

# EuroCham Business Confidence Index

Quarter 4, 2023

**Decision Lab**



# Content

Introduction **03**



BCI, the macroeconomy, and the business outlook **04**



Vietnam FDI attraction **08**



EVFTA implementation **12**



Vietnam competitiveness **16**



Vietnam supply chain **19**



Methodology **21**

# 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.

Read more about our services at [www.decisionlab.co](http://www.decisionlab.co)

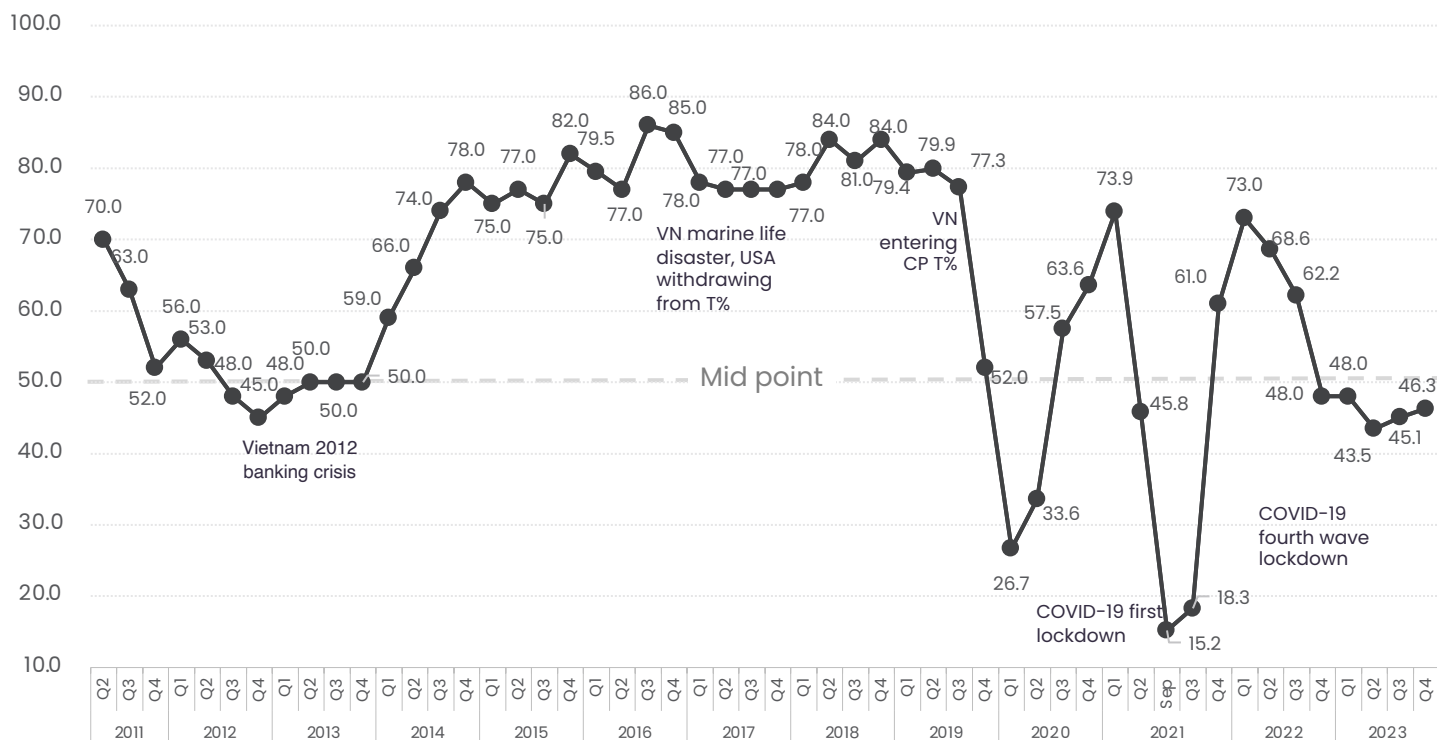
# 01 | BCI, the macroeconomy, and the business outlook



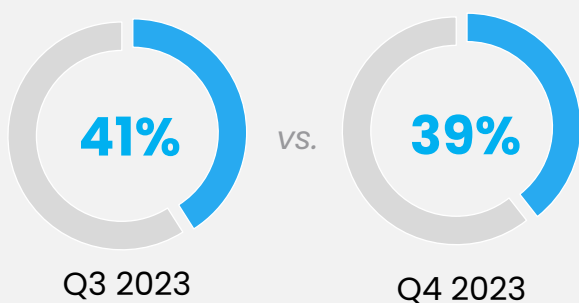


## The business climate is transitioning from a period of steep decline to one that is more stable

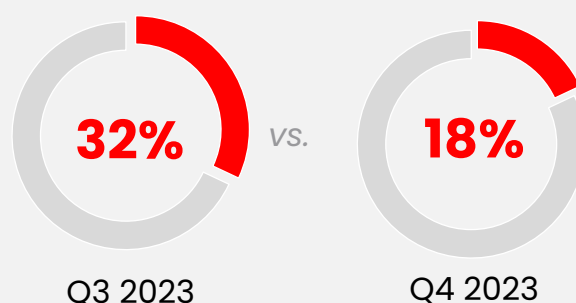
In Q4 2023, the BCI remains below the midpoint at 50; nevertheless, there has been continuous quarter-over-quarter improvement in BCI since Q2 2023. This may suggest a cautiously optimistic trend in market recovery.



