

EuroCham Business Confidence Index

Quarter 3, 2023

Decision Lab



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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.

We don't just collect data, we connect data.

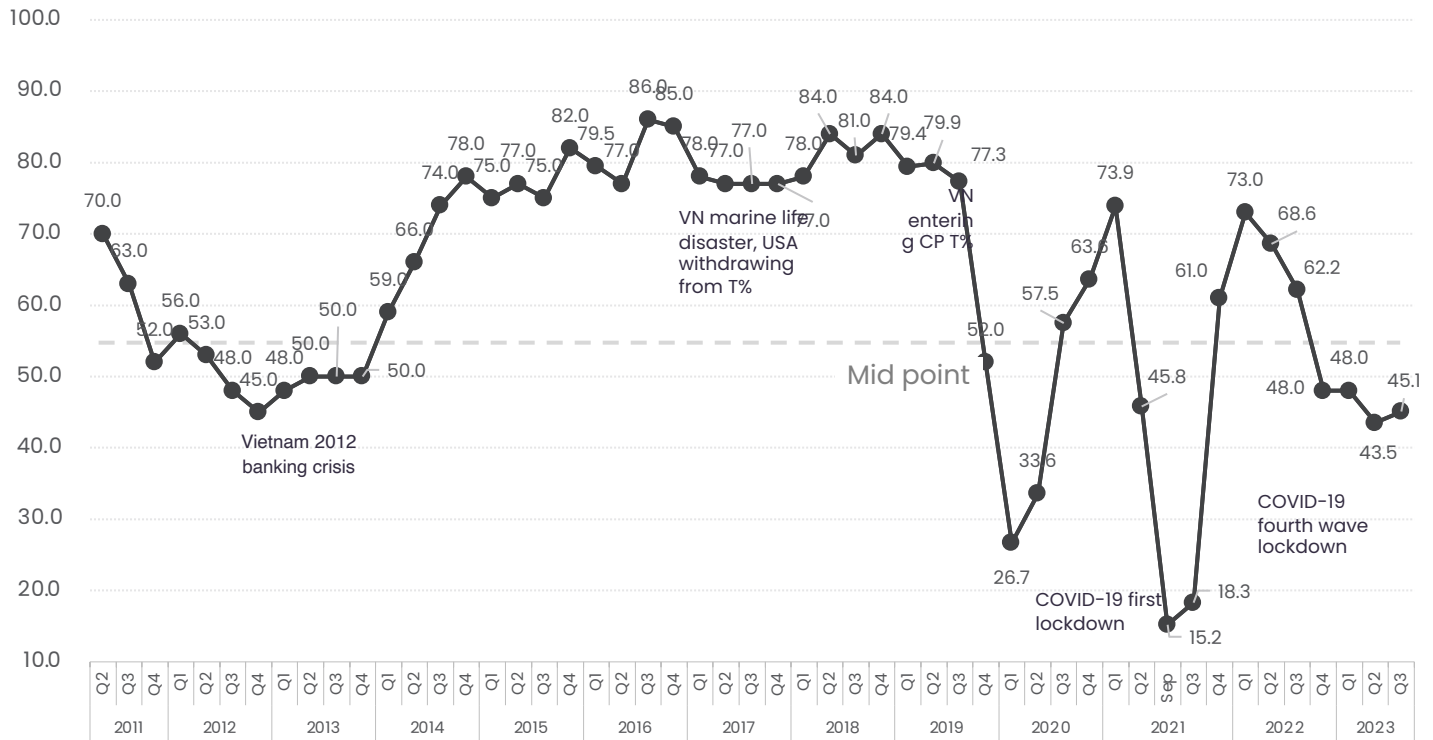
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01 | BCI, the macroeconomy, and the business outlook

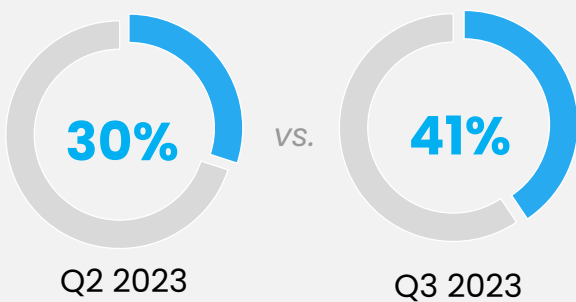


The business climate is displaying a trend towards stabilization, accompanied by a modest upturn.

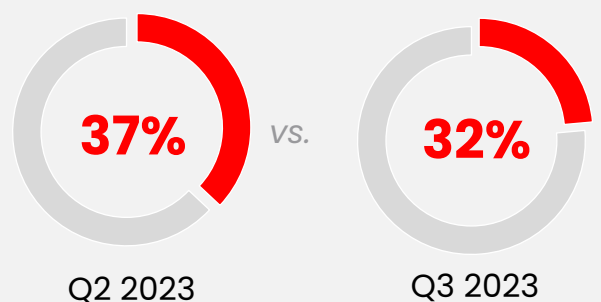
Despite the Business Confidence Index (BCI) persisting below the midpoint at 45.1, marking Vietnam's fourth consecutive quarter in this position, this observation holds promise and signifies a potential for optimism.



