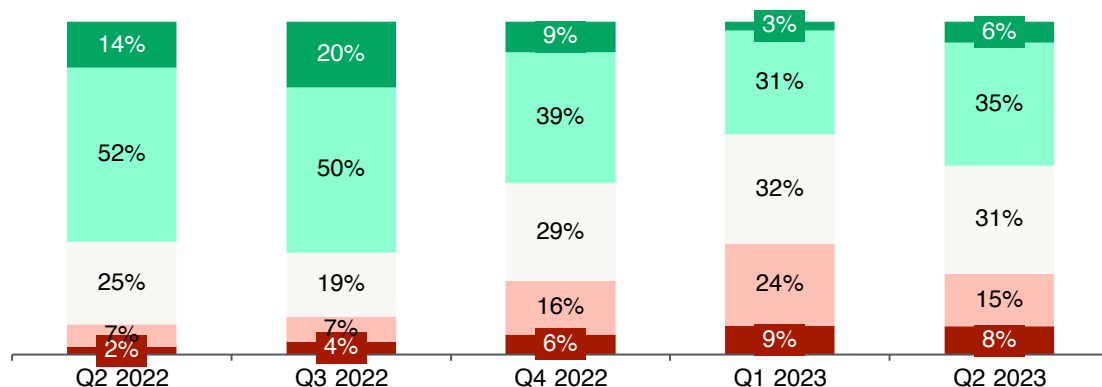
### Headcount planning



### Investment planning



### Order/Revenue planning



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

## Vietnam's tourism & travel industry is the most anticipated sector to improve in the future

In line with business leaders' confidence in future economic performance, they expect order/revenue growth in the next quarter. However, they will continue to be conservative regarding headcount and investment expansion.

As borders are being open, the travel and tourism sector is selected as the sector most likely to grow in the future.

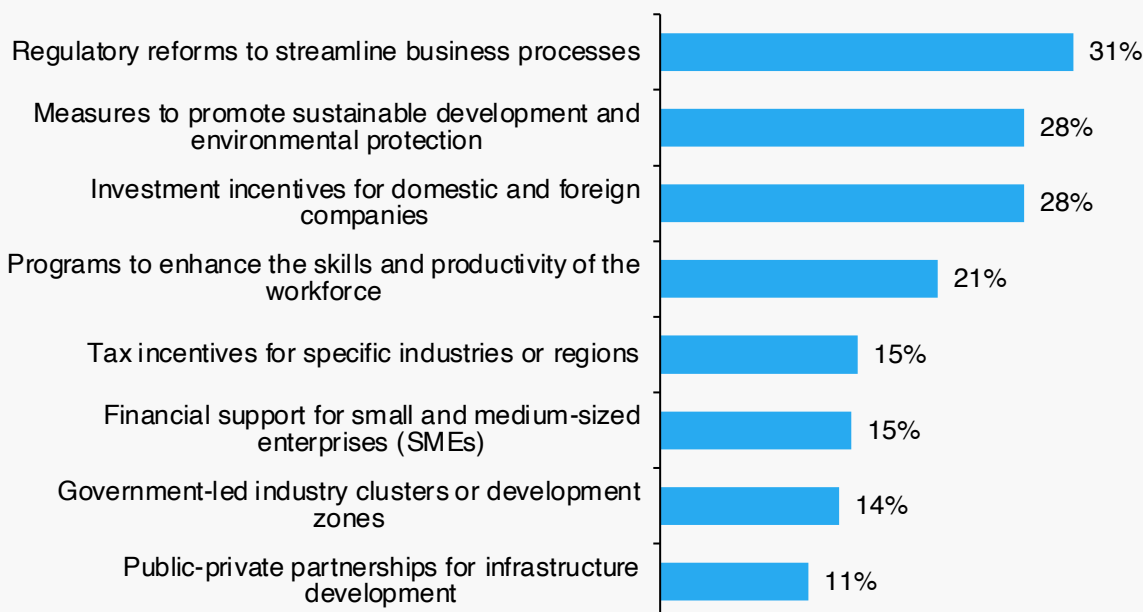
Other potential sectors include F&B, renewable energy, etc.

