

EuroCham Business Confidence Index

Quarter 1, 2024



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.

As the external provider of this survey and reporting for EuroCham Vietnam, Decision Lab guarantees anonymity and confidentiality for all respondents by only providing anonymized and aggregated data to EuroCham.

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

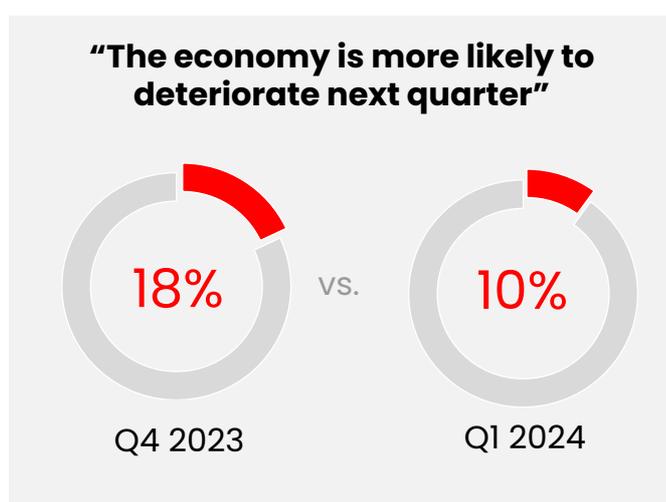
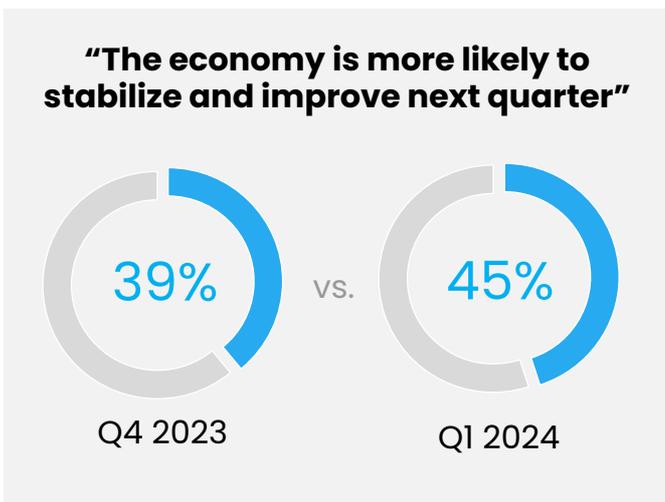
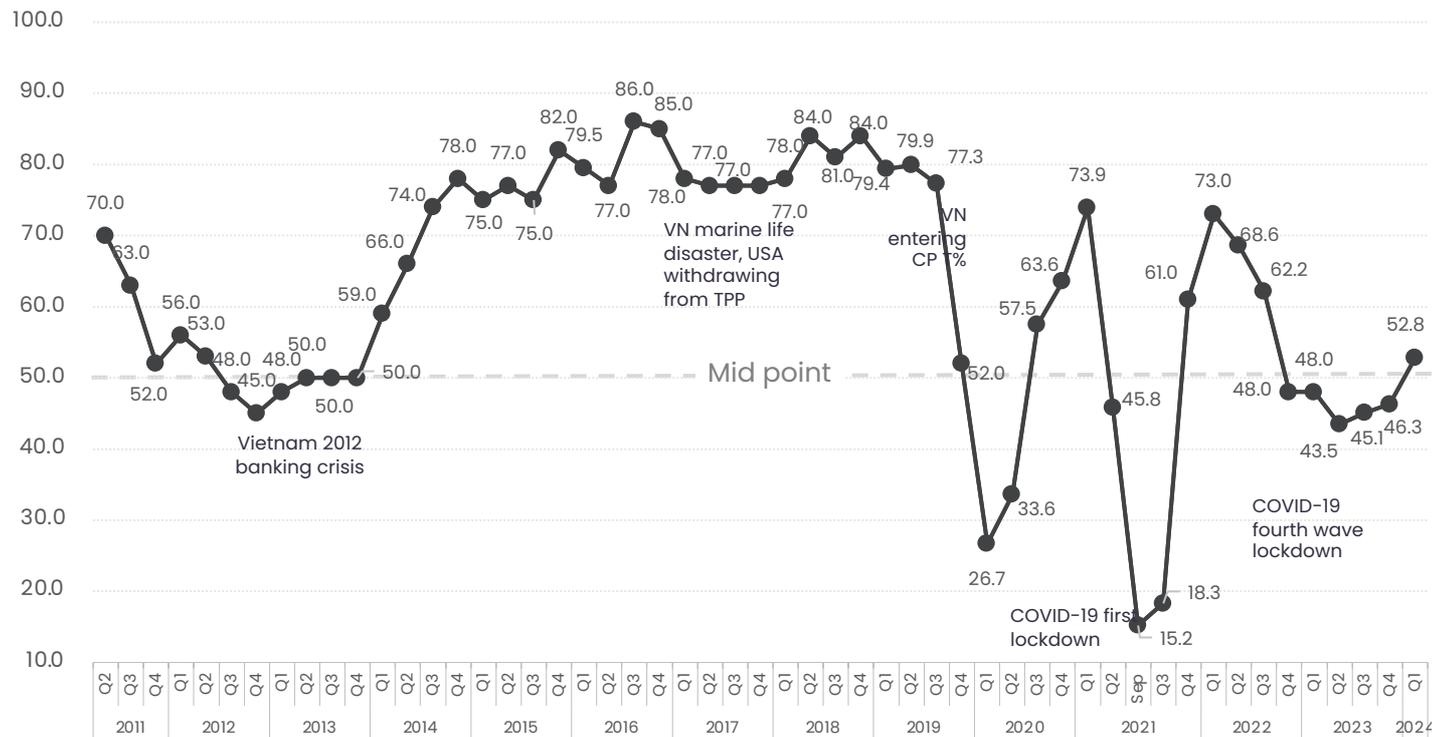
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01 | BCI, the macroeconomy, and the business outlook



The Business Confidence Index (BCI) climbed to 52.8 in the first quarter of 2024, pointing to a positive start to the year for businesses