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



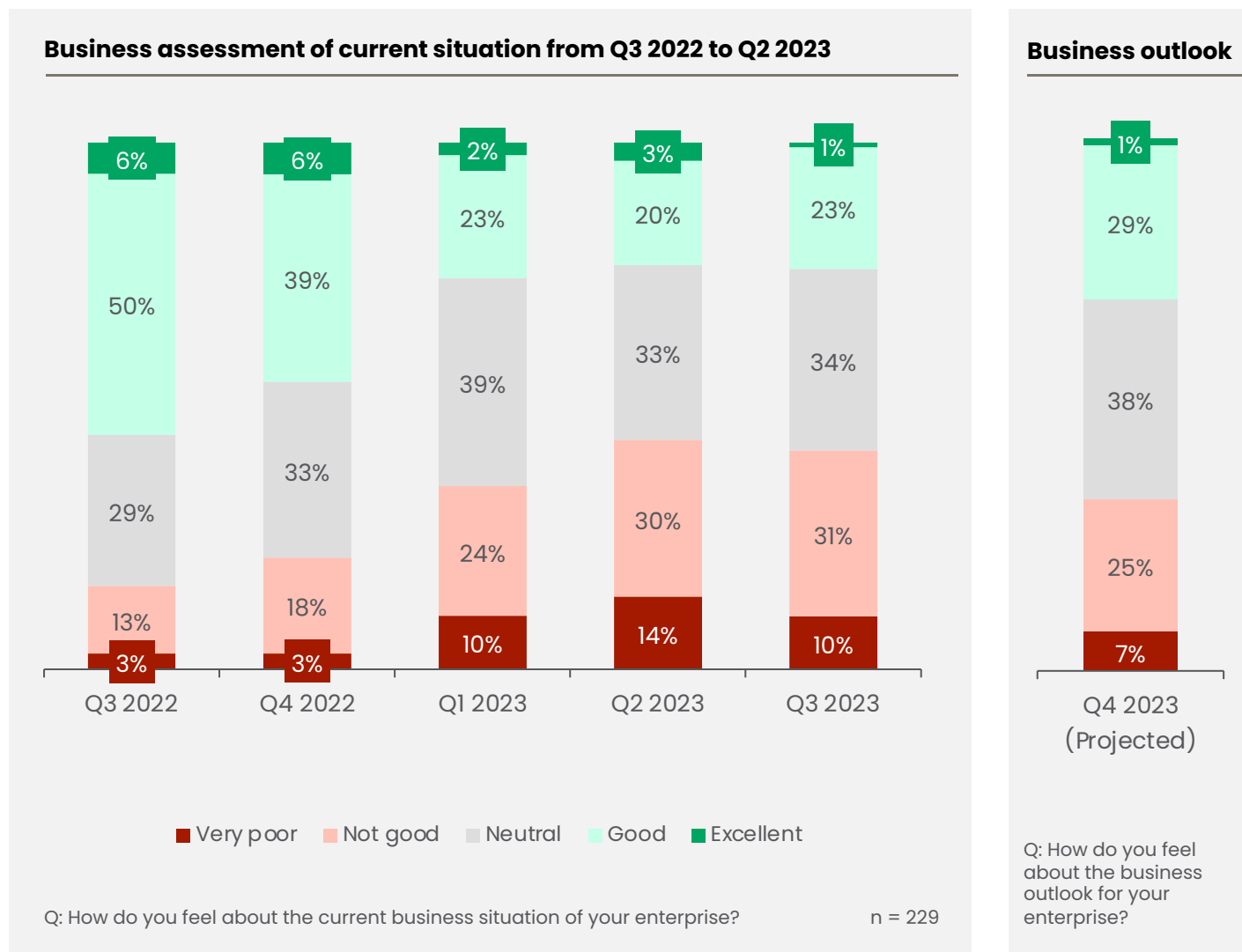
"The economy is more likely to deteriorate next quarter"



An 11% increase in businesses expressing optimism regarding economic stabilization and improvement, coupled with a decline in respondents anticipating economic deterioration, presents encouraging news. This shift in sentiment underscores a more positive outlook among businesses concerning the macroeconomy as we approach the final quarter of the year.

The pattern of business confidence has mirrored the sentiments of the last two quarters

The changes in business assessment between the two quarters are marginal. Nevertheless, it is noticeable that the negative sentiment in the current business assessment decreased by 3% from the last quarter.

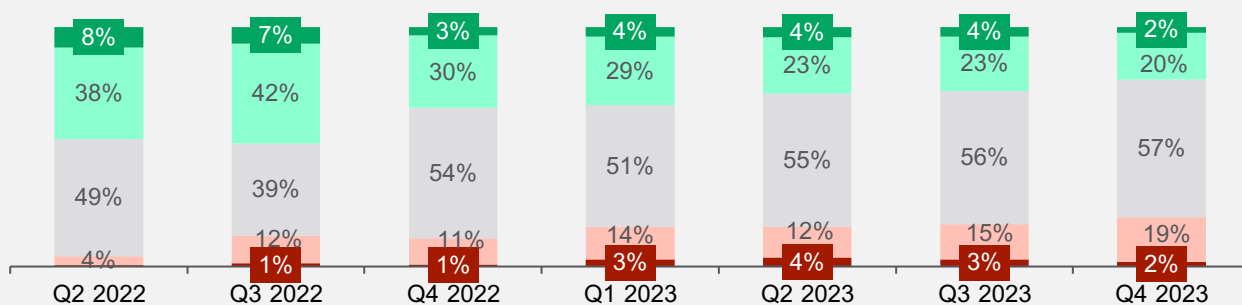


The business outlook is displaying increased optimism. The segment of respondents expressing concern about the negative outlook for the upcoming quarter has decreased by 9% in comparison to the business evaluation in quarter 3. Simultaneously, positive and neutral responses increased by 6% and 4% respectively, signaling a trend of stability and positivity in the near future.