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



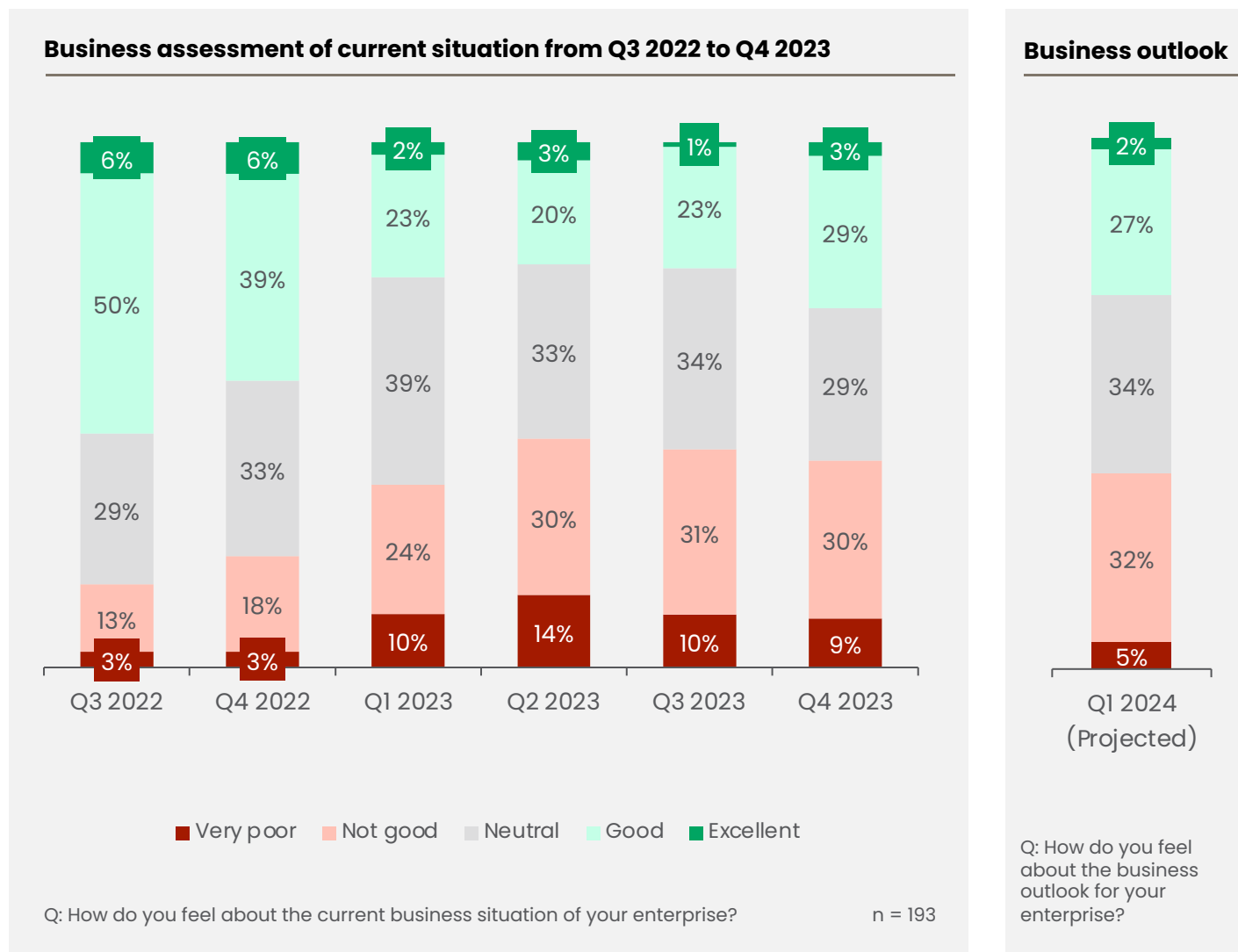
***"The economy is more likely to deteriorate next quarter"***



In Q1 2024, businesses foresee a more stable market, with a mere 18% expecting economic decline. This reflects a 14-percentage-point decrease compared to the previous quarter.

## The pattern of business confidence has stabilized since Q2 2023 with increased sense of positivity

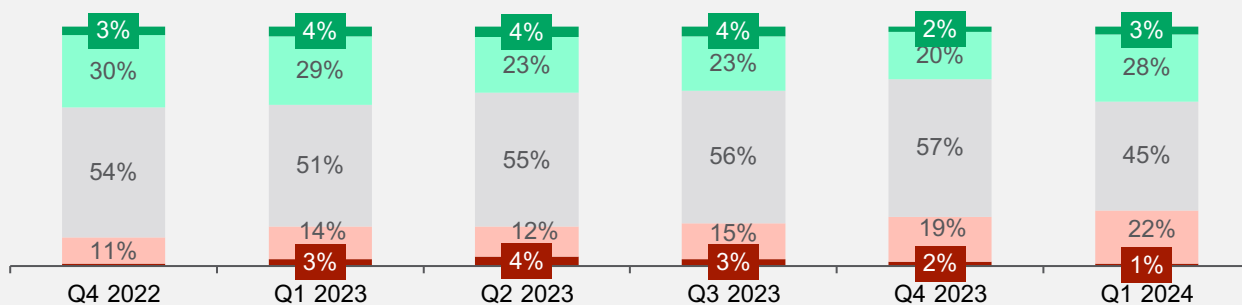
A notable number of businesses express positive sentiment about their performance in Q4 2023 (increasing from 24% to 32%) and anticipate maintaining this elevated level into Q1 2024 (29%).



The business outlook is displaying increased optimism. The segment expressing extreme concern has significantly decreased in Q1 2024, dropping to 5% from 9%. However, more than a third of businesses still expect to underperform, similar to Q2-Q4.

## While businesses expect to see a similar pattern in revenues and orders next quarter, positive adjustments in headcount and investments are anticipated in the first quarter of 2024