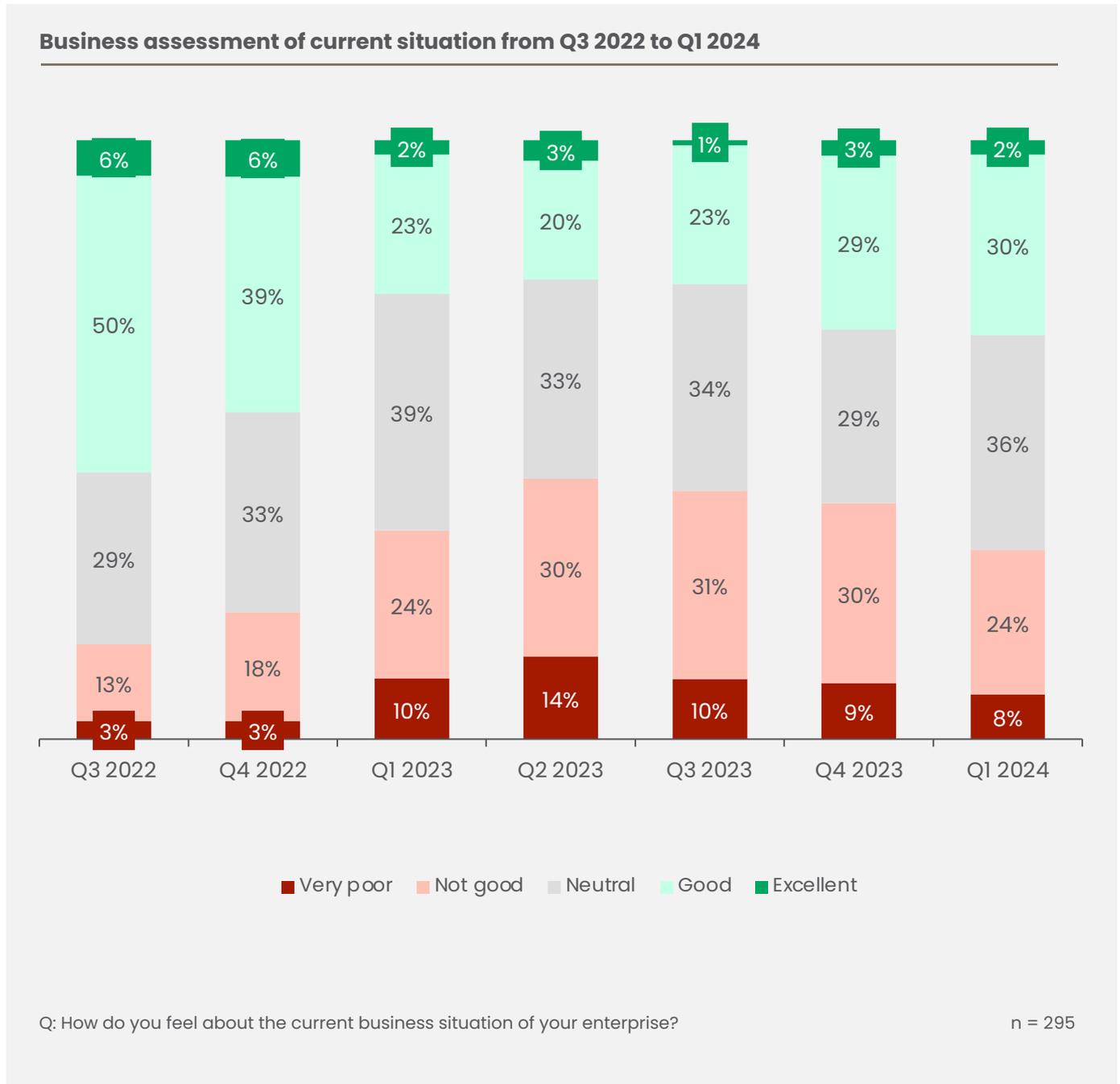
Building on the momentum from the last few quarters, the BCI rose sharply by 6.5 points in Q1 2024, suggesting a brighter outlook and a more optimistic European business community.



The percentage of businesses expressing optimism regarding the economic outlook has increased by 6 percentage points (from 39% to 45%), while pessimism has correspondingly decreased by 8 percentage points (from 18% to 10%)

Business situation improved in Q1 2024

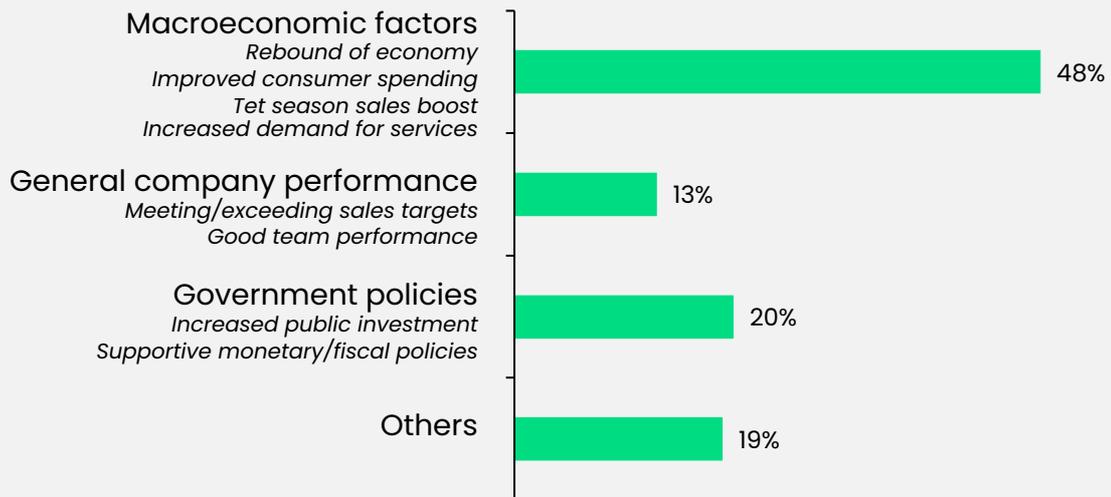
While positive sentiment among businesses remains steady compared to Q4 2023, there has been a positive shift, with a decrease in negativity from 39% to 32%.



