

EuroCham Business Confidence Index






Quarter 2, 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.

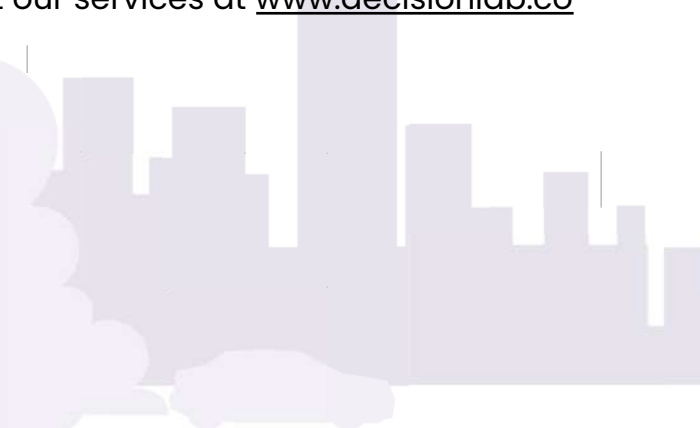
The BCI consolidates perceptions of European and Europe-related companies operating in Vietnam regarding the state and evolution of the business environment in the country.

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.

Read more about our services at www.decisionlab.co



About EuroCham Vietnam

Founded in 1998, the European Chamber of Commerce in Vietnam (EuroCham) is the leading voice of European business in Vietnam. With offices in both Hanoi and Ho Chi Minh City, we represent a diverse range of companies, from SMEs to multinational corporations. EuroCham is a key player in shaping policy discussions, promoting trade and investment, and strengthening economic ties between Europe and Vietnam, particularly under the EU-Vietnam Free Trade Agreement (EVFTA).

As one of the largest foreign chambers in Vietnam, with over 1,400 member companies, EuroCham serves as a "chamber of chambers," uniting nine national European business associations. These include:

- Belgian-Luxembourg Chamber of Commerce (Beluxcham)
- Central and Eastern European Chamber of Commerce in Vietnam (CEEC)
- Chamber of Commerce and Industry Portugal-Vietnam (CCIPV)
- Dutch Business Association Vietnam (DBAV)
- French Chamber of Commerce and Industry Vietnam (CCIFV)
- German Business Association (GBA)
- Italian Chamber of Commerce in Vietnam (ICHAM)
- Nordic Chamber of Commerce Vietnam (Nordcham)
- Spanish Chamber of Commerce in Vietnam (SCCV)

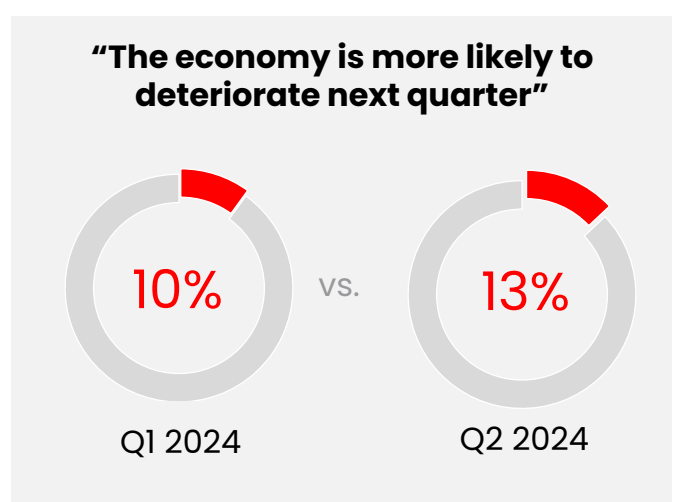
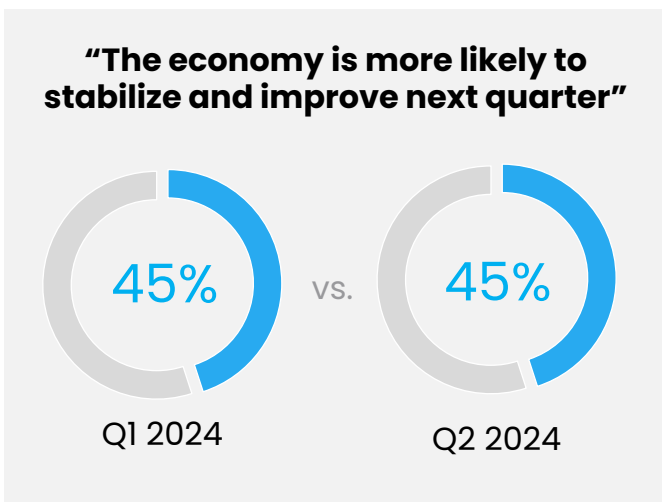
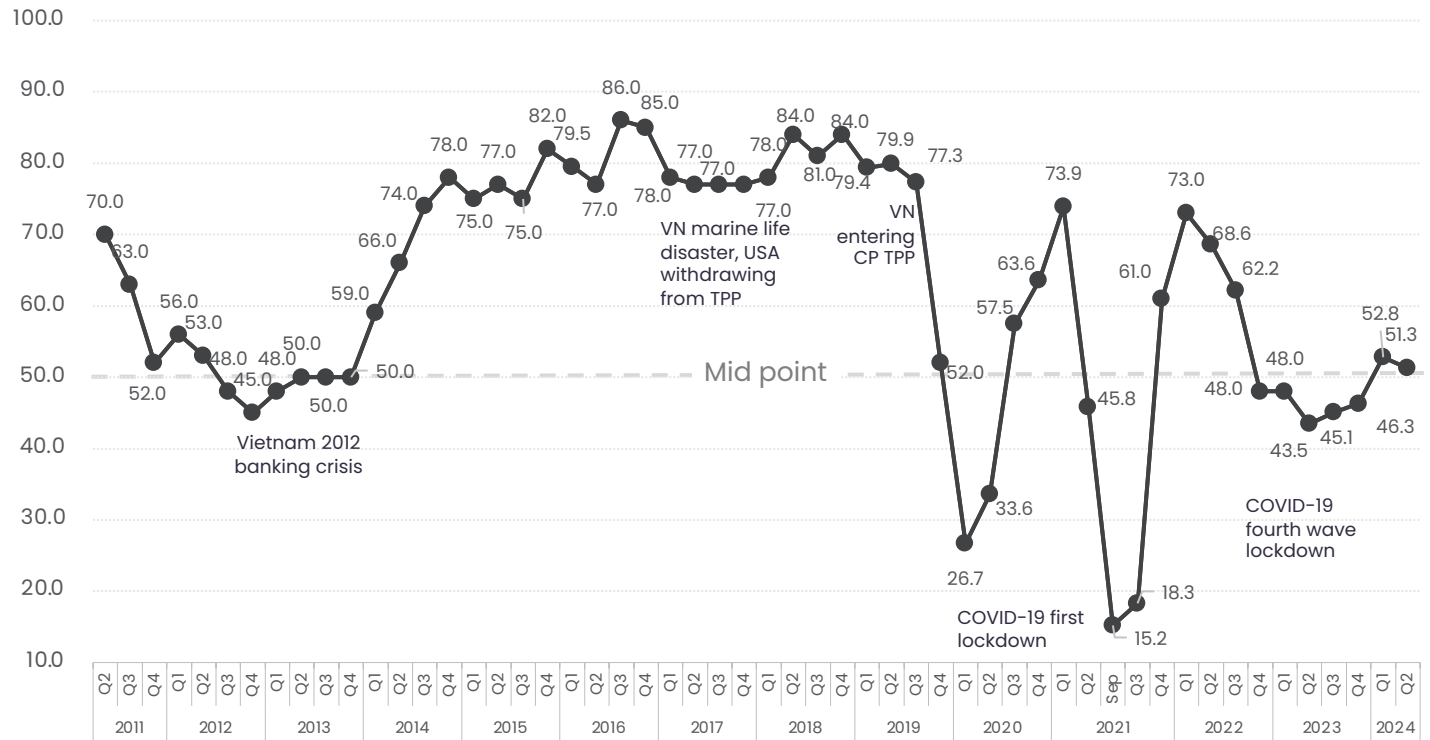
EuroCham's influence is underpinned by our extensive network of 20 specialised Sector Committees. These committees provide expert insights, shape policy recommendations, and foster sector-specific dialogue. This ensures that the diverse perspectives of our members are heard and reflected in EuroCham's broader agenda.