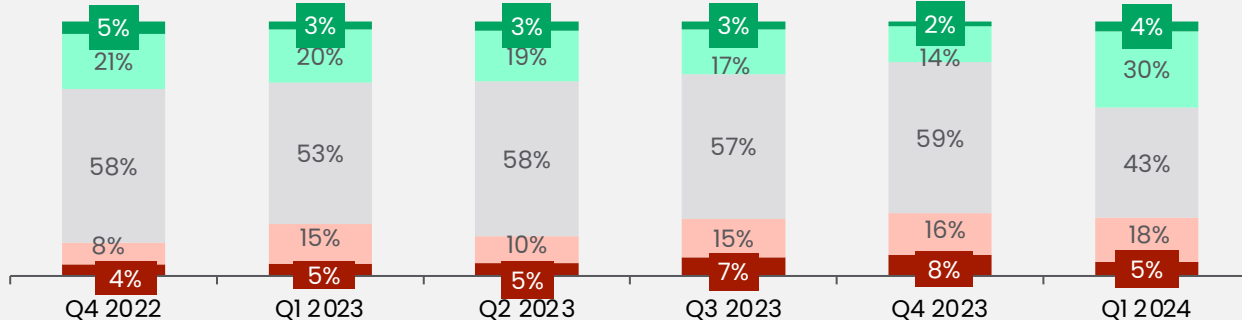
### Headcount Planning



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

n = 189

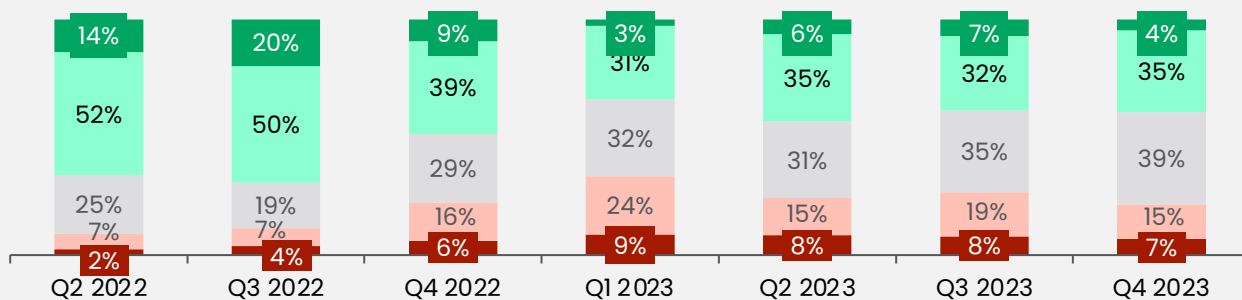
### Investment Planning



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

n = 183

### Revenue/Orders



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

n = 193

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

# 02 | Vietnam FDI attraction

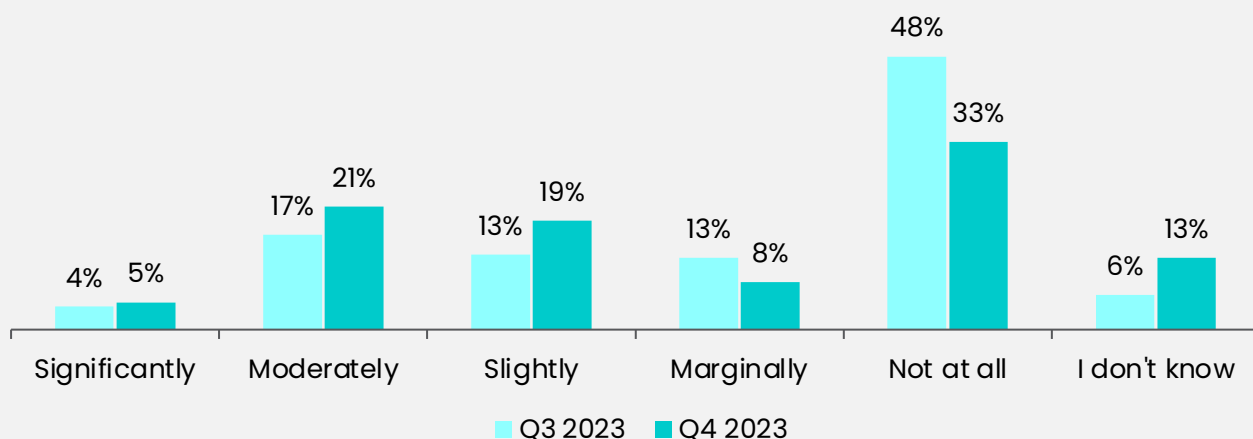




## In Q4 2023, businesses increasingly viewed Vietnam as an attractive FDI destination

While Vietnam's macroeconomy may not have maintained the robust performance observed in 2022, the country is still seen as an attractive investment destination with more than 60% of businesses consider it within their top 10 destinations. Additionally, a larger number of businesses anticipated a more substantial increase in their company's FDI in Vietnam compared to the third quarter of 2024.

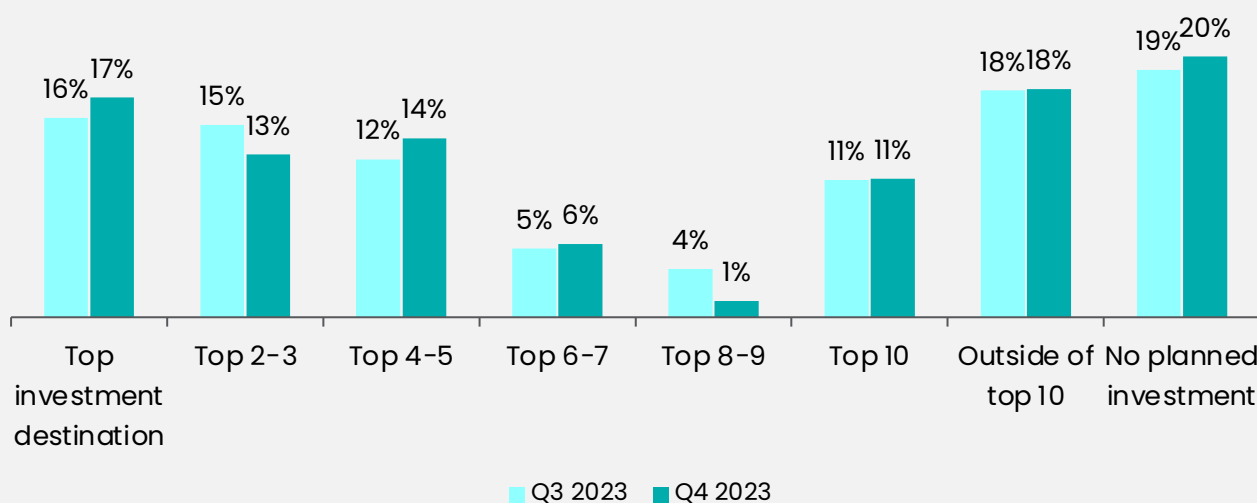
### FDI Expectation (Base: applicable respondents)