Despite the outlook of the macroeconomy has improved, this has yet significantly impact businesses' planning for the last months of the year

Fewer businesses expect reduction in revenues/ orders. On the other hand, not many plan to expand their headcount and investment in quarter 4.

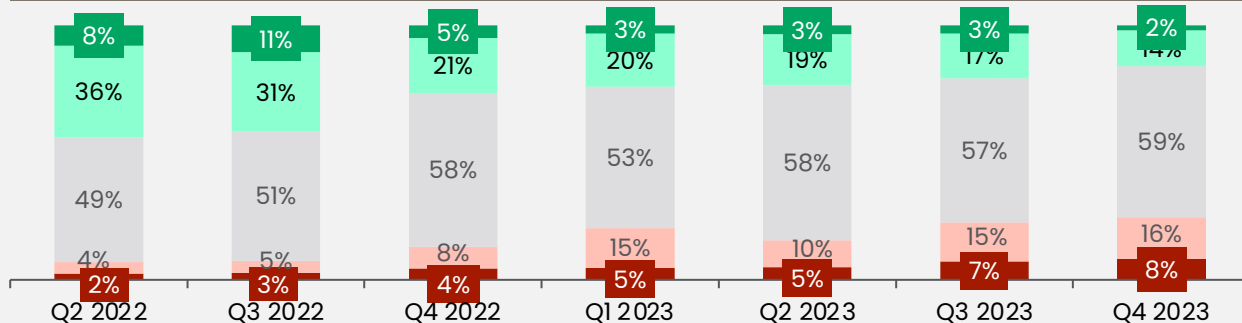
Headcount Planning



Q: How do you expect your company's number of orders/revenue to change in the next quarter?

n = 223

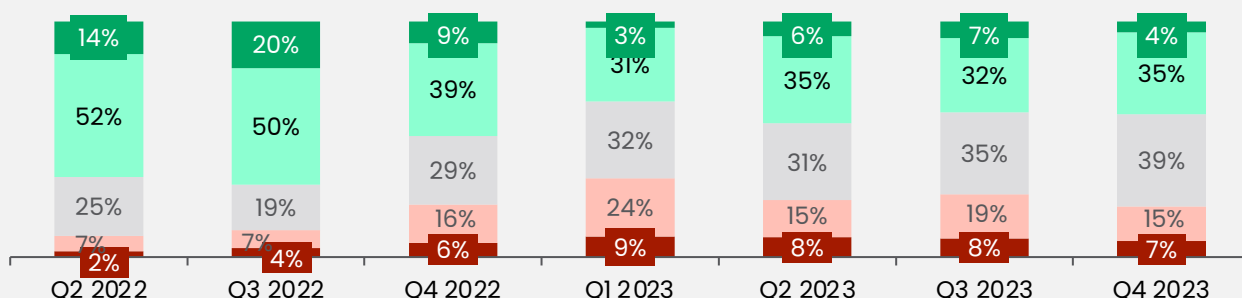
Investment Planning



Q: How do you expect your company's number of orders/revenue to change in the next quarter?

n = 219

Revenue/ Orders



Q: How do you expect your company's number of orders/revenue to change in the next quarter?

n = 223

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

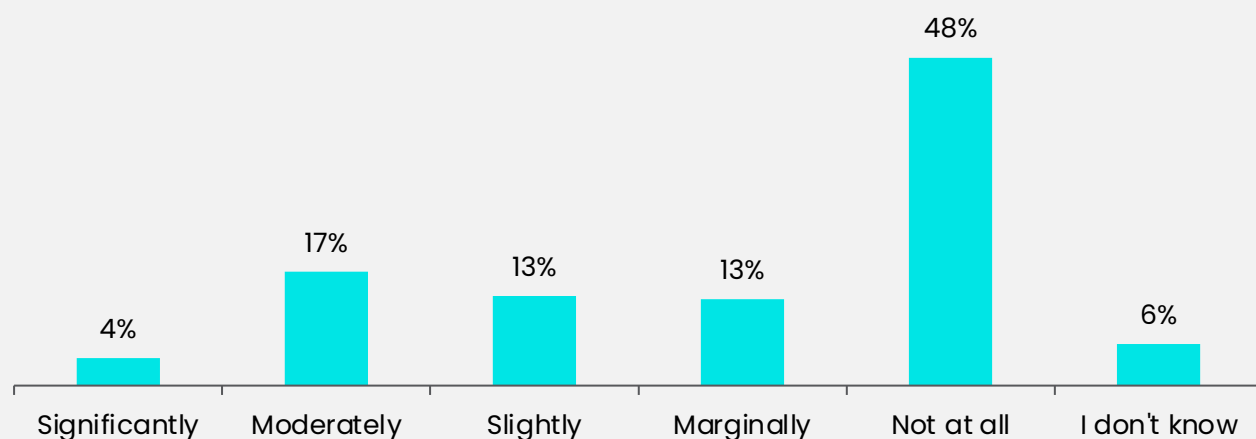
02 | Vietnam FDI attraction



More than 60 percent of businesses consider Vietnam as one of their top 10 destinations for investment

Close to half of applicable respondents report that they expect their FDI in Vietnam will increase by the end of the year. This positive anticipation underscores a promising outlook for FDI inflows and highlights Vietnam's attractiveness as an investment destination.