Regulatory reforms, investment incentives, and sustainable development are identified as key drivers for many sectors' growth in Vietnam.

*Which sectors do you expect to grow most in Vietnam in the next quarter?*

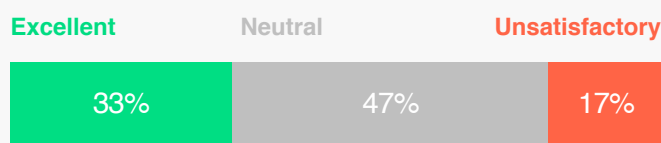
**Tourism**  
38%

*What are the key factors driving growth in your company's sector in Vietnam?*



Only one third of the surveyed leaders are happy about the availability and quality of Vietnam's local talents, highlighting the need for talent development programs.

*How would you rate the availability and quality of local talent in Vietnam?*





02 |

# Vietnam FDI attraction

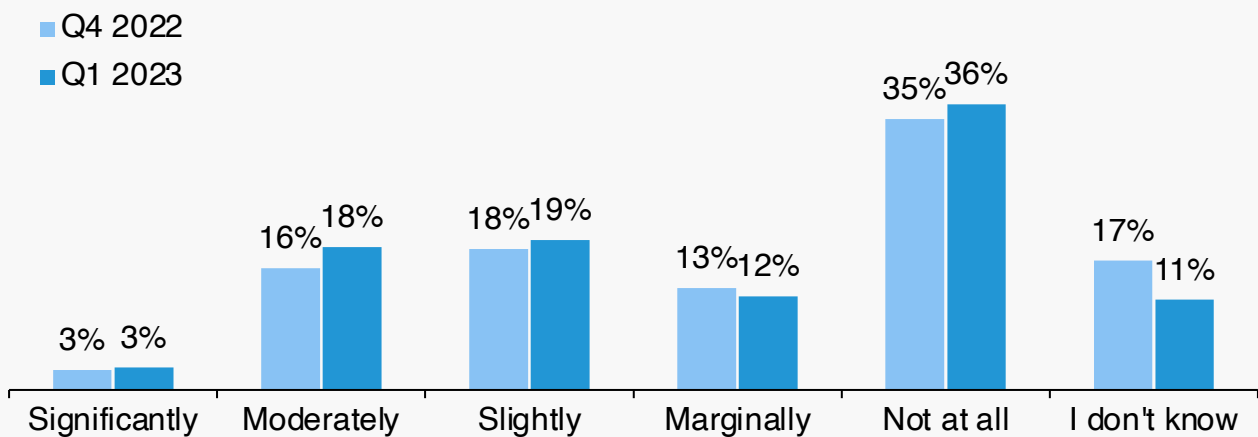


## Vietnam's attractiveness to FDI is sustained in Q1'23

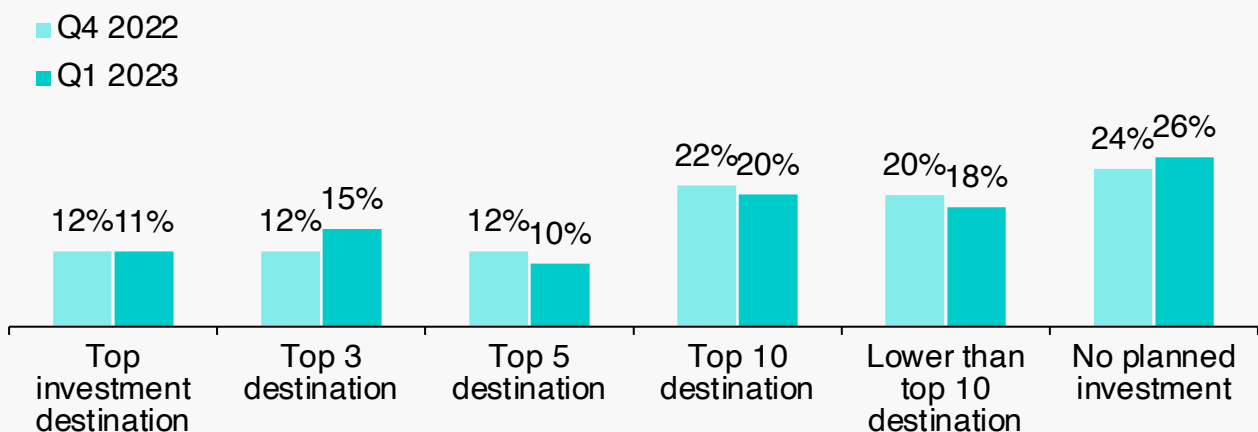
Vietnam's FDI attraction remains largely the same compared to the previous quarter:

- For the next quarter, companies forecast similar levels of foreign direct investment (FDI) in Vietnam as they did in the last BCI
- Vietnam is broadening its position as the top 3 investment destination for European business leaders with 3% more leaders choosing Vietnam among its top 3 investment destination.

### *Do you expect your company's FDI in Vietnam to increase by the end of next quarter?*



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

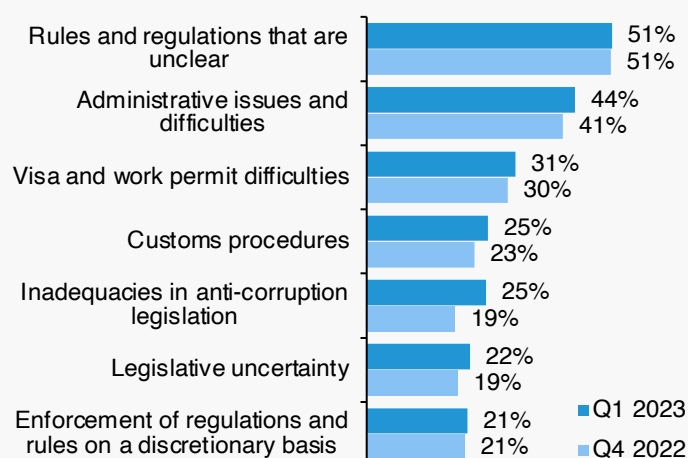


## Policies and regulations are the top areas of interest

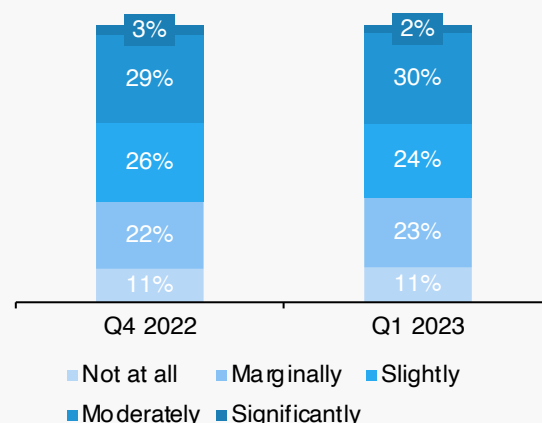
Unclear rules & regulations, administrative issues, and visa difficulties remain as the top three biggest obstacles to foreign businesses' operations in Vietnam. For the manufacturing sector, customs procedures pose another issue, while for services firms, visa & work permit difficulties is a prominent obstacle. Other sectors (incl. transportation, pharma, renewable energy) additionally suffer from lacking anti-corruption legislation.