01 | BCI, the macroeconomy, and the business outlook



European businesses in Vietnam are adjusting their outlook, with the Business Confidence Index (BCI) settling at 51.3

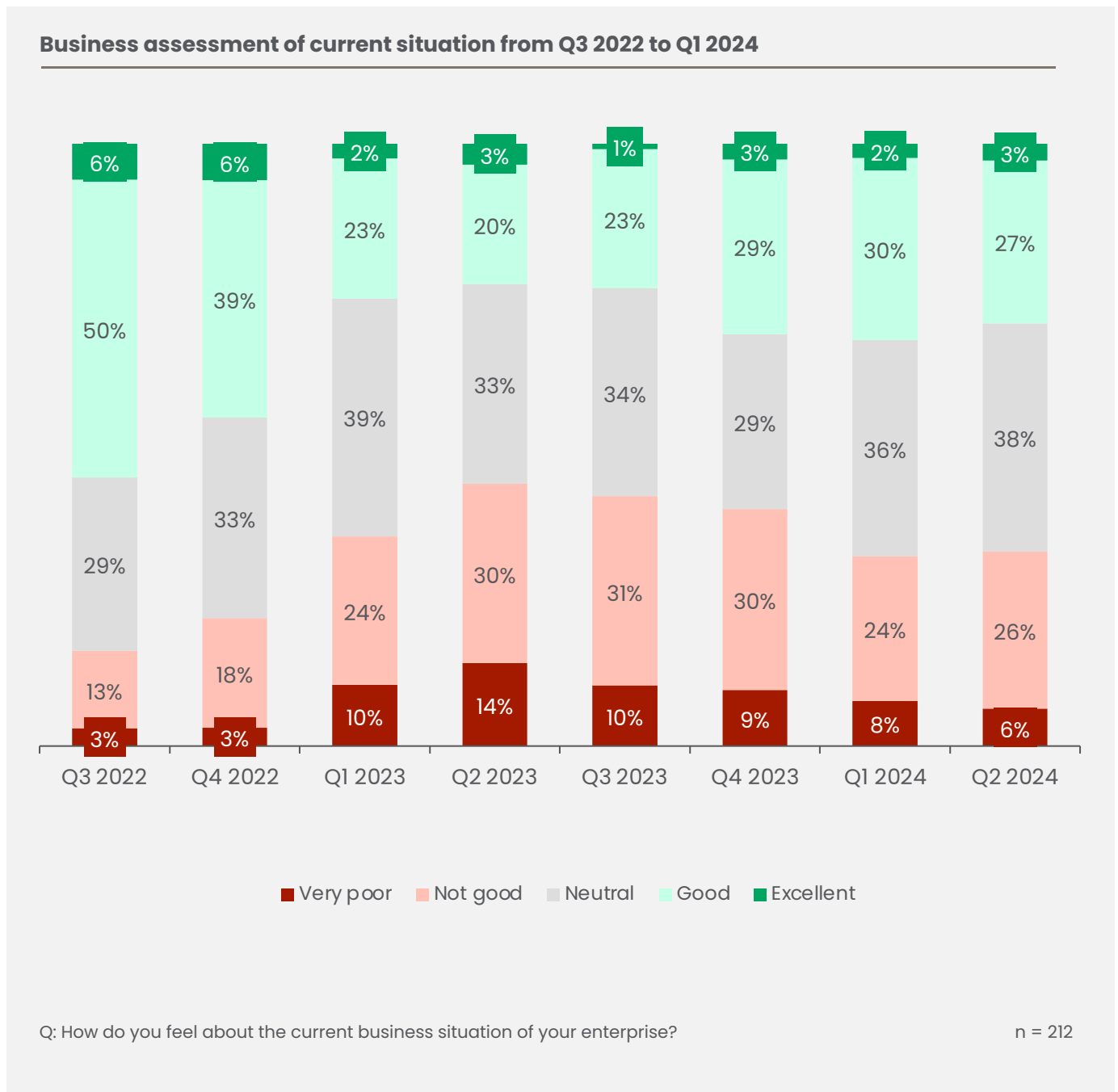
While this represents a slight decrease, it's important to note the index remains positive. This cautious optimism aligns with Vietnam's strong first-quarter GDP growth, suggesting a recalibration of expectations amidst a promising economic backdrop.



The positive outlook on economic stabilization remains consistent. However, there's a small uptick (3%) in those anticipating a downturn next quarter.

There has been minimal change in the overall assessment of current situation since Q1 2024

Following several quarters of steady growth, the current stagnation indicates a potential slowdown and a cautious business outlook. The 2-percent drop in positive outlook was shifted to a more neutral perception of the next quarter.

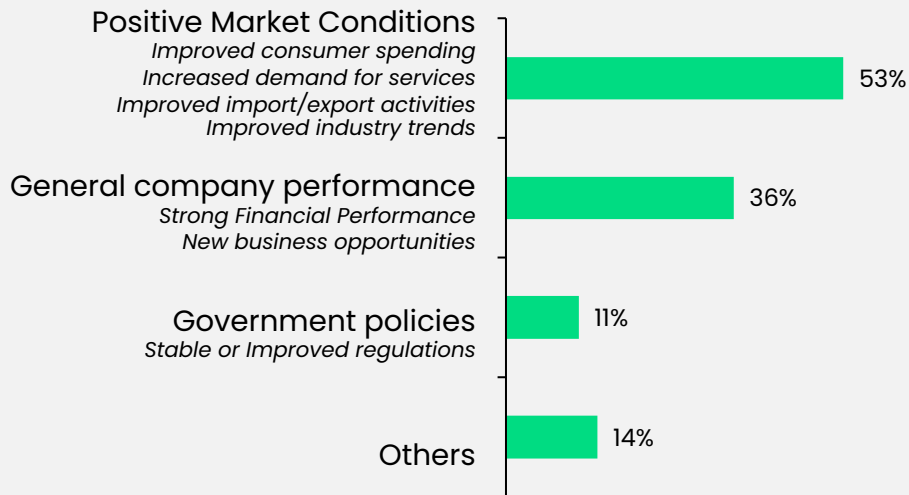


The direction of consumer demand remains uncertain

Vietnam's economic recovery is tentative. Consumer spending and business activity show signs of improvement, but unevenly. Mixed signals and lingering uncertainties prompt businesses to remain cautious.