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

n = 166

### Vietnam ranking as investment destination (Base: applicable respondents)



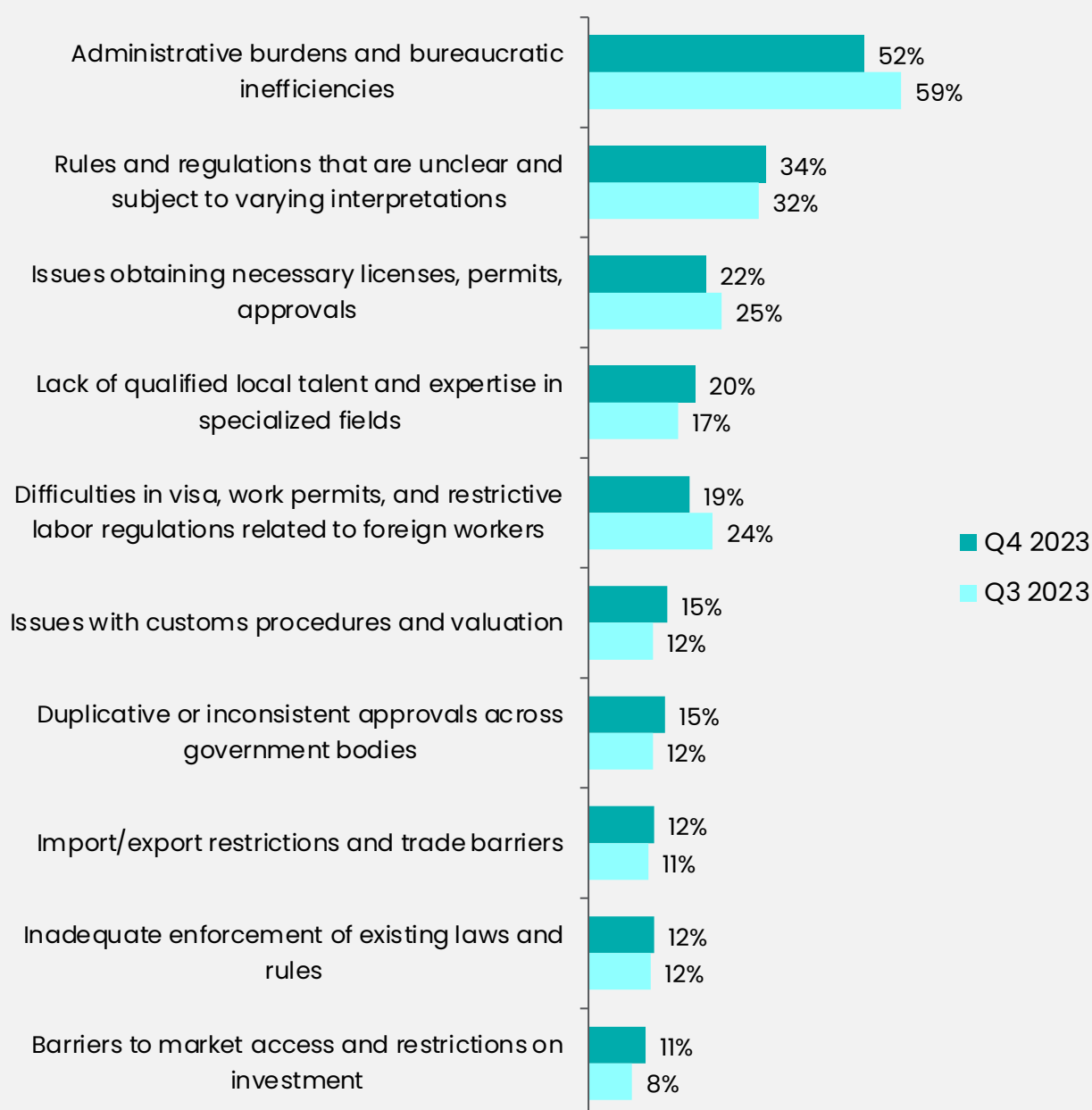
Q: What is Vietnam's present ranking as a global investment destination for your company?

n = 157

## Administrative and bureaucratic inefficiencies persist as the primary obstacle; nevertheless, the sentiment in Q4 indicates a minor improvement in this aspect

In Q4 2023, issues related to visas and work permits appear to have improved (reduced to 19% from 24%). However, there is a heightened concern among businesses regarding local talent and expertise, increasing from 17% to 20%.

### Top 10 obstacles to do business



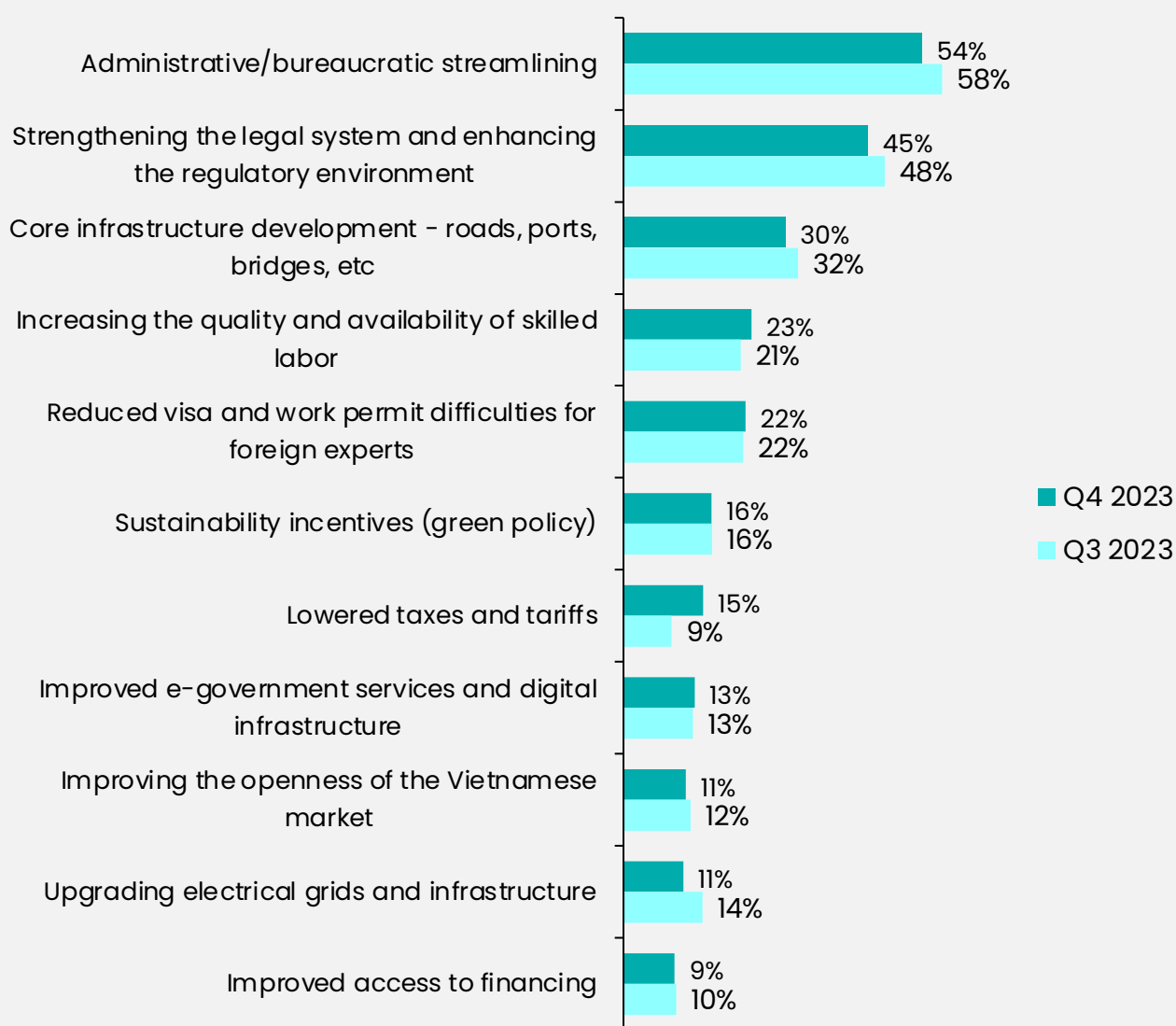
Q: What are the top three most significant regulatory obstacles for your company when doing business in Vietnam?