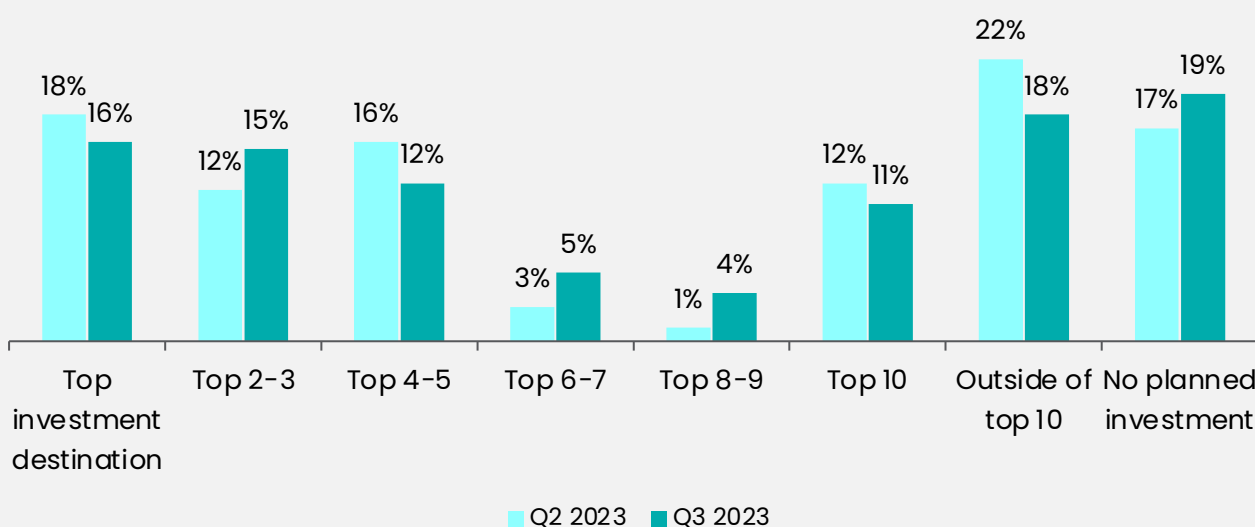
FDI Expectation *(Base: applicable respondents)*



Q: Do you expect your company's FDI in Vietnam to increase by the end of Quarter 4?

n = 199

Vietnam ranking as investment destination, Q3 2023 *(Base: applicable respondents)*