Reasons for positive assessment

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

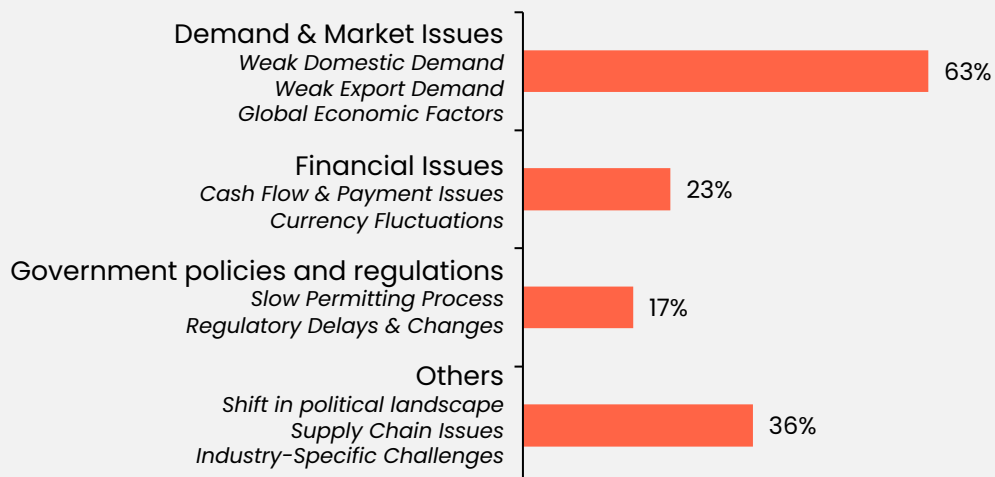


Q: Could you share what factors or events have most influenced your viewpoint?

n = 49

Reasons for negative assessment

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



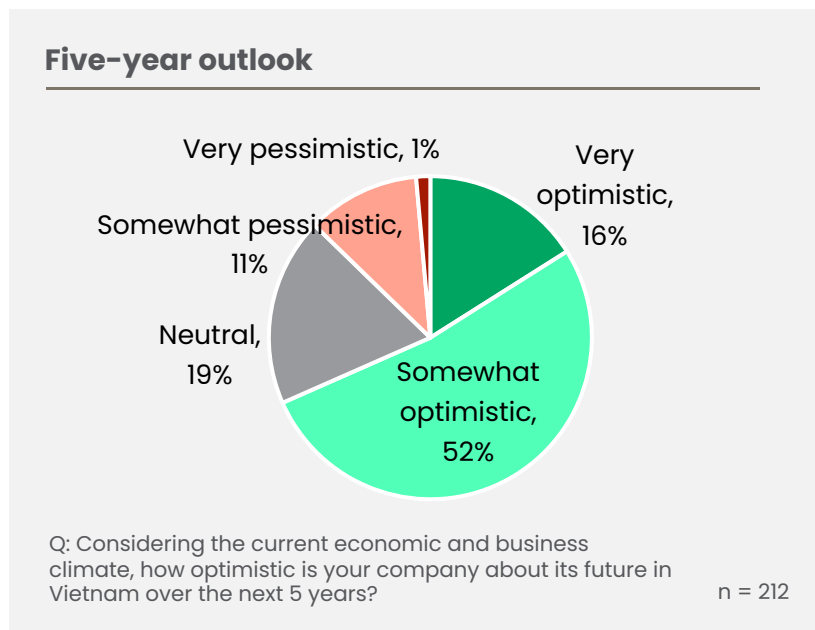
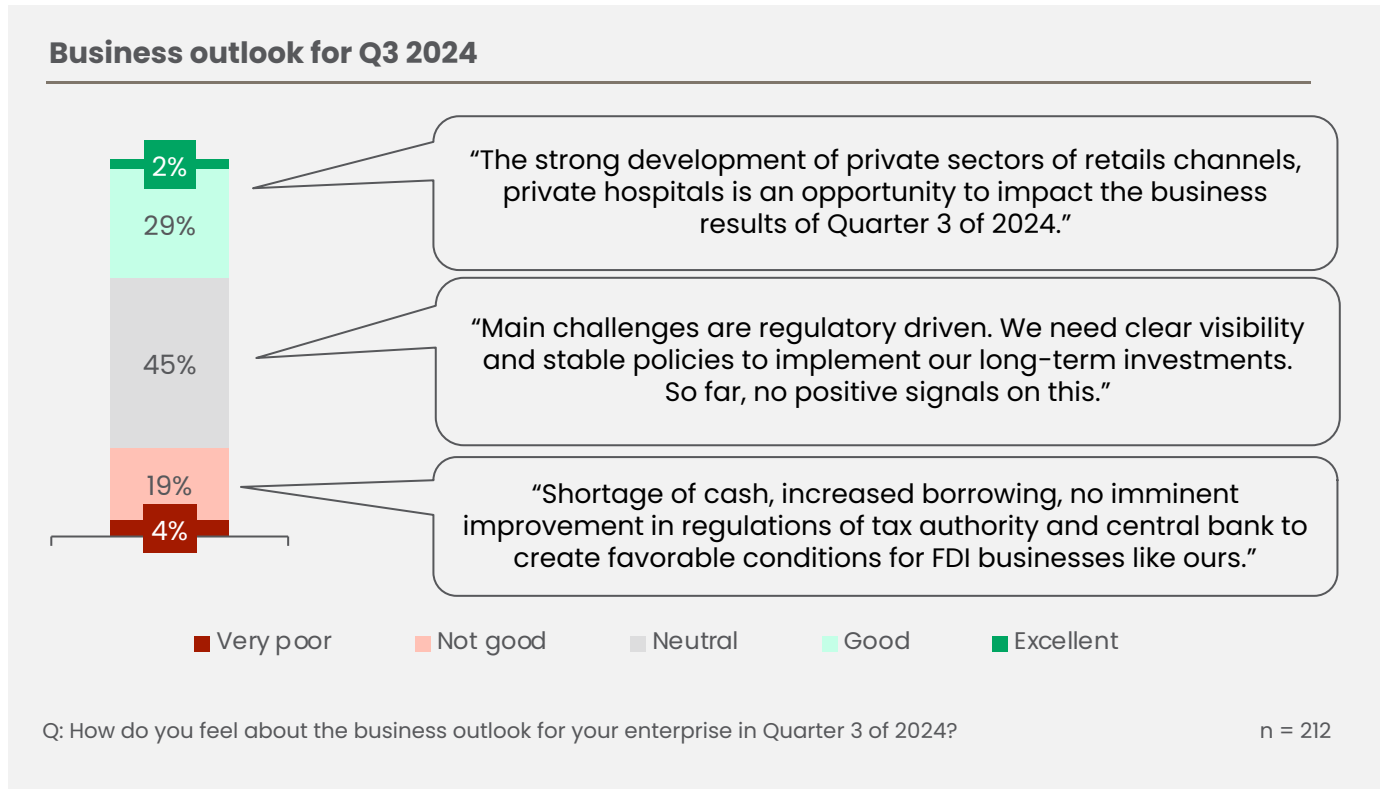
Q: Could you share what factors or events have most influenced your viewpoint?

n = 34

(*) Because some responses mention multiple factors, the total percentage can add up to more than 100%

Businesses are back to the wait-and-see sentiment, with almost half of the respondents (45%) report feeling neutral about the next quarter

Many businesses are facing delays due to procedural bottlenecks, both at the central government level and in obtaining local permits.