n = 193

## Continuing to improve administrative, bureaucratic, and legal systems is crucial for fostering growth in FDI

Similar to the previous quarter, businesses remain consistently focused on the improvements in administration/legal, infrastructure, and skills labor in Vietnam

### Factors to improve ability to attract FDI



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

n = 193

# 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:

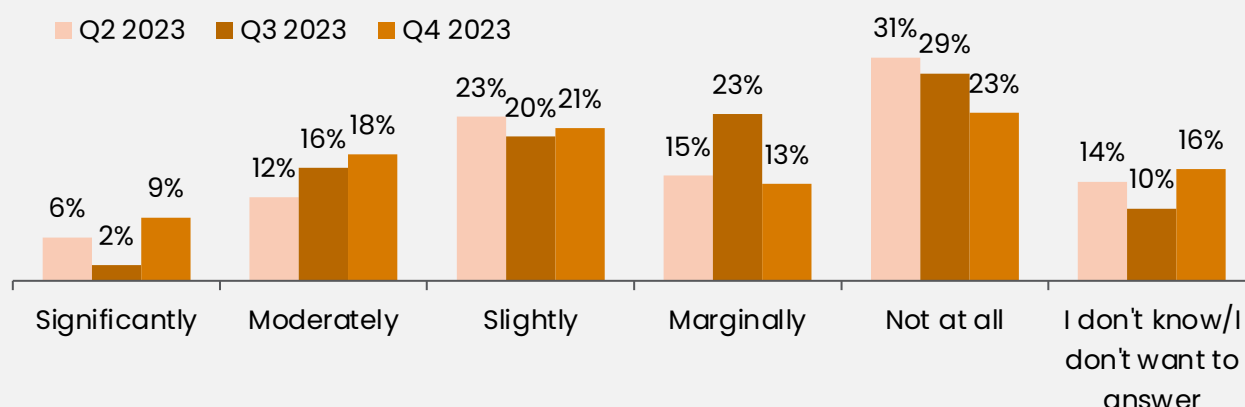
- 1. Tariff Reductions:** The EVFTA will eliminate almost all tariffs between the EU and Vietnam. It removed tariffs on 65 percent of the value of EU exports the moment the FTA entered into force, with the remaining tariffs being phased out over the following decade. Meanwhile, 71 percent of EU imports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



A clear indication of more businesses capitalizing on EVFTA from Q2 to Q4 2023. In Q4, the proportion of businesses benefiting "moderately" and "significantly" increased to 27%, compared to 18% in Q2.

### EVFTA Benefits



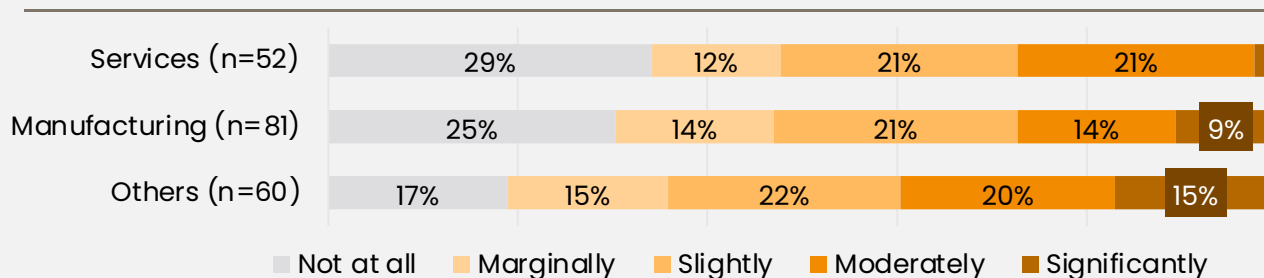
Q: Has your company benefitted from the EVFTA?

n = 193

## The services and others sector experienced more benefits from EVFTA in Q4 than the previous quarter

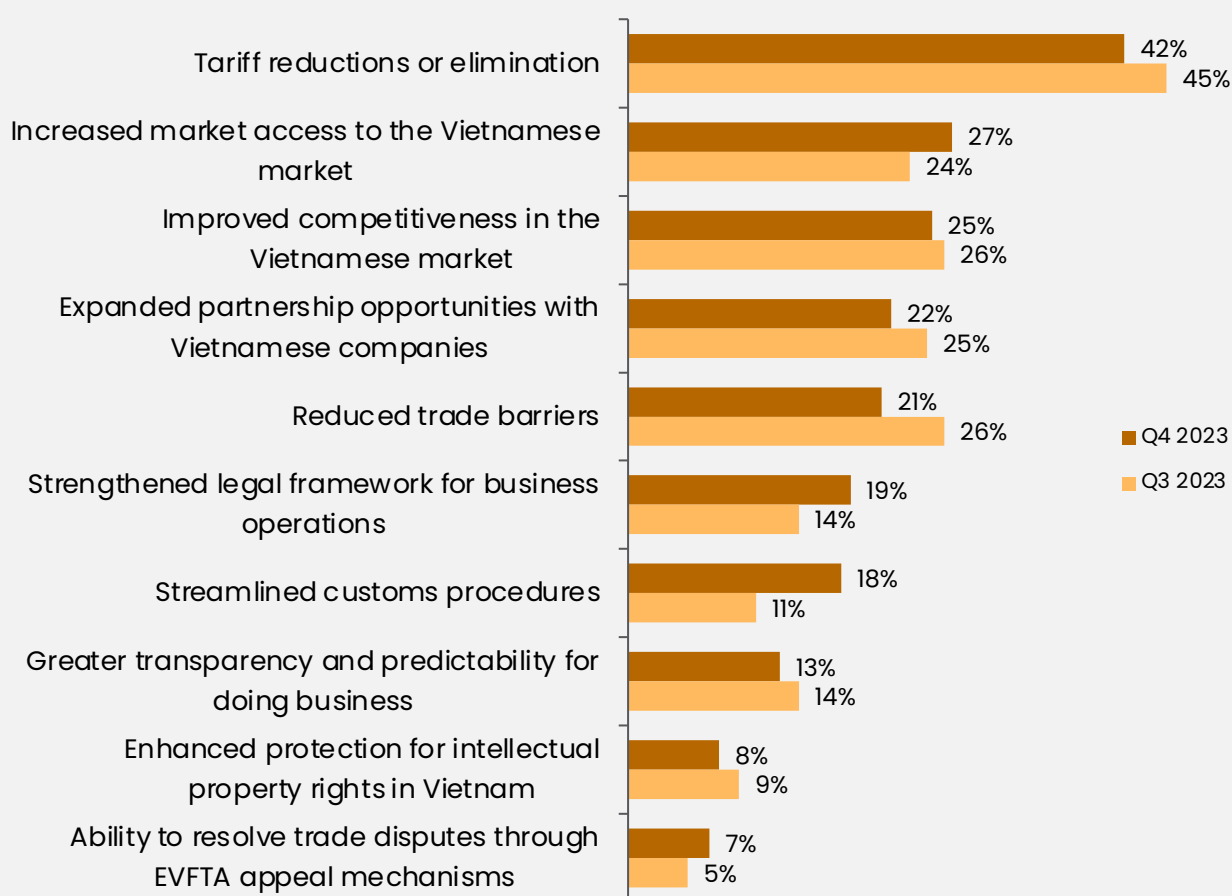
Nearly half of the businesses agreed that tariff reductions were the principal mechanism through which the agreement positively impacted their operations.