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

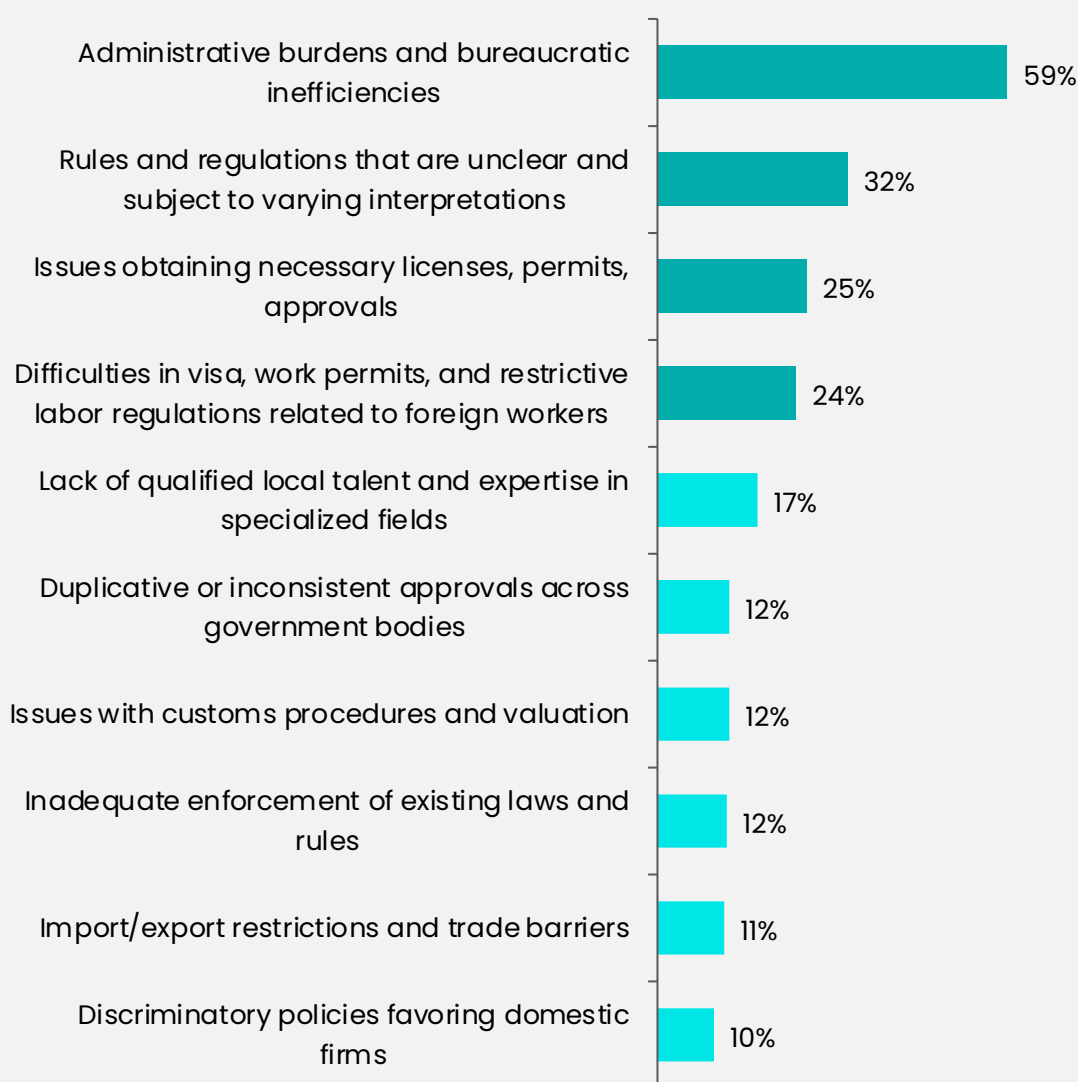
n = 186

Administrative and bureaucratic inefficiencies are cited as the most significant regulatory obstacles when doing business in Vietnam

Notably, other issues that were chosen by more than 20% of respondents are also somewhat related to administrative challenges and regulations.

Data privacy, access to financing, and intellectual property rights are not as pronounced in terms of concern for businesses.

Top 10 obstacles to do business

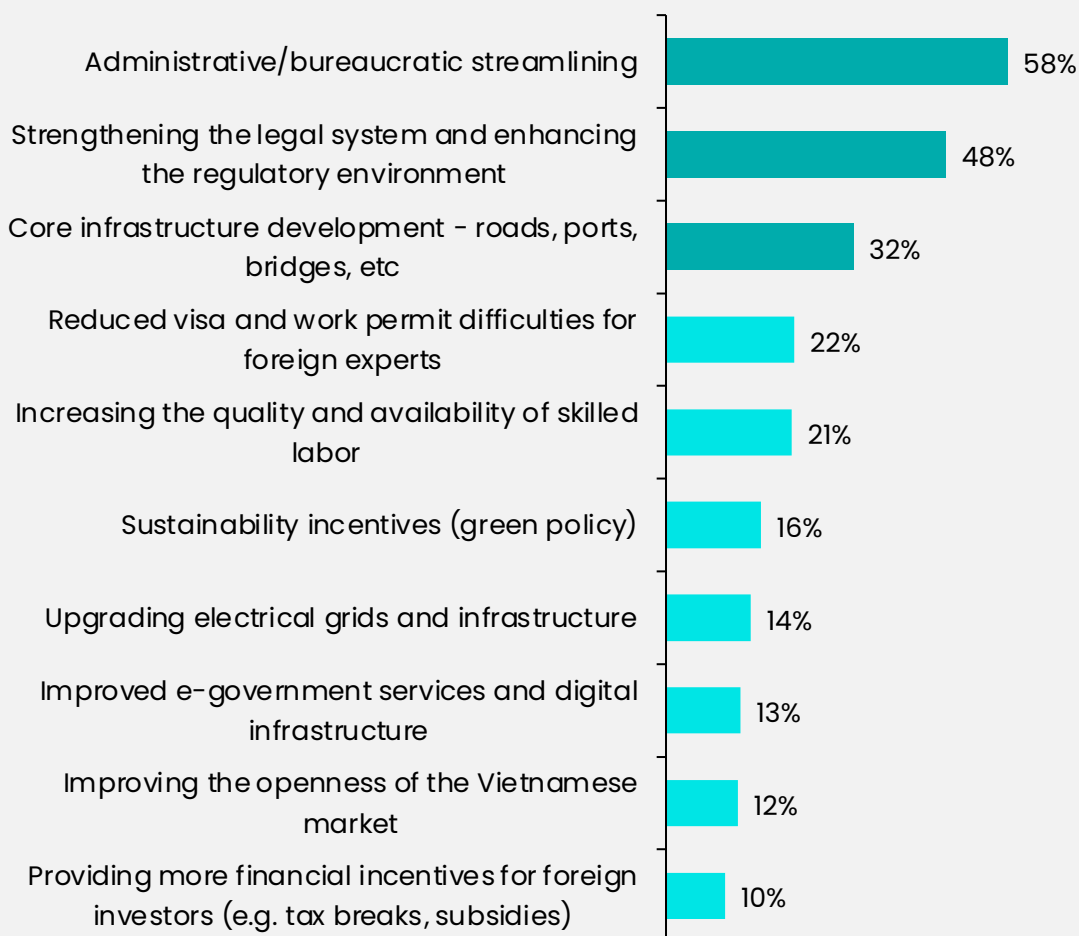


Q: What are the top three most significant regulatory obstacles for your company when doing business in Vietnam?

n = 229

Consequently, more than half businesses agree that optimizing administrative and bureaucratic processes stands as the primary factor to bolster Vietnam's capacity for attracting FDI

Factors to improve ability to attract FDI



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

n = 229

This quarter, more than 30% of respondents emphasized core infrastructure development as crucial for enhancing Vietnam's business appeal. Sustainability incentives also featured prominently within the top 10 factors, illustrating their growing importance in business operations.