Despite the cautious prospect of businesses in the short term, almost 70 percent of the respondents express optimism for the next 5 years.

02 |

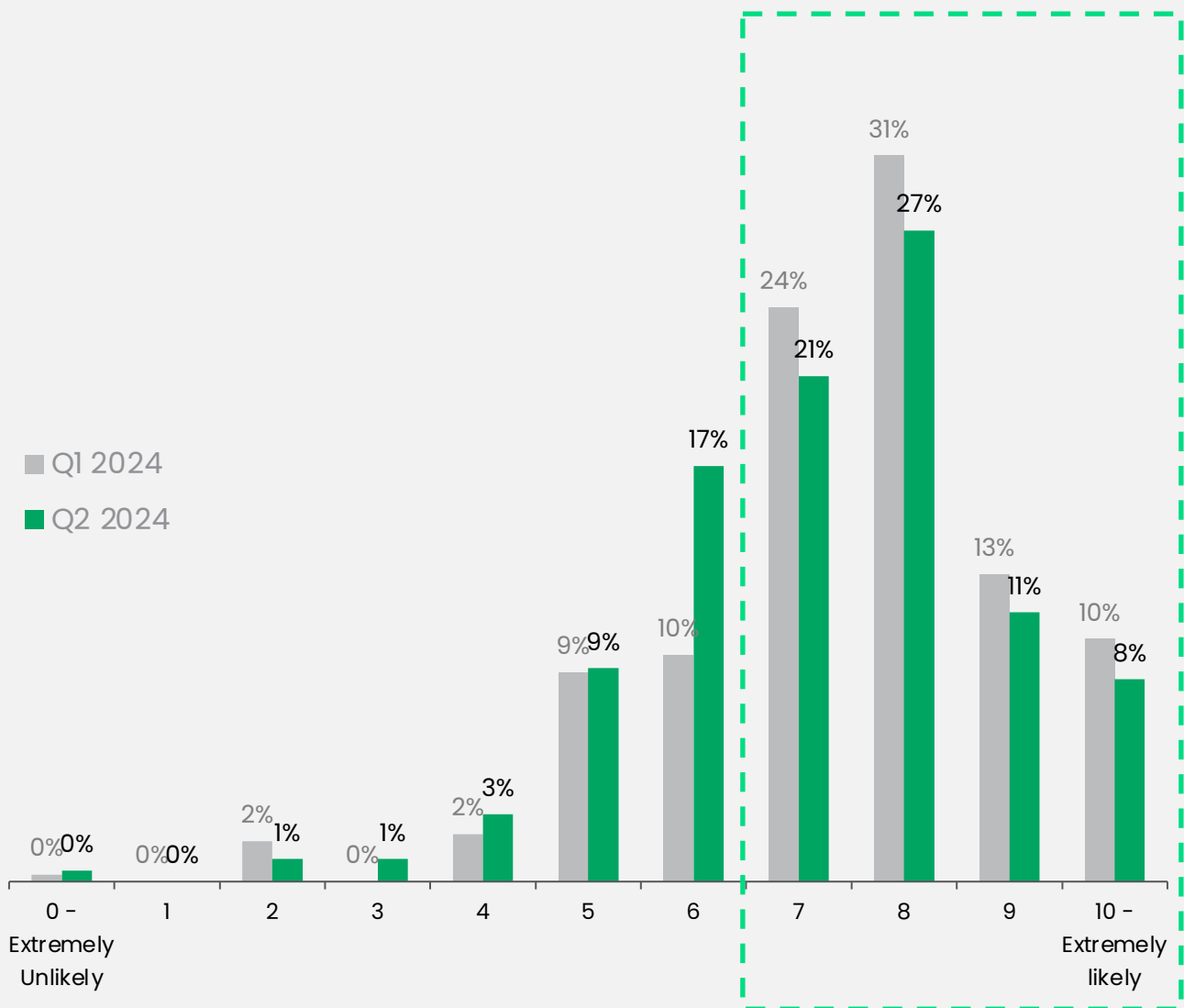
Vietnam as an investment destination



While enthusiasm dipped slightly, Vietnam retains its favor as an investment destination

The high percentage (nearly 70%) of business leaders recommending Vietnam as an investment destination indicates a vote of confidence in the country's business climate. This positive sentiment from existing businesses can be a powerful incentive for new foreign investors considering Vietnam for their ventures.