The observed optimism likely reflects a perceived improvement in the national and global economic climate, which has translated to increased consumer spending power and demand for goods and services

Reasons for positive assessment

(base: respondents answering "Good" or "Excellent" who answer open-ended question)

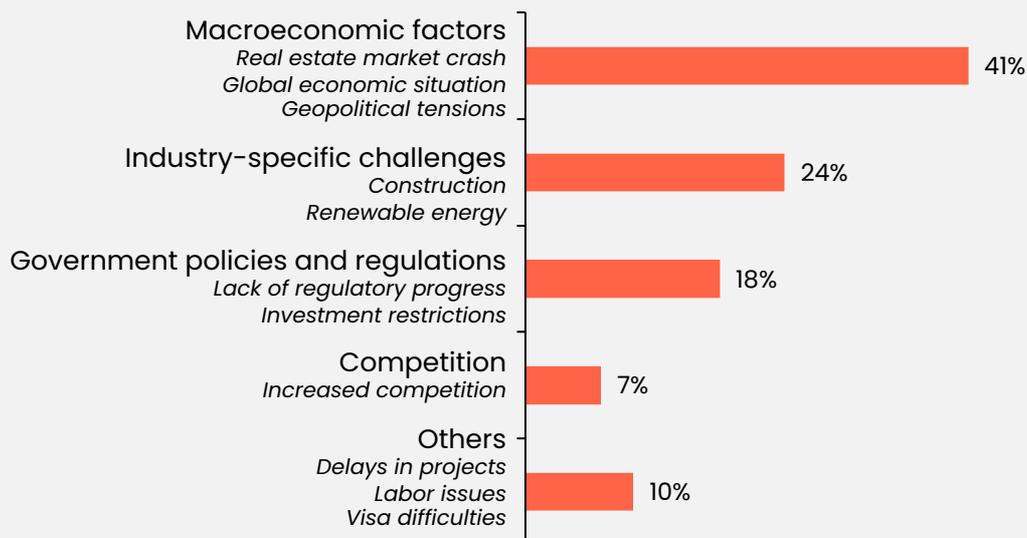


Q: Could you share what factors or events have most influenced your viewpoint?

n = 56

Reasons for negative assessment

(base: respondents answering "Not good" or "Very poor" who answer open-ended question)

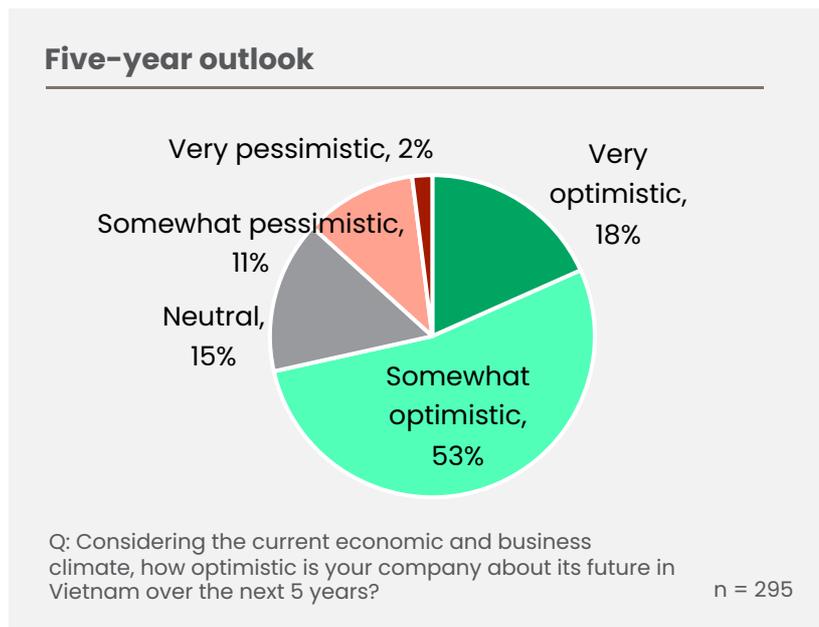
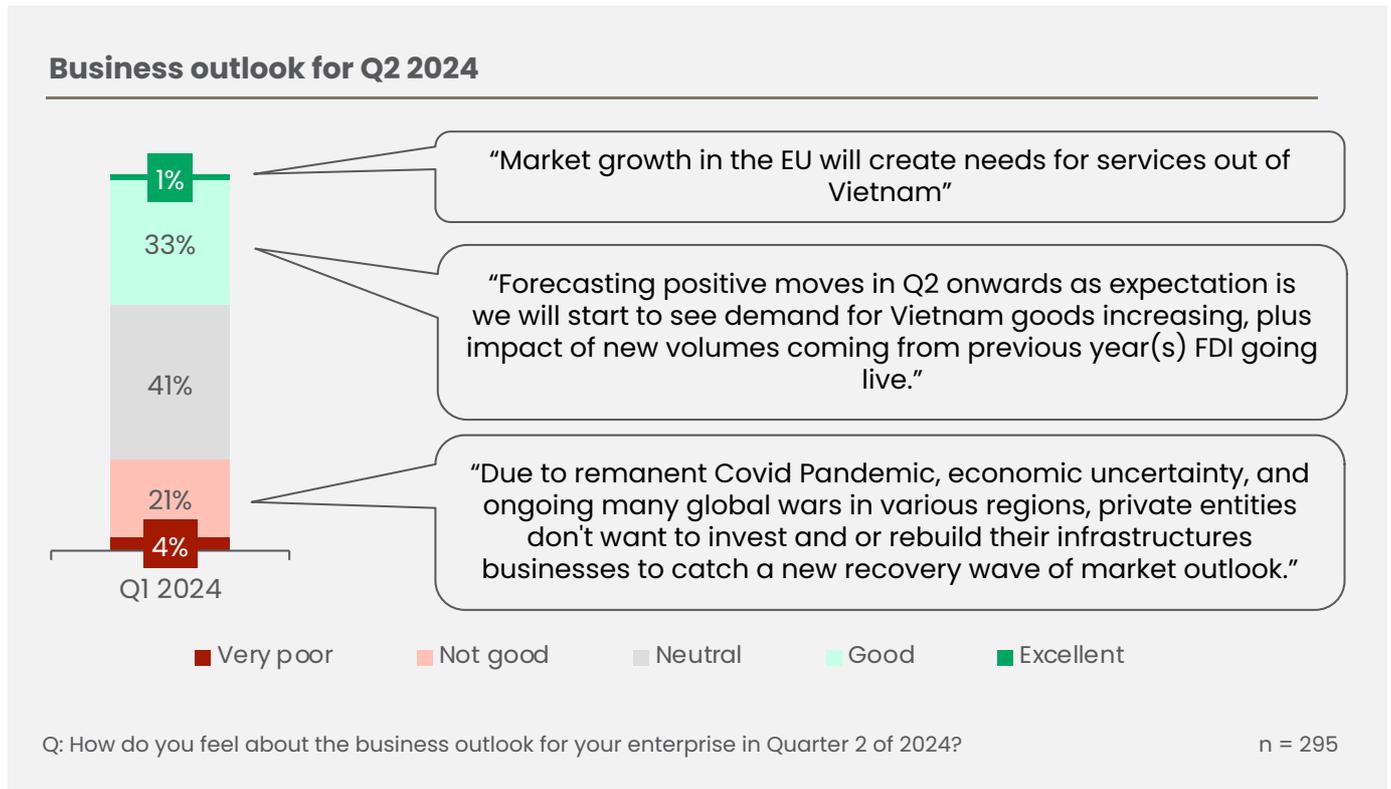