### EVFTA Benefits by Sectors



Q: Has your company benefitted from the EVFTA?

### Ways EVFTA benefit businesses



Q: How has your company benefitted from the EVFTA?

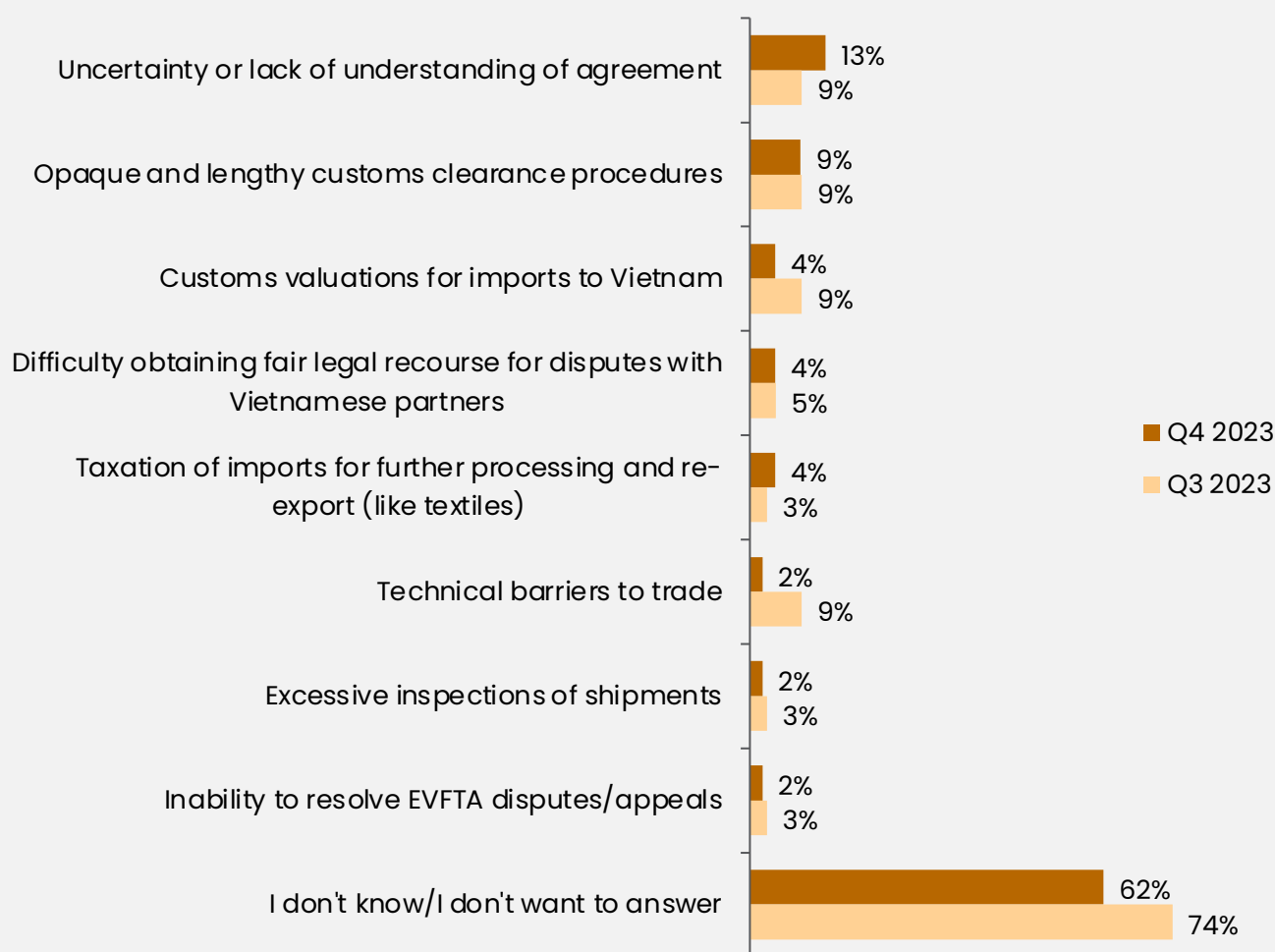
n = 118



## Lack of understanding of agreements and lengthy procedures are reported as the leading barriers

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. In Q4, there was an increase in awareness about EVFTA among respondents, with the "Do not know" category decreasing to 62% from 74%.

### 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 = 45

Technical and customs valuations concerns have diminished significantly this quarter compared to prior waves. Over time, there has been a reduction in barriers to EVFTA, indicating a promising and positive future.