Likelihood to recommend Vietnam as an investment destination



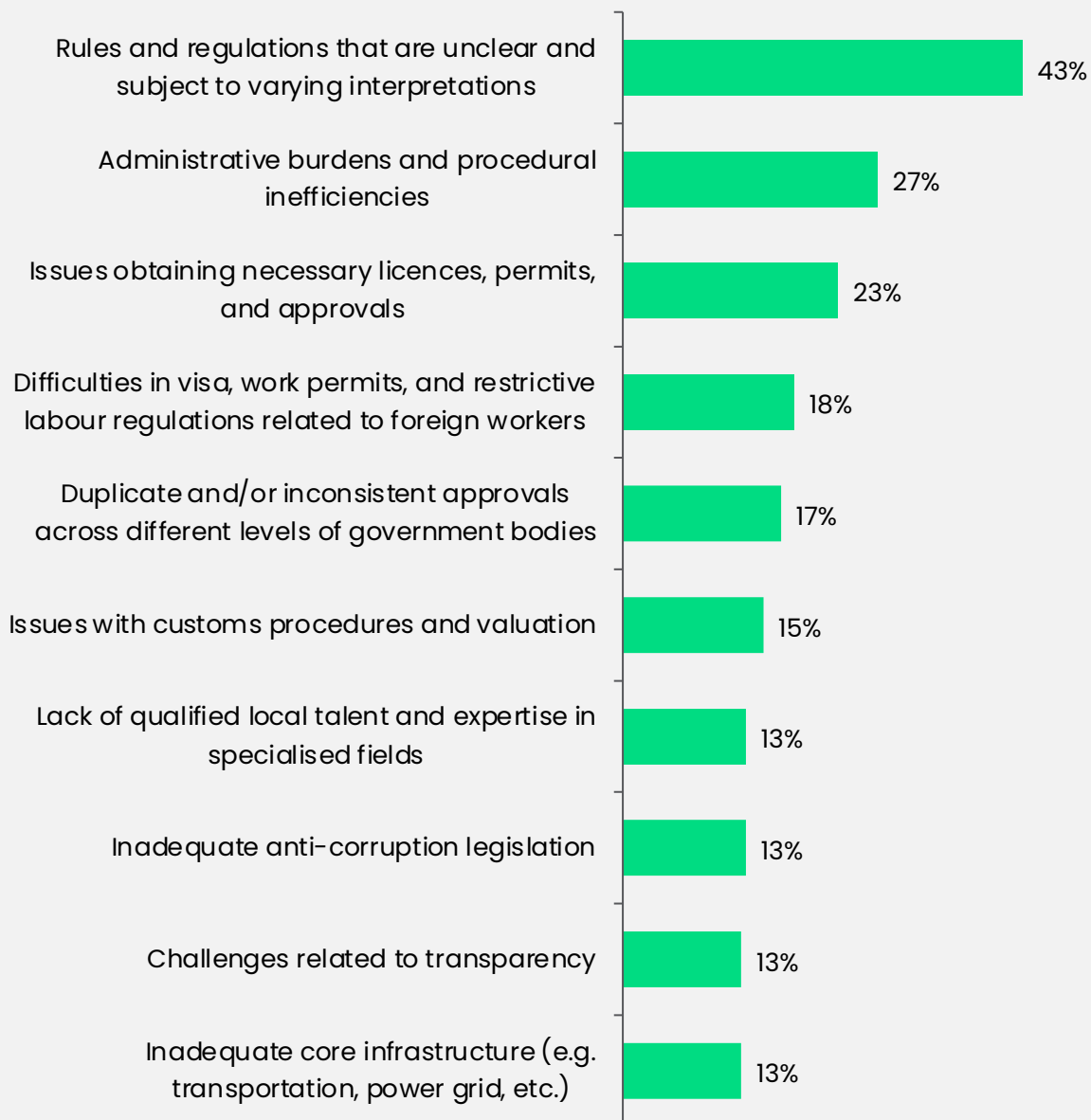
Q: On the scale from 0 - 10, how likely are you to recommend Vietnam as an investment destination to other foreign businesses? With 0 being "Extremely Unlikely" and 10 being "Extremely Likely"

n = 212

Uncertain regulatory frameworks and cumbersome administrative processes are cited as the major impediments to efficient operations

The five most significant impediments to business efficiency all point to the burden of duplicative and inconsistent administrative and regulatory procedures. Skill gaps and inadequate infrastructure add to the challenges businesses face in improving efficiency.

Top 10 obstacles to do business

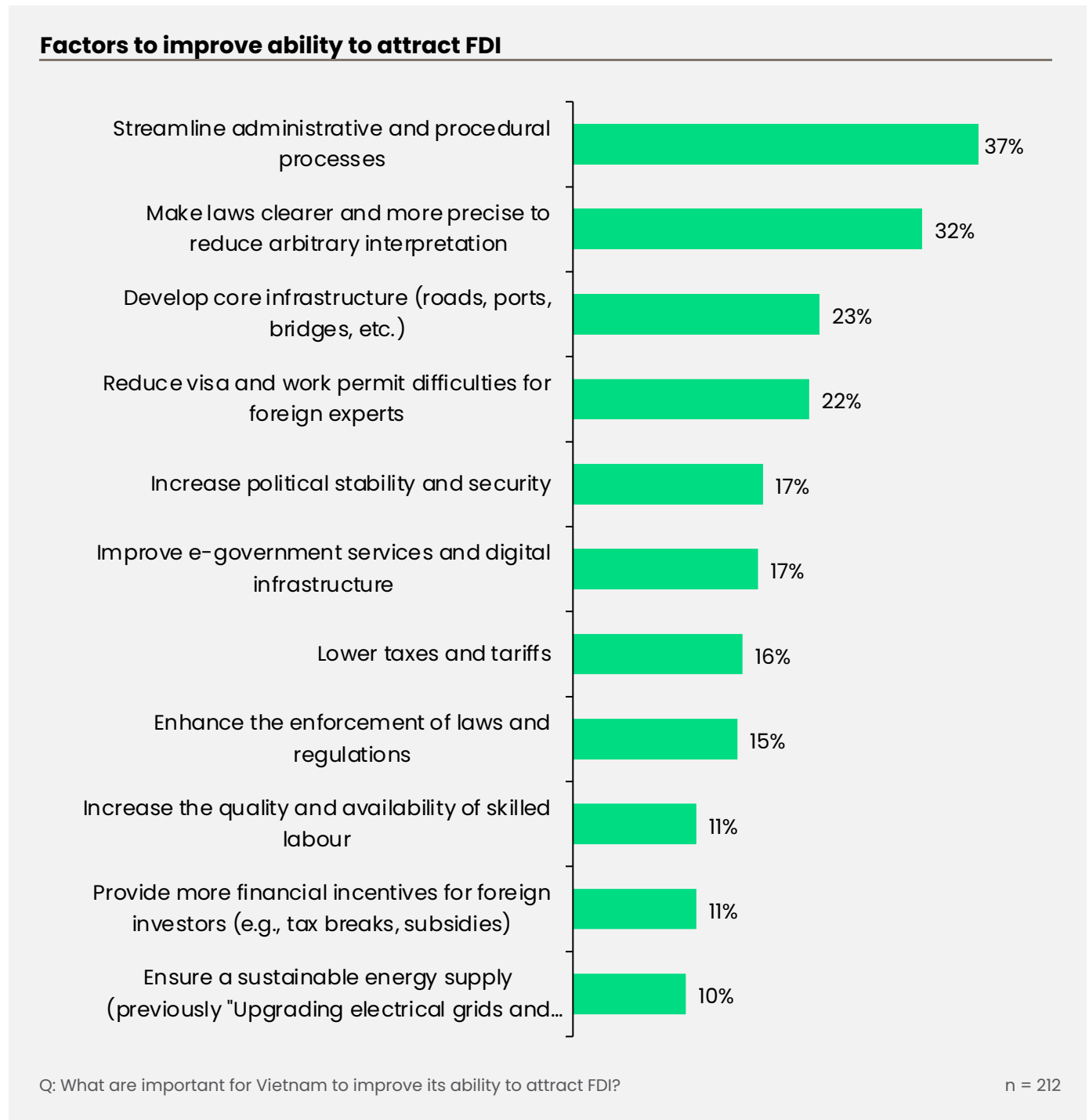


Q: What are the top three most significant regulatory obstacles for your company when doing business in Vietnam?

n = 212

Securing long-term growth and FDI: Streamline administration, enact clear laws, and prioritize infrastructure investment

To overcome the previously identified operational roadblocks, every 1 in 3 businesses express that they would benefit most from administrative streamlining and more precise laws.