Q: Could you share what factors or events have most influenced your viewpoint?

n = 64

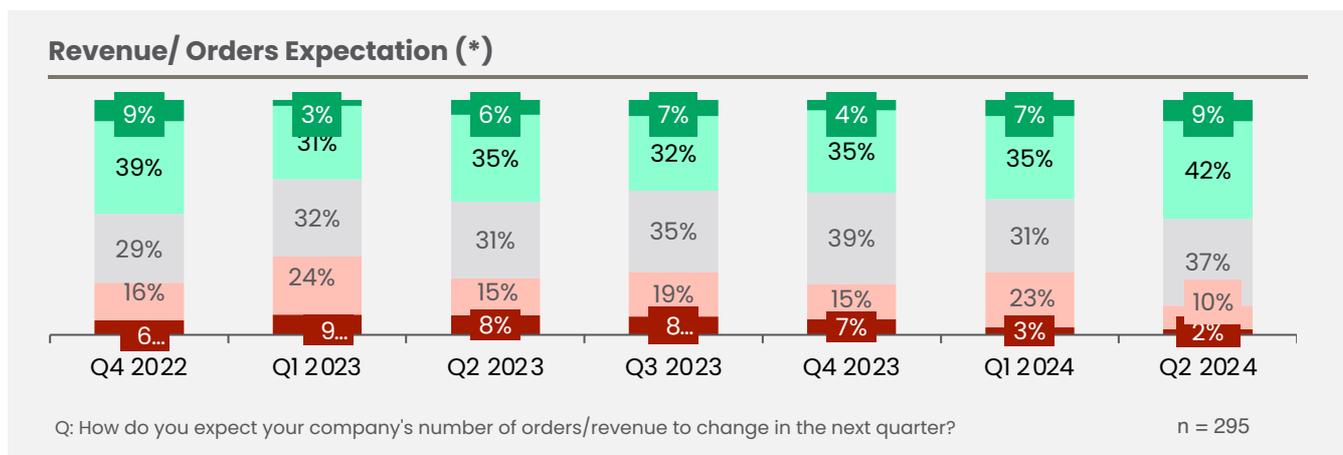
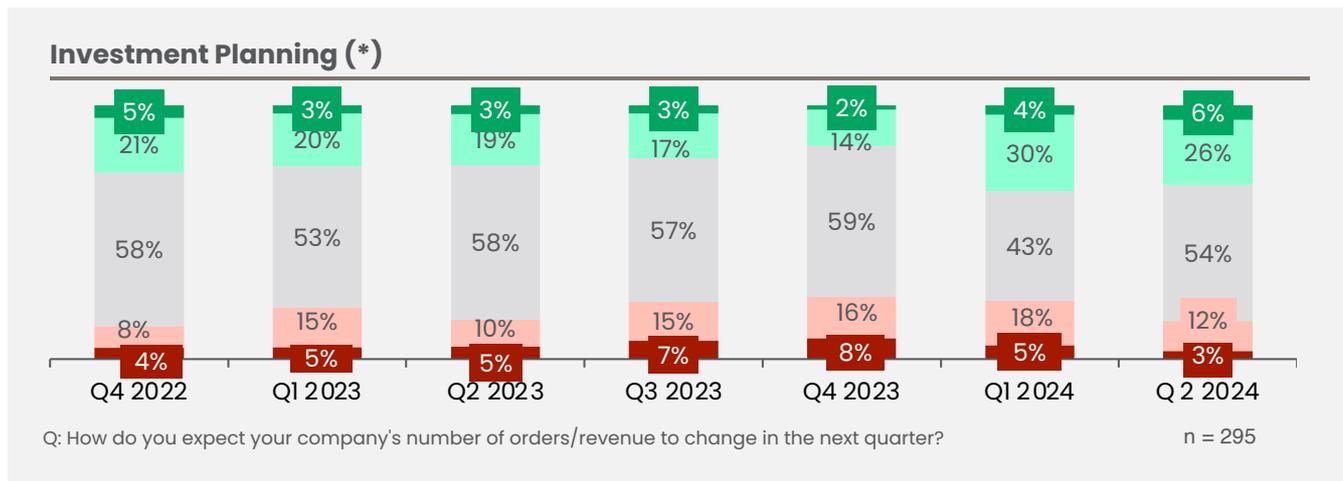
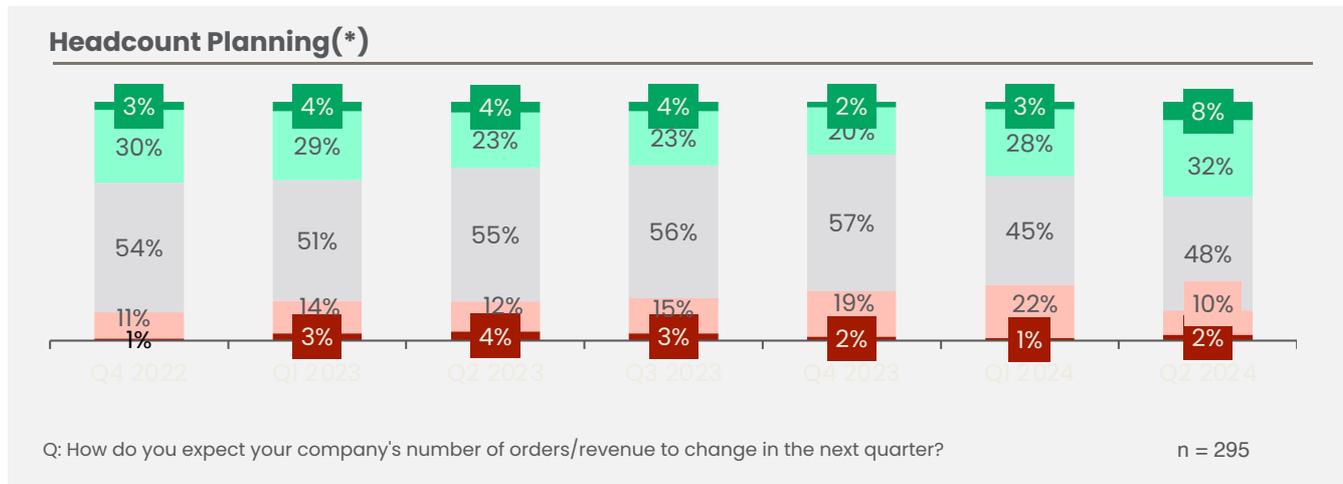
Businesses are cautiously optimistic in the near term, with long-term trends fueling a more positive outlook

While 1 in 3 businesses express confidence in their business situation in the short term, 70% of businesses report optimism in Vietnam’s growth.