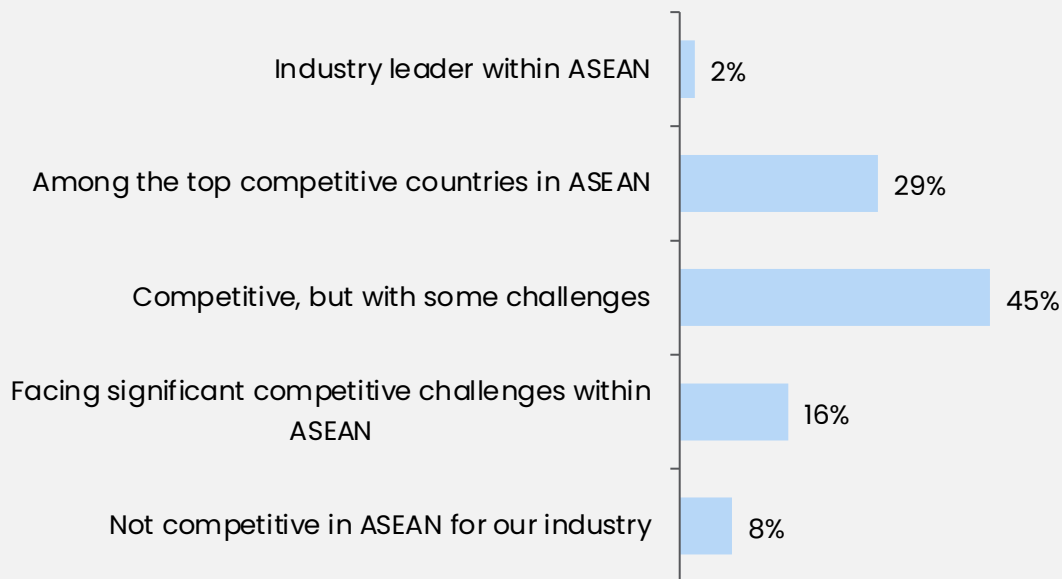
# 04 | Vietnam's competitiveness



## More than three quarters of businesses consider Vietnam competitive within ASEAN

However, businesses in the manufacturing sector believe Vietnam is encountering significant challenges compared to other ASEAN nations, significantly higher than other sectors.

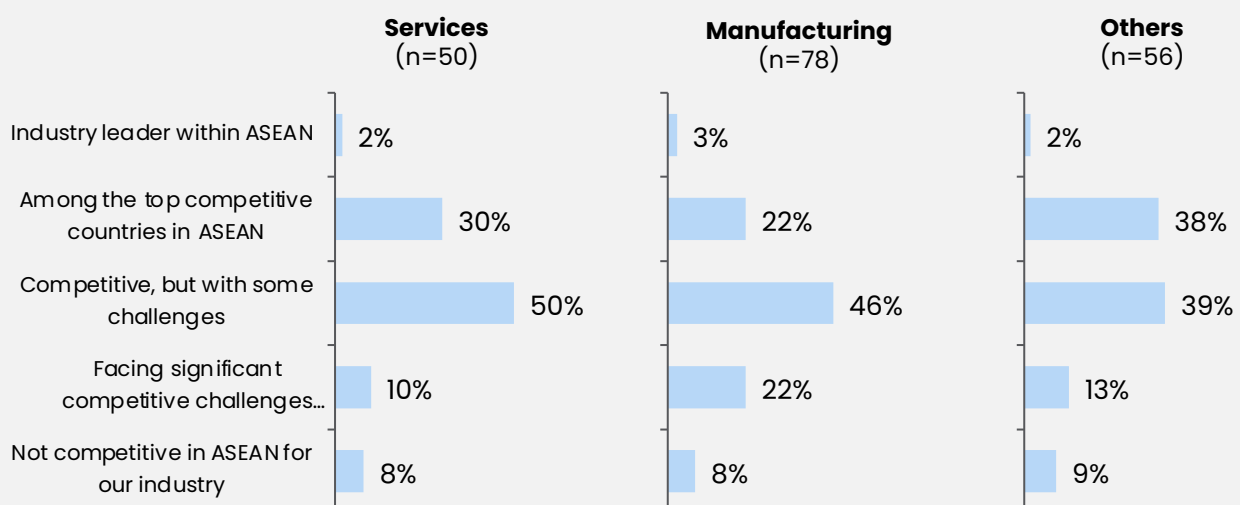
### Vietnam's competitiveness



Q: In the context of your industry, how do you perceive Vietnam's competitive position within the ASEAN region? Consider aspects such as market access, regulatory environment, innovation capacity, and supply chain integration.

n = 183

### Vietnam's competitiveness by Sectors

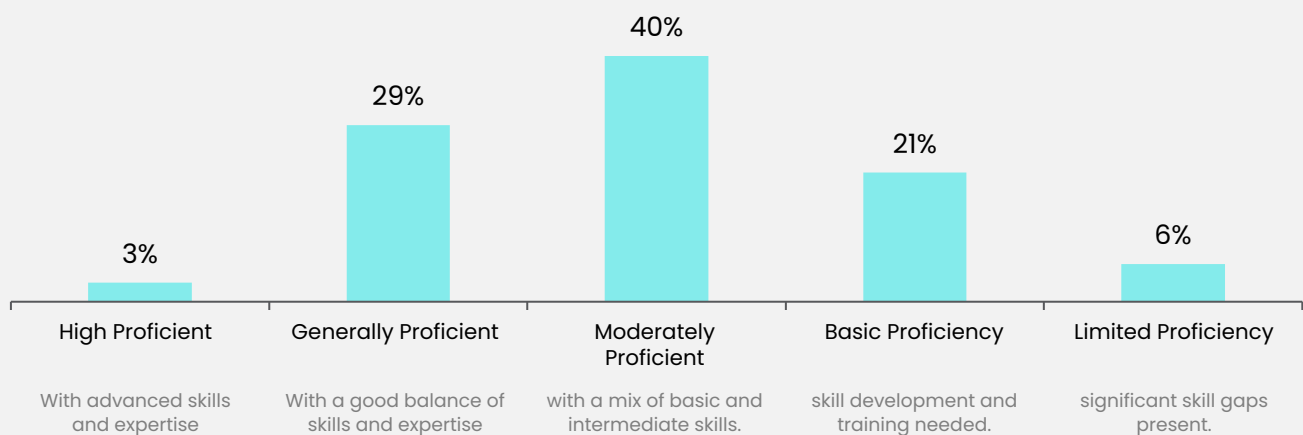


Q: In the context of your industry, how do you perceive Vietnam's competitive position within the ASEAN region?

## The workforce in Vietnam is generally perceived to have moderate proficiency and availability

A substantial number of respondents believe that Vietnam's workforce possesses good proficiency (33%) and availability (24%). However, the majority perceive it to be at a moderate level (40% moderately proficient, 50% moderately available). This factor could potentially pose a barrier to showcasing Vietnam's attractiveness in the ASEAN region.