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:

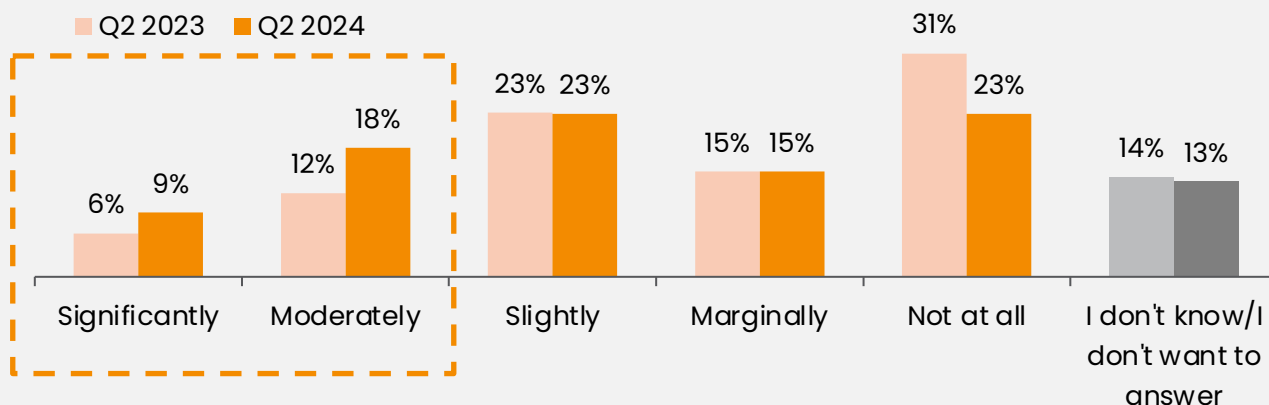
- 1. Tariff Reductions:** The EVFTA will eliminate almost all tariffs between the EU and Vietnam. It removed tariffs on 65 percent of the value of EU exports the moment the FTA entered into force, with the remaining tariffs being phased out over the following decade. Meanwhile, 71 percent of EU imports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



EVFTA delivers growing impact: The number of businesses experiencing moderate to significant benefits from the agreement has risen over 10 percentage points year-over-year, with 27% reporting positive effects this year compared to 18% last year.

EVFTA Benefits

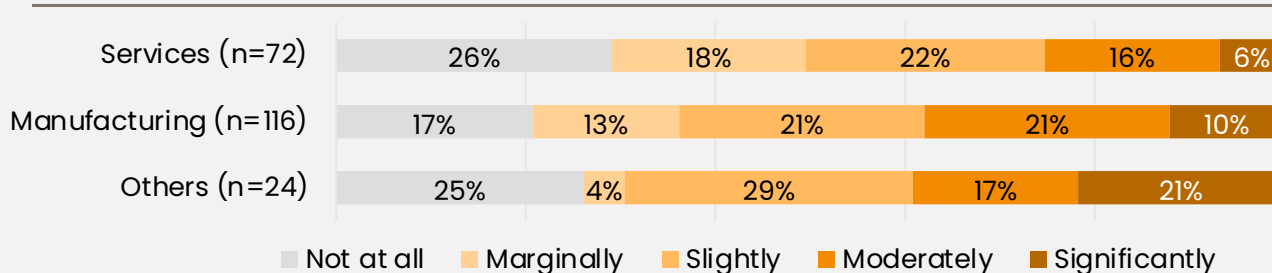


Q: Has your company benefitted from the EVFTA?

n = 212

The EVFTA has made progress towards its core objective: Almost 1 in 3 businesses agree that trade barriers, particularly tariffs, are being reduced as intended by the agreement

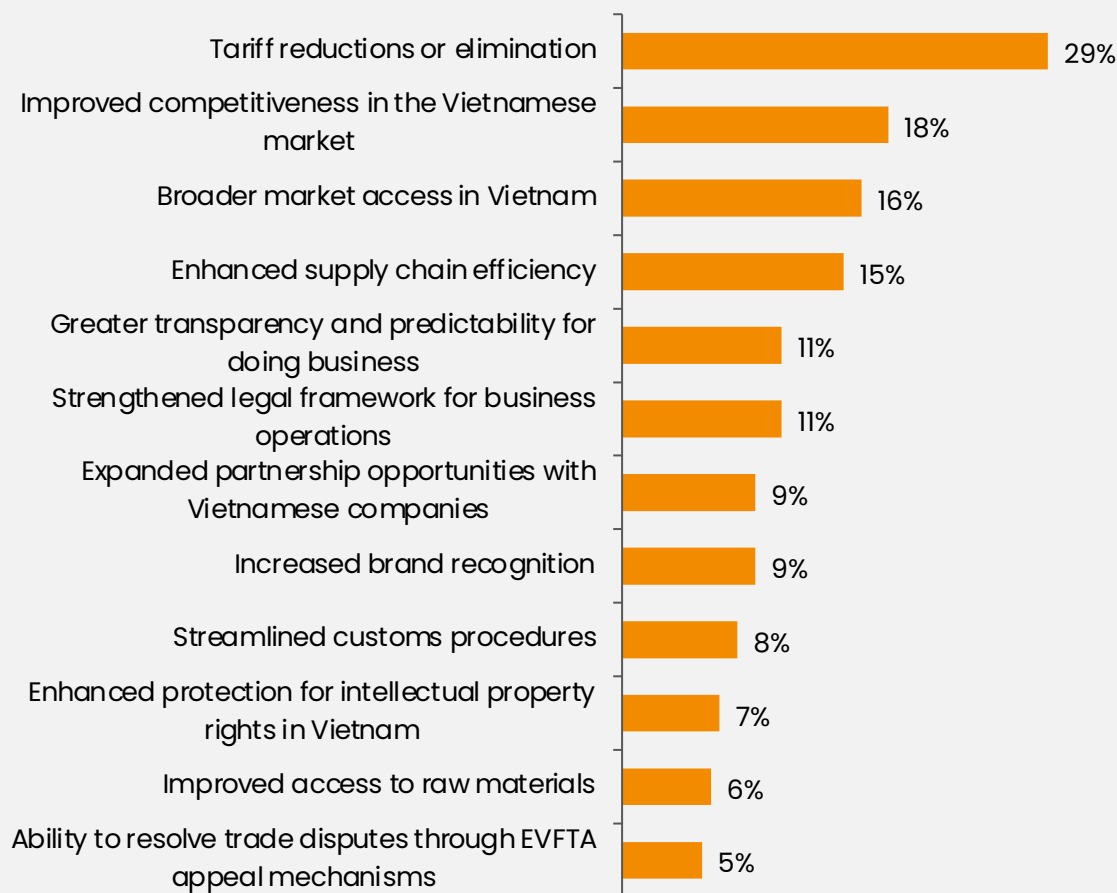
EVFTA Benefits by Sectors



Q: Has your company benefitted from the EVFTA?