A strong majority, nearly three-quarters (71%) of foreign businesses in Vietnam, are expressing confidence in the country's long-term future. This positive outlook suggests that businesses see Vietnam as a stable and attractive environment for growth in the coming years.

Projected headcount and planning reflect the optimistic expectation on business performance



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

(*) projected for Q2 2024

02 |

Vietnam as an investment destination

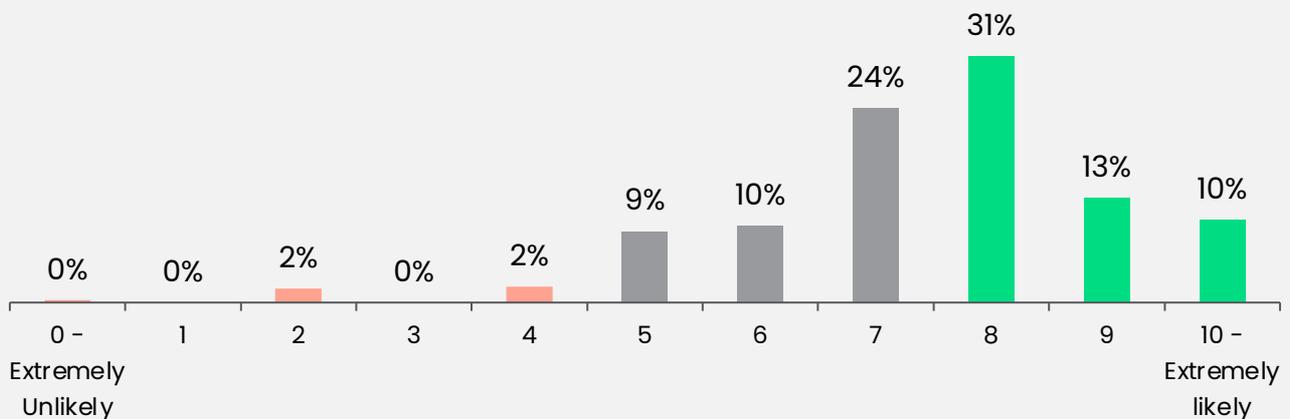


Vietnam remains attractive as an investment destination

A significant portion of foreign businesses (54%) would actively endorse Vietnam as an investment destination. Foreign businesses in Vietnam heavily rely on local talent, with 75% employing a workforce comprised mostly of Vietnamese citizens.

Additionally, 26% of foreign businesses in Vietnam utilize a third-party location to invest in the country in some form.

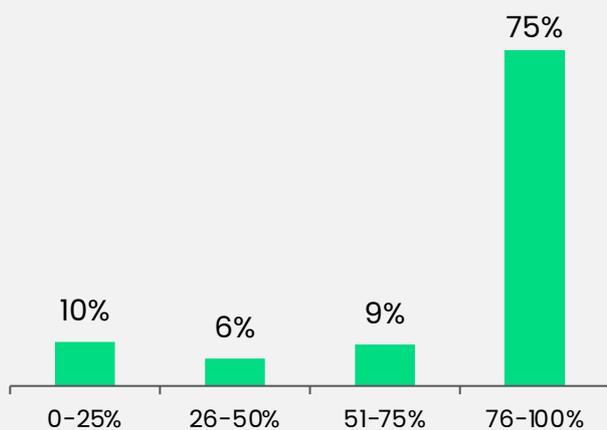
Likelihood to recommend Vietnam as an investment destination



Q: On the scale from 0 - 10, how likely are you to recommend Vietnam as an investment destination to other foreign businesses? With 0 being "Extremely Unlikely" and 10 being "Extremely Likely"

n = 295

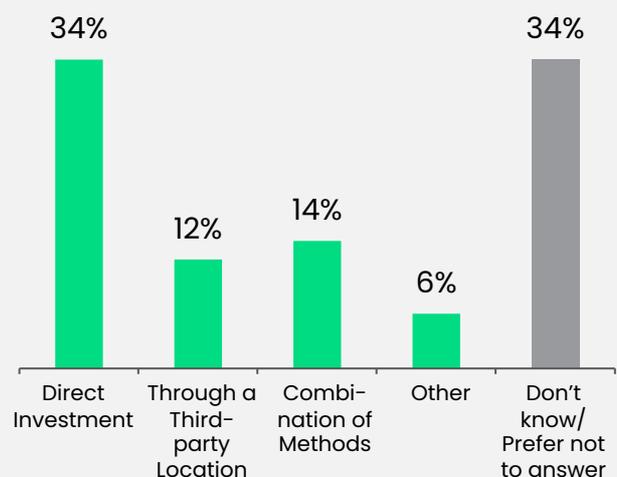
Local workforce proportion



Q: What percentage of your company's workforce in Vietnam is comprised of local Vietnamese hires