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:

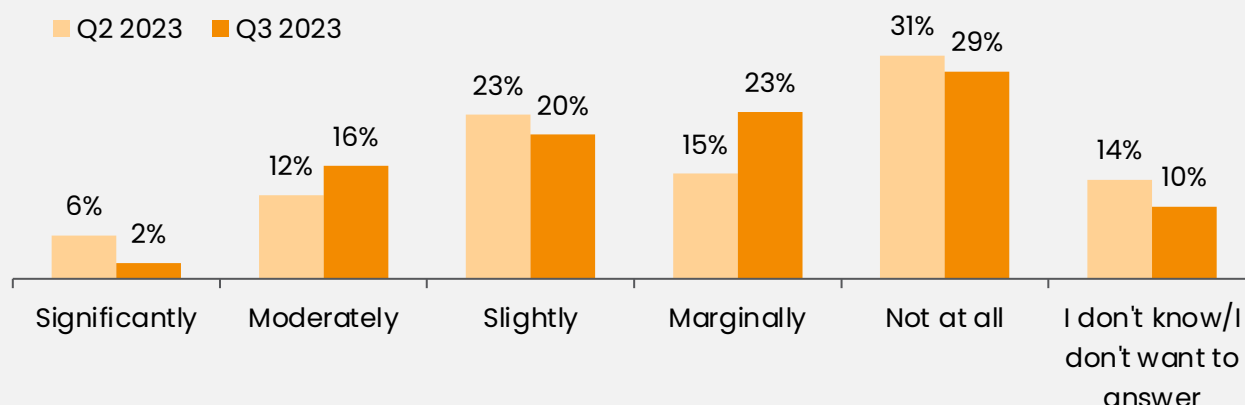
- 1. Tariff Reductions:** The EVFTA will eliminate almost all tariffs between the EU and Vietnam. It removed tariffs on 65 percent of the value of EU exports the moment the FTA entered into force, with the remaining tariffs being phased out over the following decade. Meanwhile, 71 percent of EU imports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



Approximately 6 percent more respondents indicated that their businesses benefited from EVFTA in quarter 3. However, the degree to which they perceive these benefits has shifted towards a more marginal impact.

EVFTA Benefits



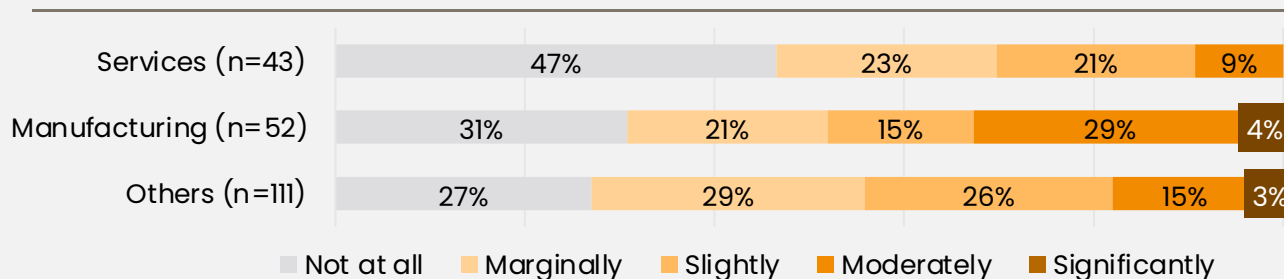
Q: Has your company benefitted from the EVFTA?

n = 229

The manufacturing sector experienced the most substantial benefits from the EVFTA.

Nearly half of the businesses agreed that tariff reductions were the principal mechanism through which the agreement positively impacted their operations.

EVFTA Benefits by Sectors



Q: Has your company benefitted from the EVFTA?