n= 212

Ways EVFTA benefit businesses



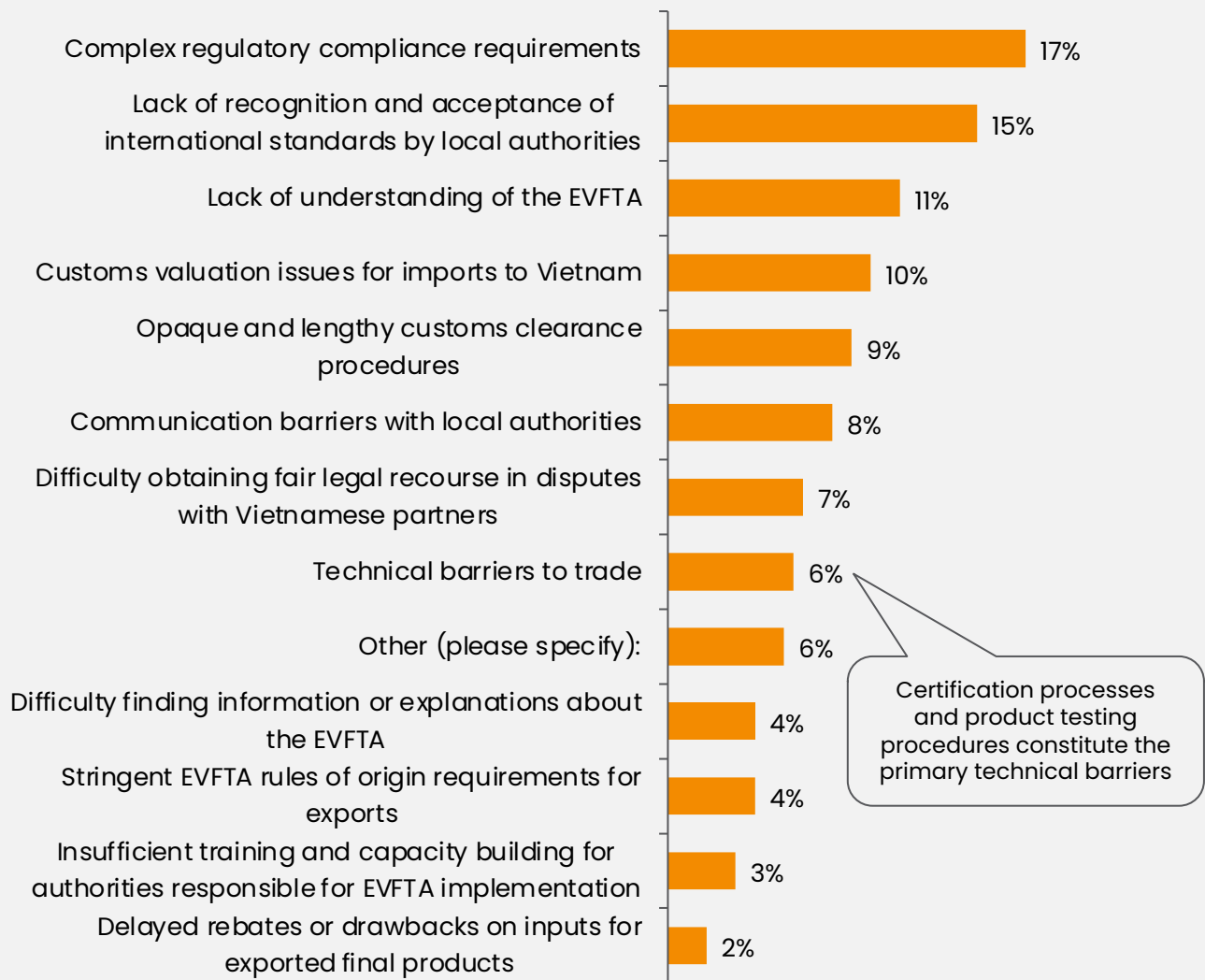
Q: How has your company benefitted from the EVFTA?

n= 212

There is still room for improvement in how it is implemented

Intricate compliance procedures and limited recognition of international standards by local authorities can restrict businesses' ability to capitalize on the EVFTA's potential.

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?

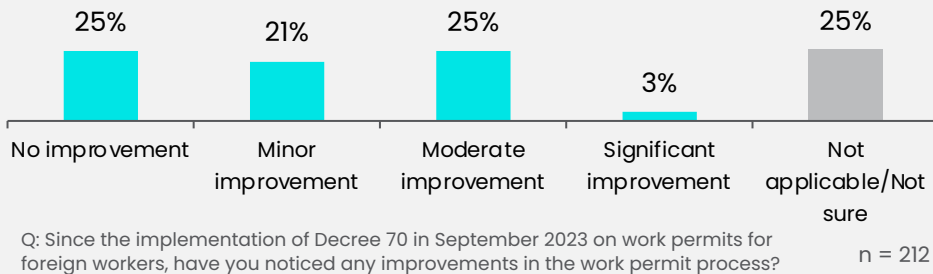
n = 212

04 | Current Events



1. Work permit

Improvement in work permit process

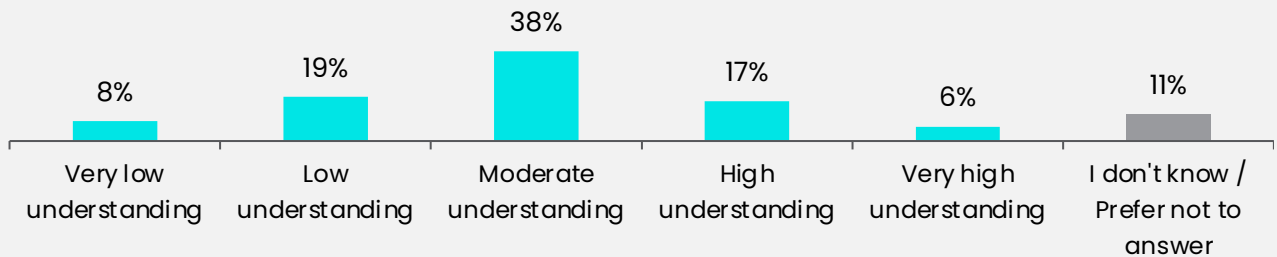


Around half of European businesses in Vietnam has noticed some improvement to the work permit process, but only few say there has been significant improvement

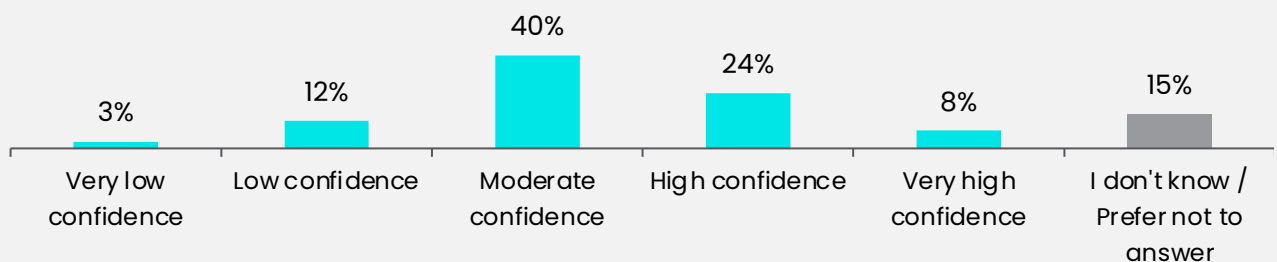
2. Personal Data Protection Decree

A lack of clear understanding regarding the Personal Data Protection Decree leads to only moderate confidence in compliance among businesses. This suggests a need for further education and clarification to avoid potential regulatory issues.