n = 295

Investment approach



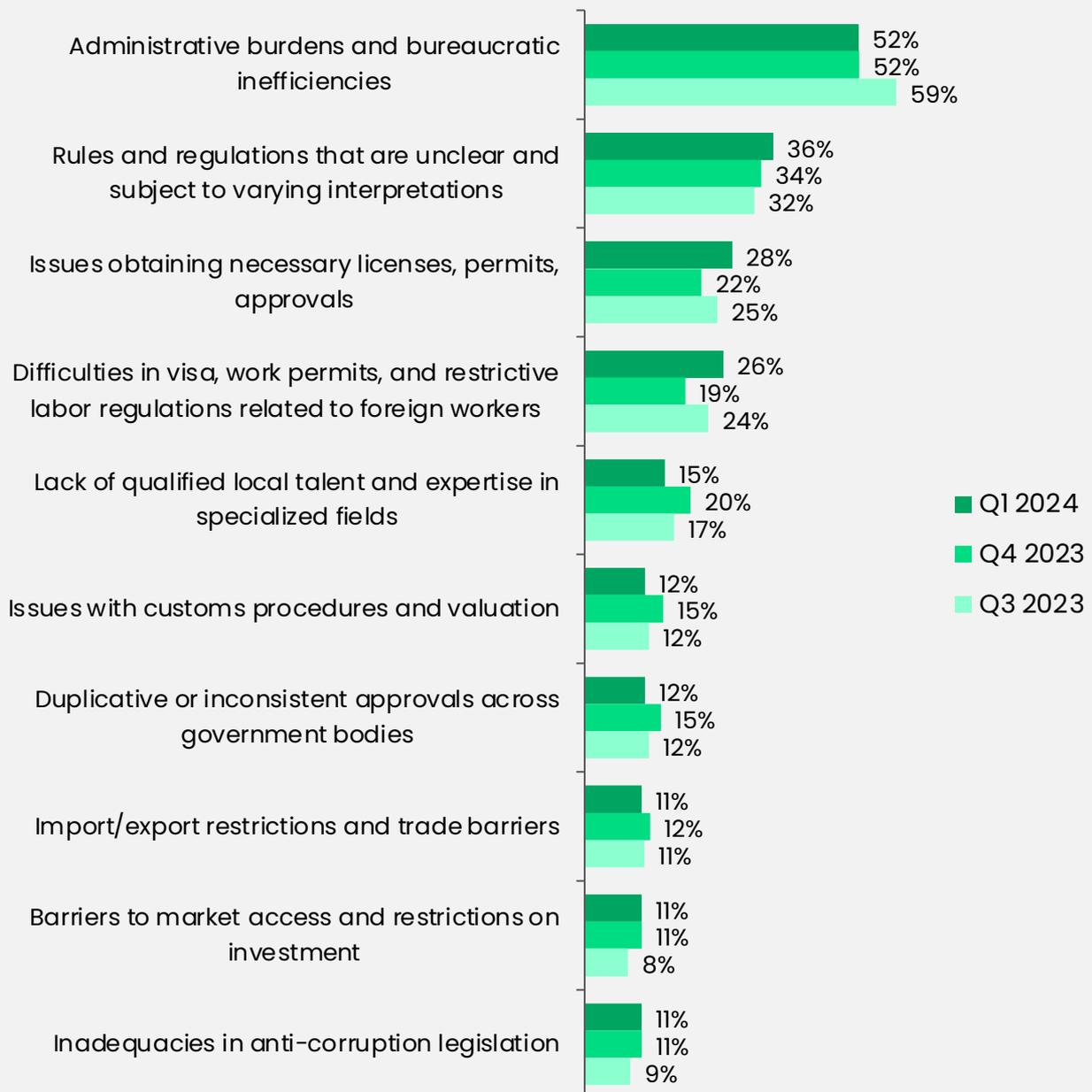
Q: Regarding your company's investment in Vietnam, which of the following approaches are you taking?

n = 295

However, administrative burdens are still an obstacle for more than 50% of the respondents

Over a quarter (25%) of respondents reported challenges in acquiring permits, including both business licenses and work visas for foreign employees.

Top 10 obstacles to do business

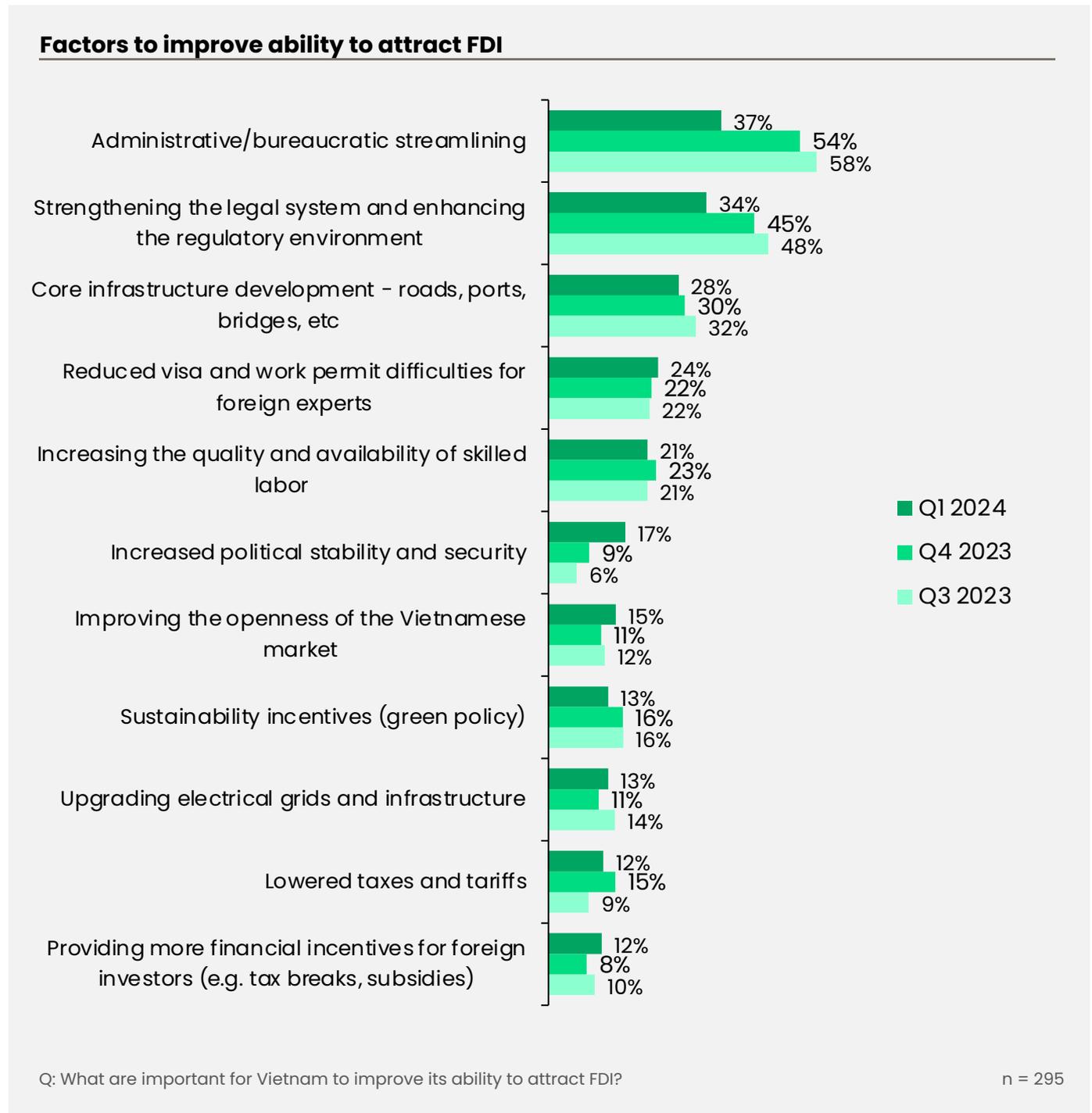


Q: What are the top three most significant regulatory obstacles for your company when doing business in Vietnam?

n = 295

Administrative streamlining and strengthening the regulatory environment are still the top factors to attract FDI, however there is a significantly lower demand for this this quarter

On the other hand, "Increasing political stability and security" grew significantly as a factor to improve FDI attraction in Q1 2024, from 9% to 17%.