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

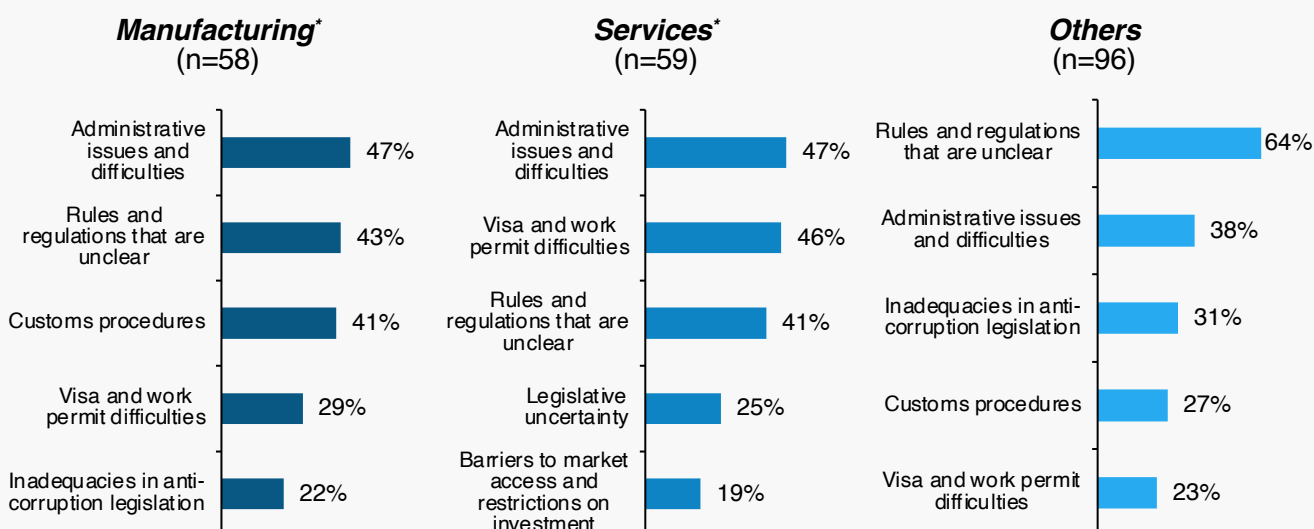
### What are the top three most significant regulatory obstacles for your company when doing business in Vietnam?