Personal Data Protection Decree Understanding



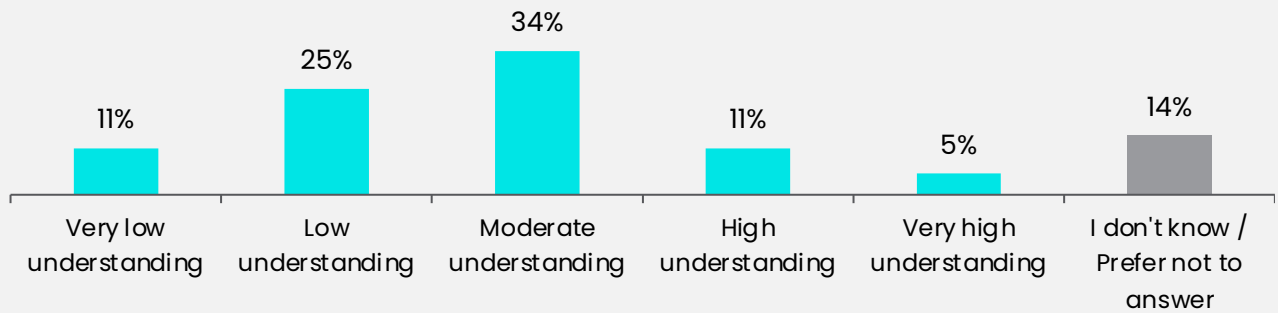
Personal Data Protection Decree Confidence



3. Key EU Green Deals

Limited understanding of key EU Green Deal regulations (less than 20% grasp regulations like EUDR, CSDDD, and CBAM) creates compliance challenges for businesses. Almost a quarter (24%) report low confidence in meeting these requirements.

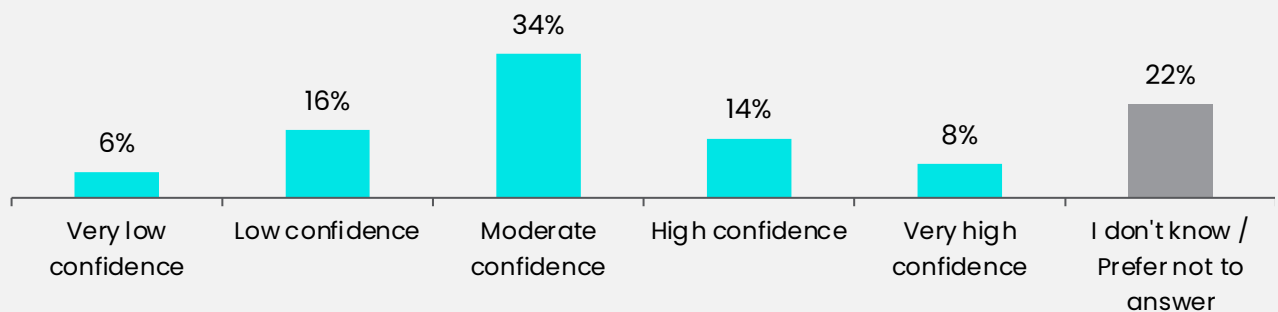
Green Deals Understanding



Q: How would you rate your understanding of key EU Green Deal regulations?

n = 212

Green Deals Confidence



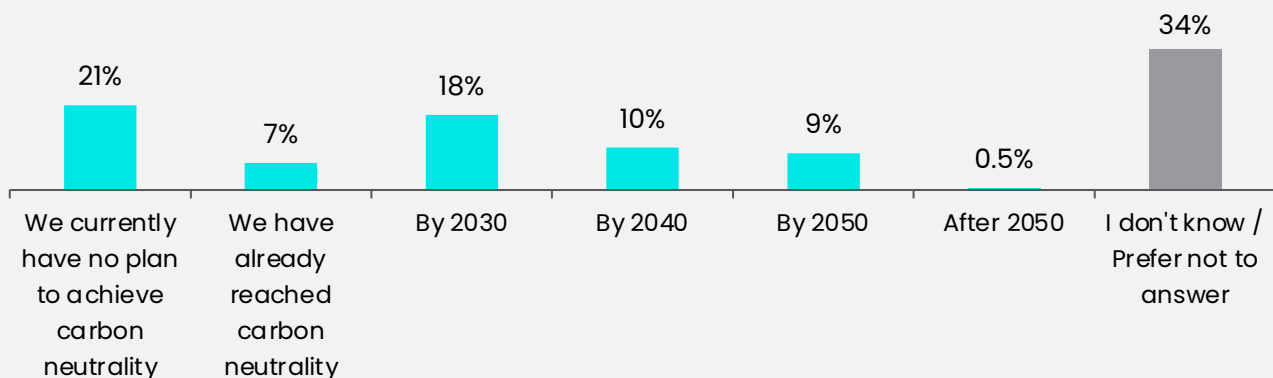
Q: How confident are you in your company's ability to comply with key EU Green Deal regulations?

n = 212

4. Carbon Neutrality Targets

More than 50% of businesses also say they either do not know or currently have no plan to achieve carbon neutrality target. Government policy and regulation are seen as the biggest obstacle by businesses. Access to clean energy and a lack of market demand are also significant challenges.

Carbon Neutrality Target



Q: By when does your company aim to achieve carbon neutrality in Vietnam?

n = 212

Key challenges to working towards carbon neutrality

- **Customer behaviour:** Customers are unwilling to pay a premium for carbon-neutral practices, and there are a lack of incentives for businesses to invest.
- **Government Policy & Regulation:**
 - Insufficient regulations and enforcement for carbon neutrality goals.
 - Unclear policies and processes create confusion and hinder progress.
 - Focus on fossil fuels (coal, LNG) and limited support for renewables.
- **Energy Infrastructure:**
 - Limited access to clean energy sources (renewable energy) and information on energy source.
 - Dependence on the Vietnamese electricity grid which relies heavily on coal-fired power plants.
 - Lack of infrastructure for electric vehicle charging stations.
- **Waste Management:**
 - Difficulty in recycling waste due to limited infrastructure and awareness.
 - Lack of circularity in waste management practices.
- **Financing:** Limited access to financing for carbon neutrality projects.
- **Employee Awareness:** Lack of motivation and knowledge among employees about carbon neutrality goals.
- **Measurement & Reporting:** Difficulty in measuring and reporting carbon footprint due to unclear legal frameworks.
- **Supply Chain:** Suppliers not meeting carbon neutrality standards or lacking data on their emissions.
- **Public Transportation:** Poor public transportation infrastructure disincentivizes low-carbon commuting options.

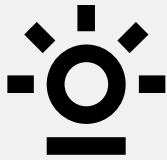
Q: Please describe the main challenges or barriers your company encounters in working towards carbon neutrality.

n = 212

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, 212 completed the full questionnaire in this round. This represents a response rate of 9.5% which is considered moderately high for a survey amongst the top business executives.

Reach out to us

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