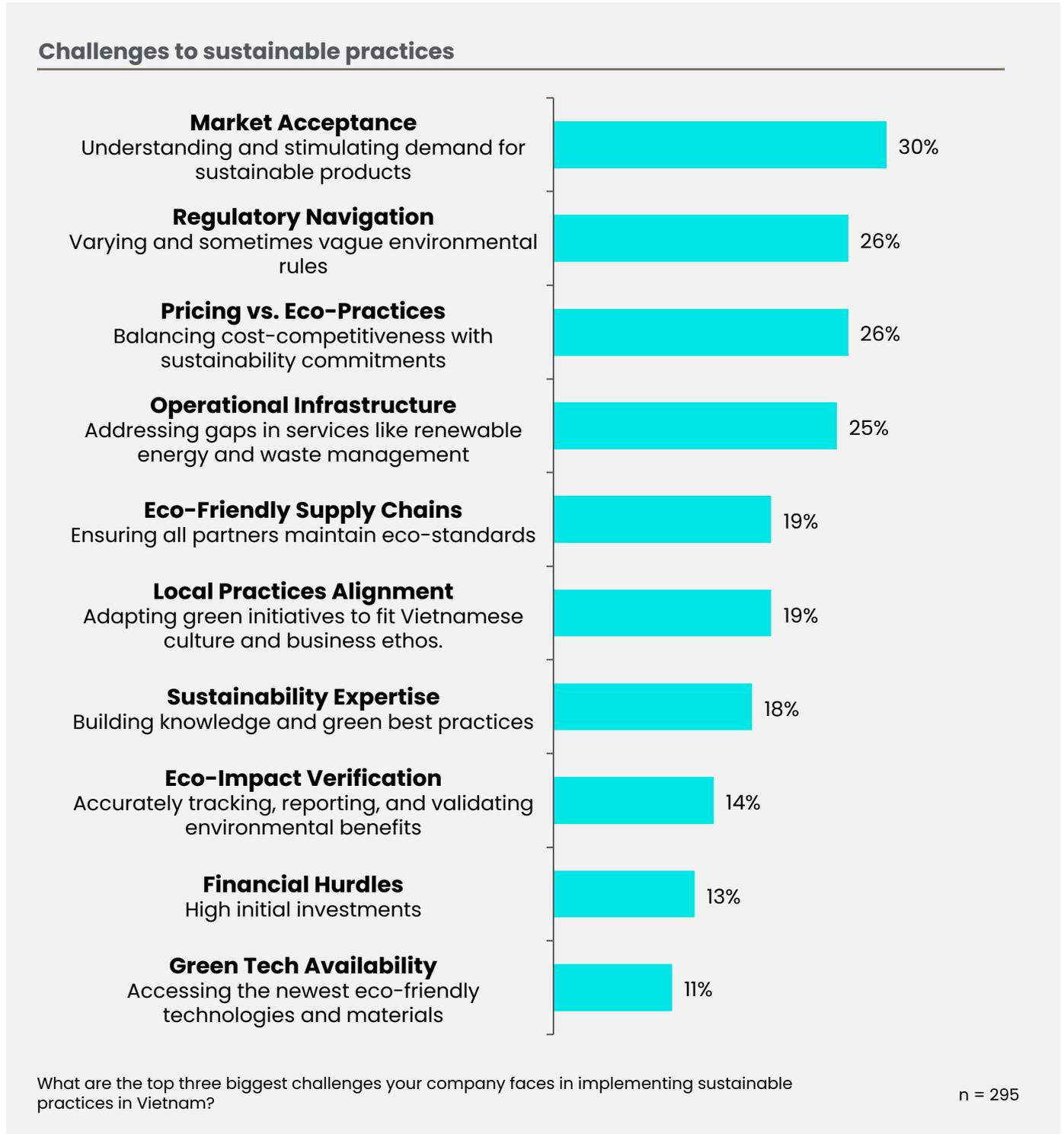


03 | Current Events



Low market acceptance is a major barrier to wider adoption of sustainable practices in Vietnam

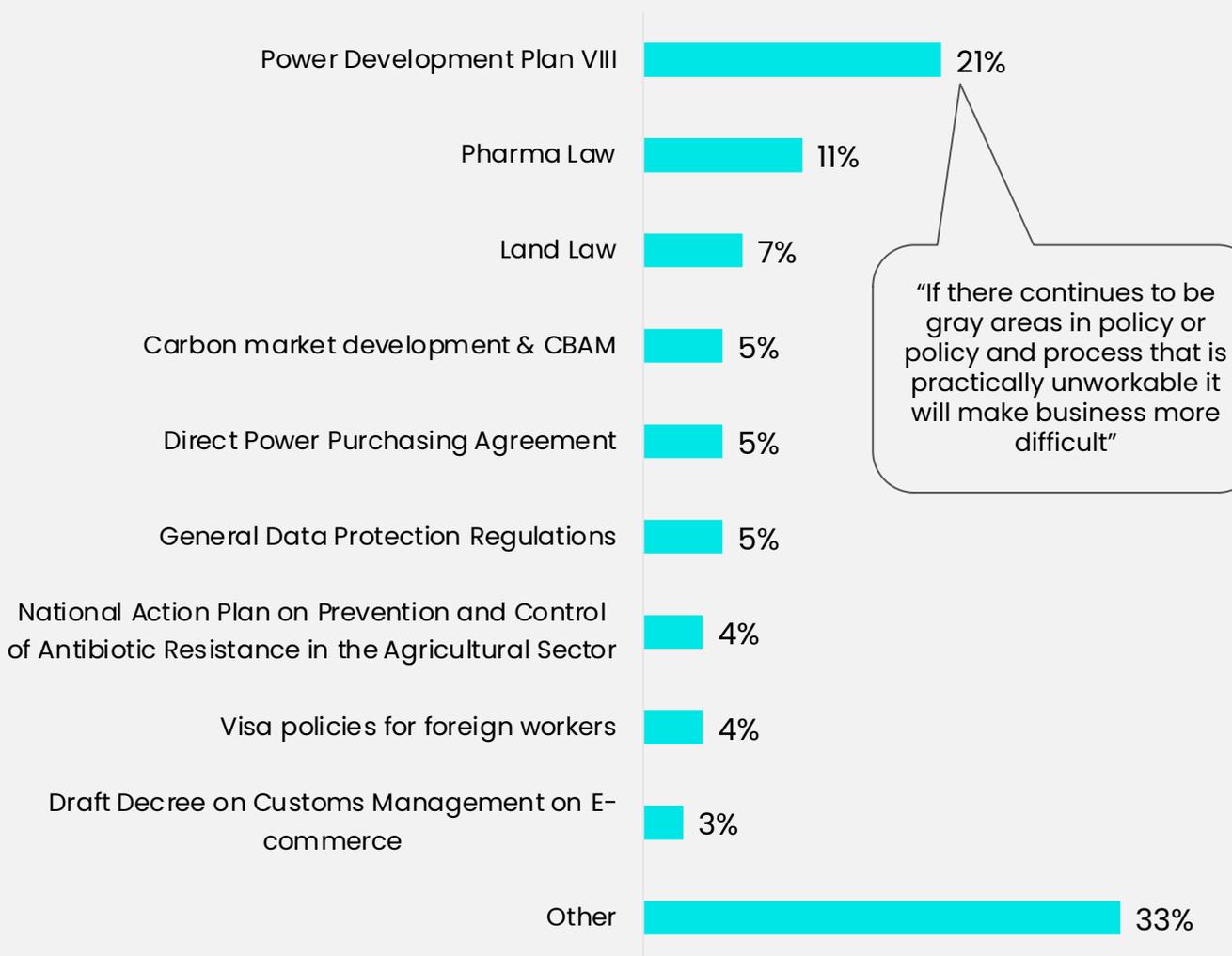
Additionally, existing regulations, pricing structures, and infrastructure related to sustainability can create obstacles for companies seeking to implement sustainable practices.