n = 143

Ways EVFTA benefit businesses



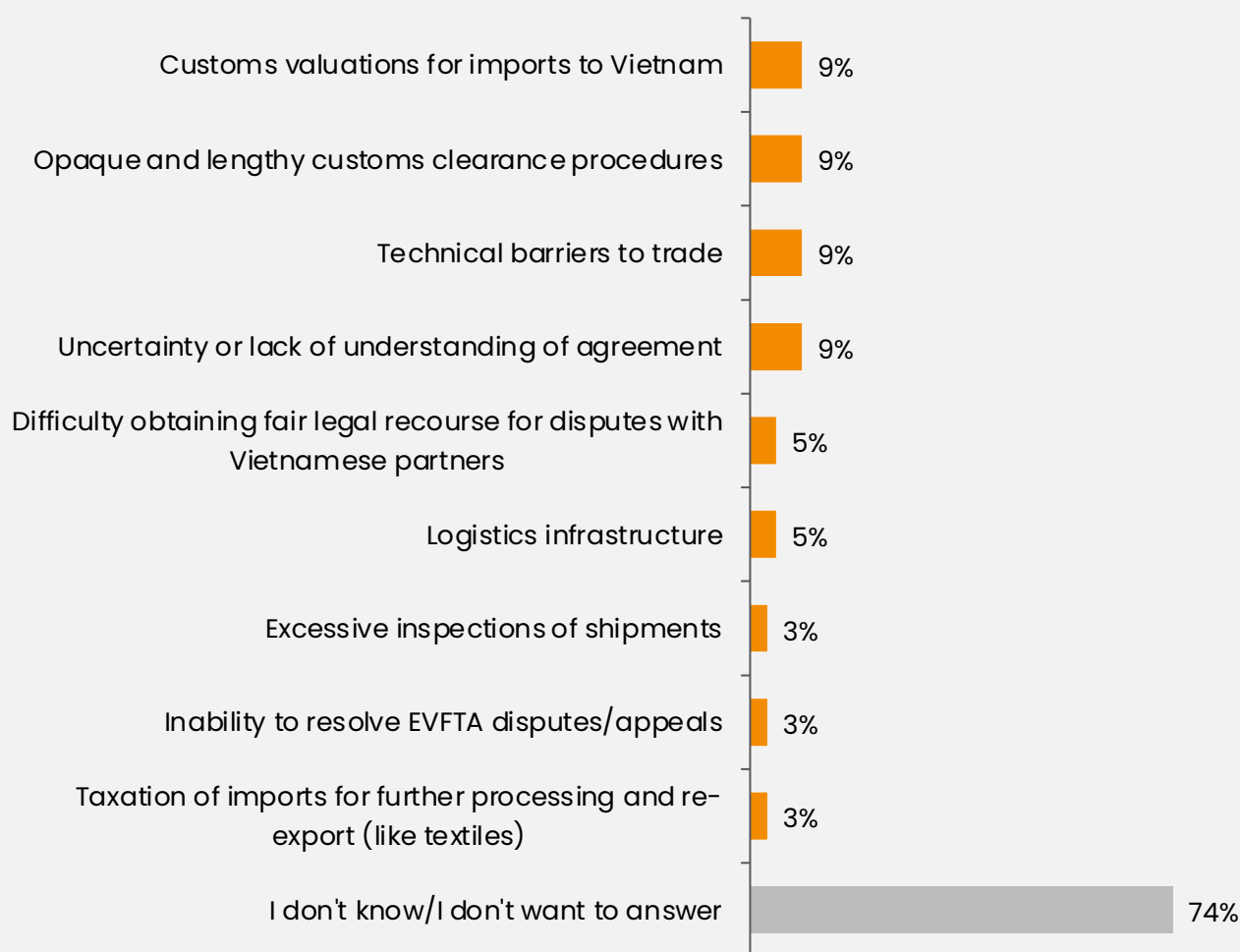
Q: How has your company benefitted from the EVFTA?

n = 143

Customs procedures and valuations are reported as the leading barrier to benefit from the agreement

Among those reporting no benefit from the EVFTA, most either cited a lack of awareness about how they could benefit or stated that the agreement was not applicable to their situation. However, customs procedures are set to be reviewed and enhanced to maximize the benefits of the free trade agreement.

Main barriers to benefit from EVFTA



Q: What are the main barriers that restrict your company's ability to take advantage of EVFTA's opportunities?

n = 66

Technical concerns have diminished in significance this quarter compared to prior waves. Among the limited respondents reporting technical trade barriers, certification and testing are indicated as noteworthy concerns.

04 | Sustainability and Regulatory Alignment



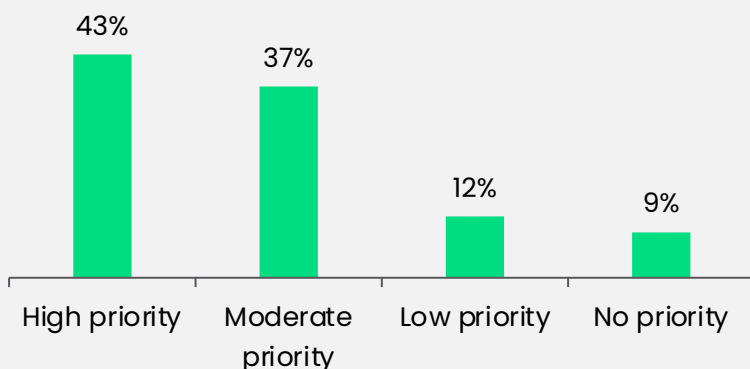
A significant 80 percent of respondents deemed ESG a high to moderate priority for aligning their operations with ESG criteria in Vietnam.

Sustainability is now a cornerstone of modern business practices, ensuring longevity and ethical operations.

Responding to global sustainability goals, Vietnam has enacted regulations concerning environmental preservation, labor standards, corporate social responsibility, and ethical business conduct.

Adhering to these regulations and integrating sustainable strategies into their operations not only advances Vietnam's sustainable development goals but also enhances businesses' competitive edge in the international arena.