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

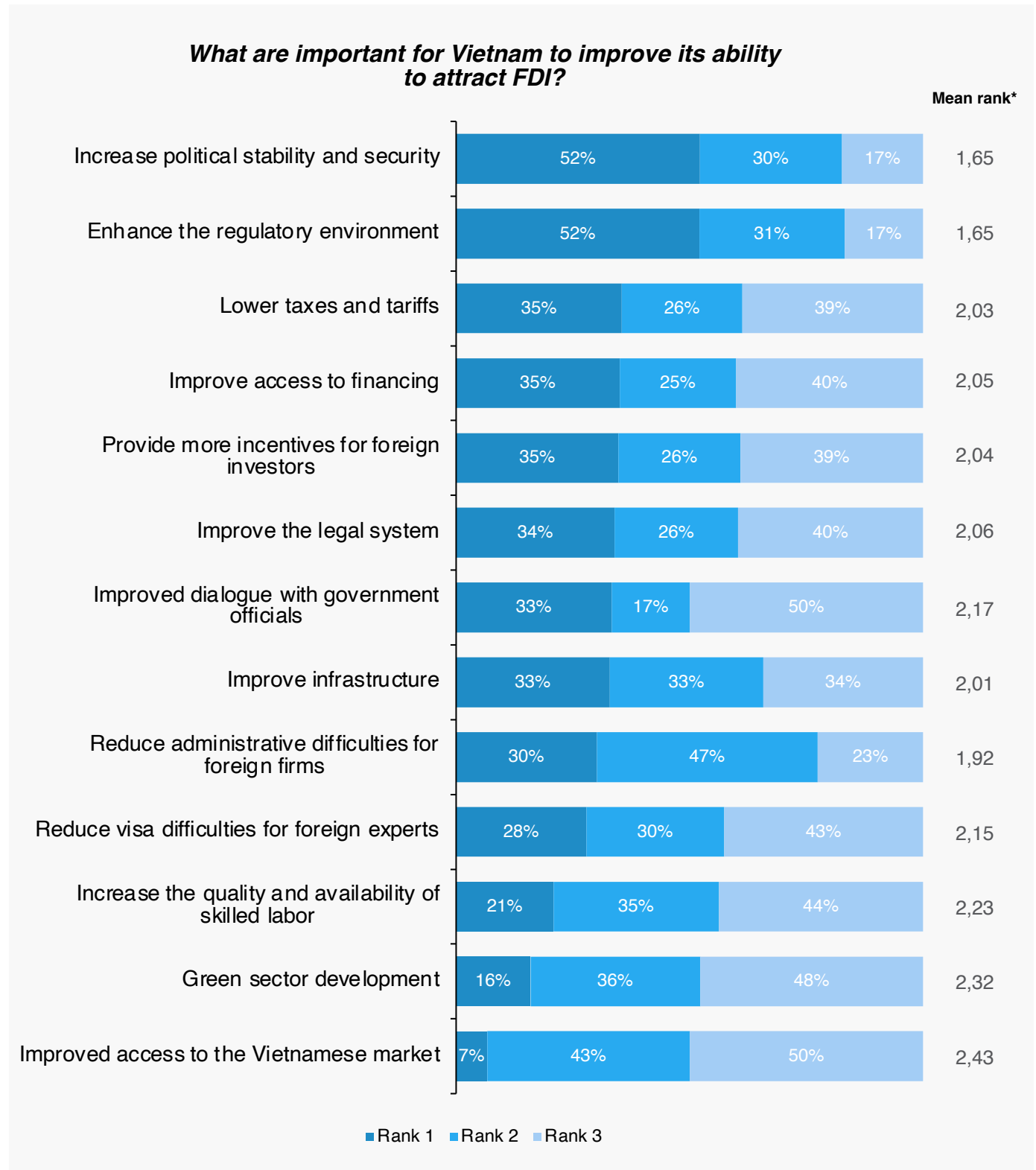


### What are the top three most significant regulatory obstacles for your company when doing business in Vietnam? – by sector groups



\*Note: Manufacturing includes Food, Agriculture, & Aquaculture, Automotive, Dairy, Alcoholic drinks, Cosmetics; Services includes Digital services, Legal services, Financial services & Fintech, Advisory services, Marketing, media, & research, Tourism & Hospitality; Others includes Transportation & logistics, Renewable Energy, Pharmaceutical, & other sectors

## Increased political stability & security and better regulatory environments are the most important areas for improvement to attract 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](#)

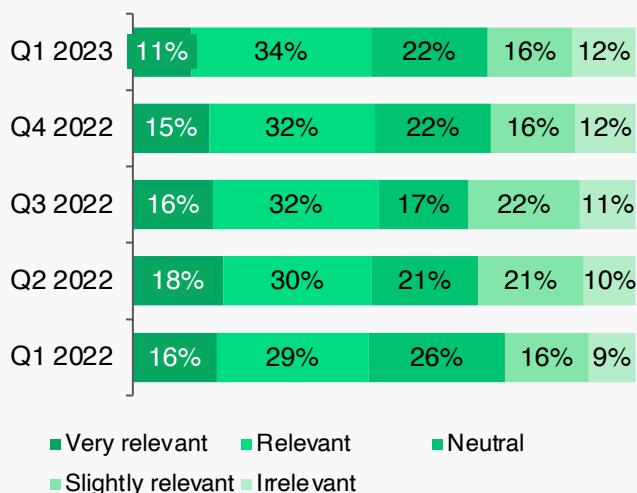


Understanding of EVFTA has improved in Q1 2023, with 6% fewer respondents indicating a lack of understanding of the trade agreement. The relevancy of the trade agreement maintains previous quarter's level.