The impact of new energy regulations is a key area of focus for businesses

While the revised Pharma Law and the roll-out of power-related policies have raised some concerns, businesses are primarily seeking clear and straightforward instructions to ensure smooth implementation.

Upcoming Regulations



Q: Considering the landscape of both international and local regulations, could you share insights into which specific upcoming regulations or policies you believe will significantly impact your business (if any)?

n = 73

Three out of five (60%) businesses report that they have been impacted in some way by the recent maritime incidents

The manufacturing sector bears the brunt of maritime security incidents. As a respondent explains, surging ocean freight rates directly contributed to their negative business sentiment in Q1 2024.

Maritime security incident impacts

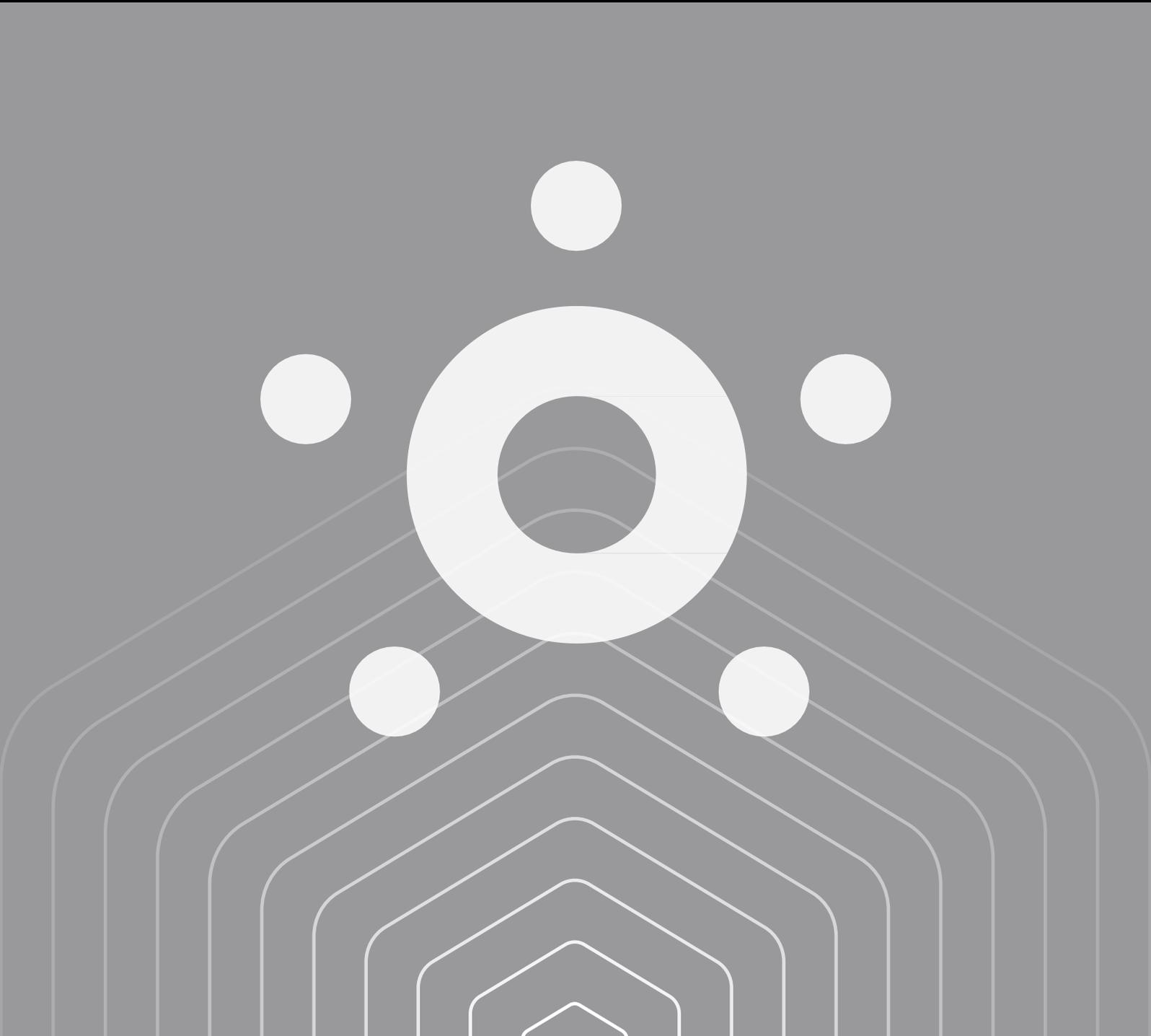


- Not Applicable: Operations do not rely on maritime shipping, or we do not operate in the affected regions.
- Not Impacted: Logistics, supply chain, and operational costs have not been affected by the maritime security incidents.
- Slightly Impacted: Minor disruptions, but the impact on operational costs has been manageable.
- Moderately Impacted: Some effects on our logistics and supply chain, causing a noticeable increase in costs.
- Significantly Impacted: Major disruptions in our logistics and supply chain, leading to increased operational costs.

Q: Has the recent increase in maritime security incidents in critical shipping routes, such as those experienced in the Red Sea region, impacted your company's logistics, supply chain, or operational costs?

n = 295

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 business leaders from more than 1,400 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, 295 completed the full questionnaire in this round. This represents a response rate of 11% which is considered moderately high for a survey amongst the top business executives.

Reach out to us

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