ESG Priority

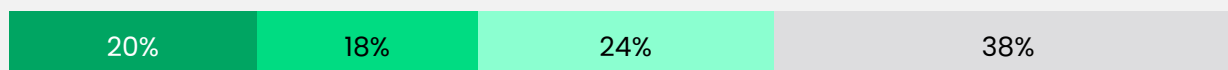


Q: How would you rate the level of priority your company assigns to aligning its operations in Vietnam with ESG criteria?

n = 229

Even though ESG is reported as a priority, only one-fifth of businesses are actively aligning their practices with EU regulations, while close to 40% said they are not considering any adjustment.

EU Green Regulations Progress



- Actively adjusting business practices to ensure compliance and competitiveness.
- Monitoring developments but not planning significant adjustments at the moment.
- Exploring potential adjustments but awaiting more clarity on the regulations.
- Not currently considering adjustments in response to these regulations.

Q: Regarding the impending EU green regulations, how is your company approaching alignment with these regulations while operating in the Vietnamese market?

n = 229

Sustainability initiatives are currently hampered by regulatory uncertainty and gaps in governmental support, as well as existing infrastructure that support sustainable practices

ESG Barriers



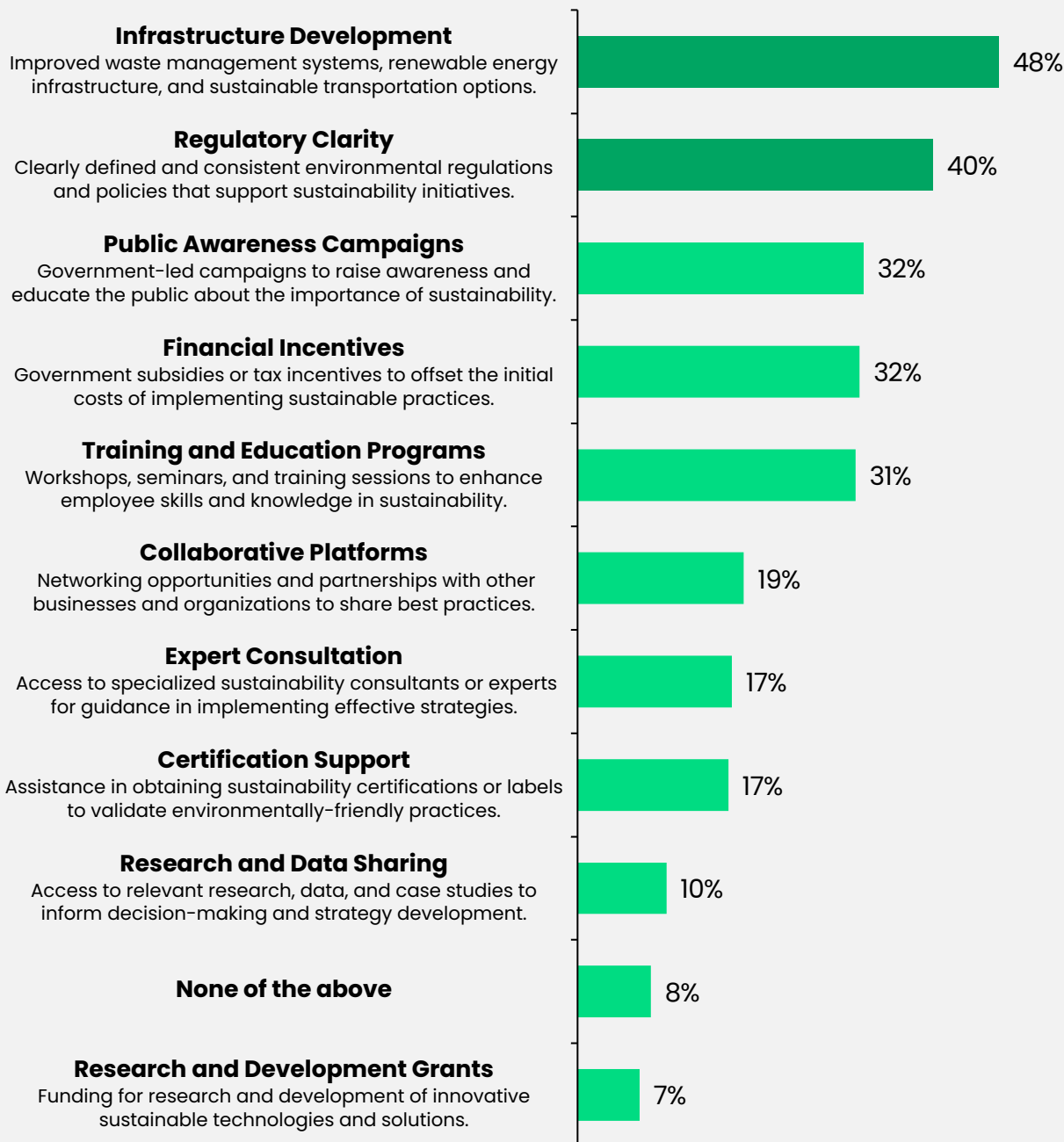
Q: Please identify the three most significant factors that are currently preventing your company from advancing its sustainability practices in Vietnam

n = 229

Infrastructure Development and Regulatory Clarity stand out as the key focal points for businesses aiming to enhance their sustainability practices.

Interestingly, these are the same areas that, if improved, would also streamline Vietnam's access to FDI.

ESG Support



Q: Which of the following approaches would your company find most beneficial in fostering its alignment with sustainable practices in the Vietnamese market?

n = 229

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.

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