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



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

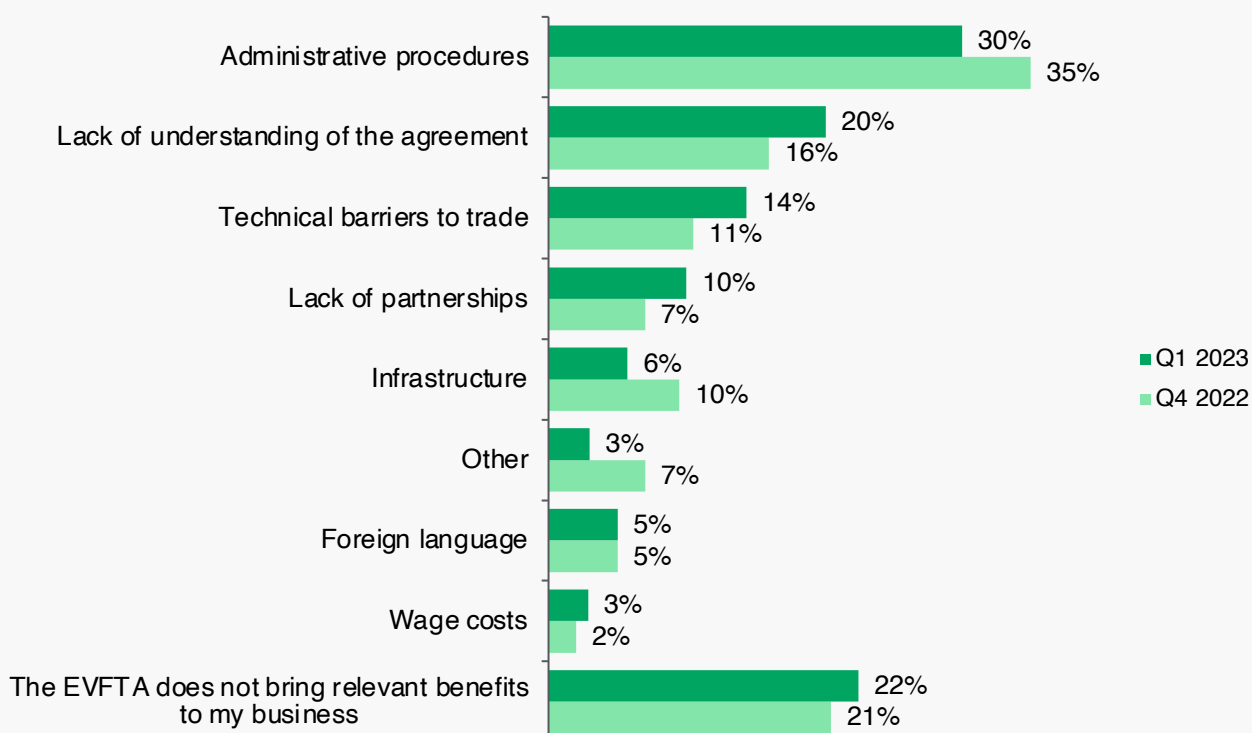




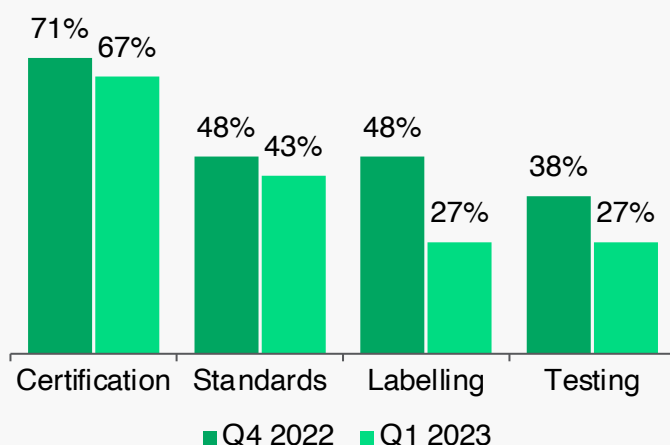
## EVFTA

Administrative procedures appear to have become less problematic as a barrier to EVFTA utilization, while lack of understanding and technical barriers to trade are becoming bigger problems. This shows that while EVFTA understanding is improving, there is still room for more advancement.

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



### *Technical barriers you are currently experiencing*



As technical barriers are becoming larger issues, certification and standards remain the top problems to tackle.

At the same time, labelling and testing are demonstrably less problematic in Q1 2023.

# 04 I

# 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 2,020 business leaders among representatives from EuroCham's more than 1,300 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, 213 completed the full questionnaire in this round. This represents a response rate of 10,5%, which is considered moderately high for a survey amongst the top business executives.

# Reach out to us

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