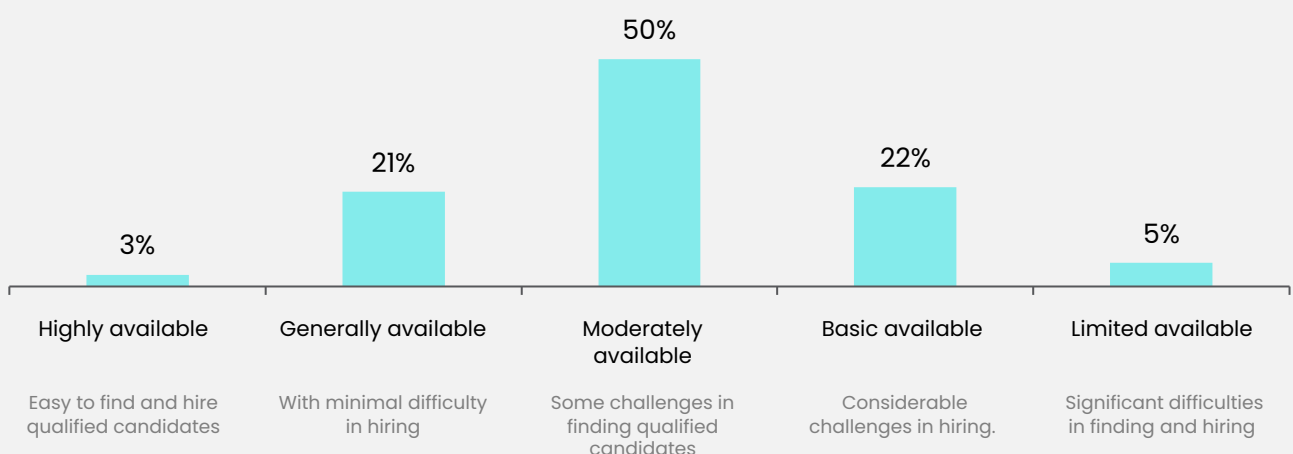
### The proficiency of Vietnam's workforce



Q: Please assess the skill level of the workforce in Vietnam for your industry sector. Consider aspects like technical proficiency, industry-specific expertise, and professional training.

n = 193

### The availability of Vietnam's workforce



Q: Evaluate the availability of a suitable workforce in Vietnam for your industry sector. Consider factors such as the ease of finding and hiring qualified employees.

n = 193

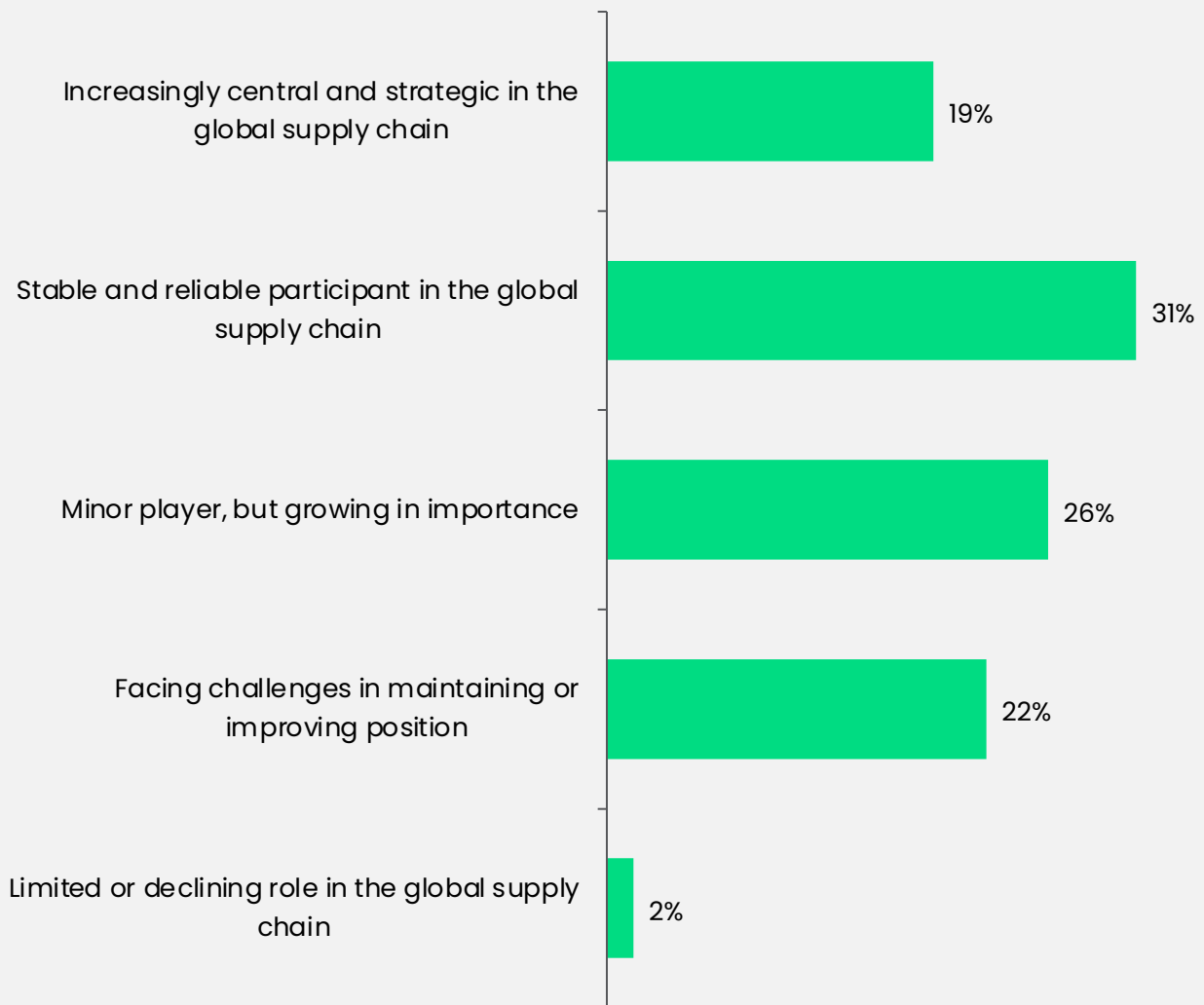
# 05 | Vietnam's supply chain



## Vietnam shows promise in the global supply chain

Half of the respondents perceive Vietnam as progressively becoming central and strategic in the global supply chain, establishing itself as a stable and reliable participant. 26% believe that Vietnam will gain growing importance, even though it is currently a minor player.

### Vietnam's competitiveness



Q: Considering the ongoing shifts in the global supply chain, how do you view Vietnam's role and position? Please evaluate in terms of Vietnam's supply chain resilience, integration in global networks, and ability to adapt to changes such as nearshoring or diversification

n = 193



# 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, 193 completed the full questionnaire in this round. This represents a response rate of 9% which is considered moderately high for a survey amongst the top business executives.

# Reach out to us

---

## **European Chamber of Commerce in Vietnam**

[www.eurochamvn.org](http://www.eurochamvn.org)

+84 93 400 8024

5th Floor, Deutsches Haus  
33 Le Duan, District 1, HCMC

---

## **Decision Lab**

[decision@decisionlab.co](mailto:decision@decisionlab.co)

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

+84 28 7101 0199

2<sup>nd</sup> Floor – The Sentry Connect, Sonatus Building  
15 Le Thanh Ton, District 1  
Ho Chi Minh City, Vietnam

Decision Lab is the exclusive partner of YouGov in Vietnam.