

# EuroCham Business Confidence Index






Quarter 3, 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](http://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)

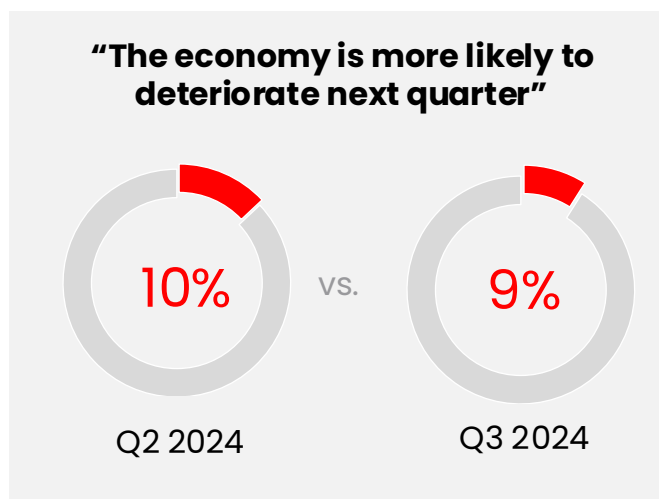
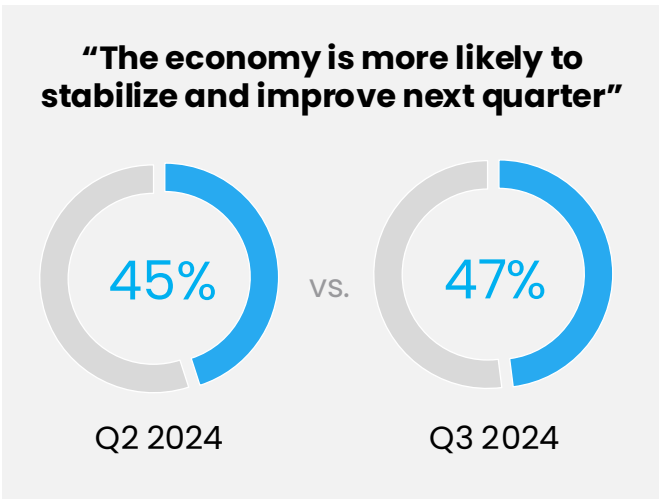
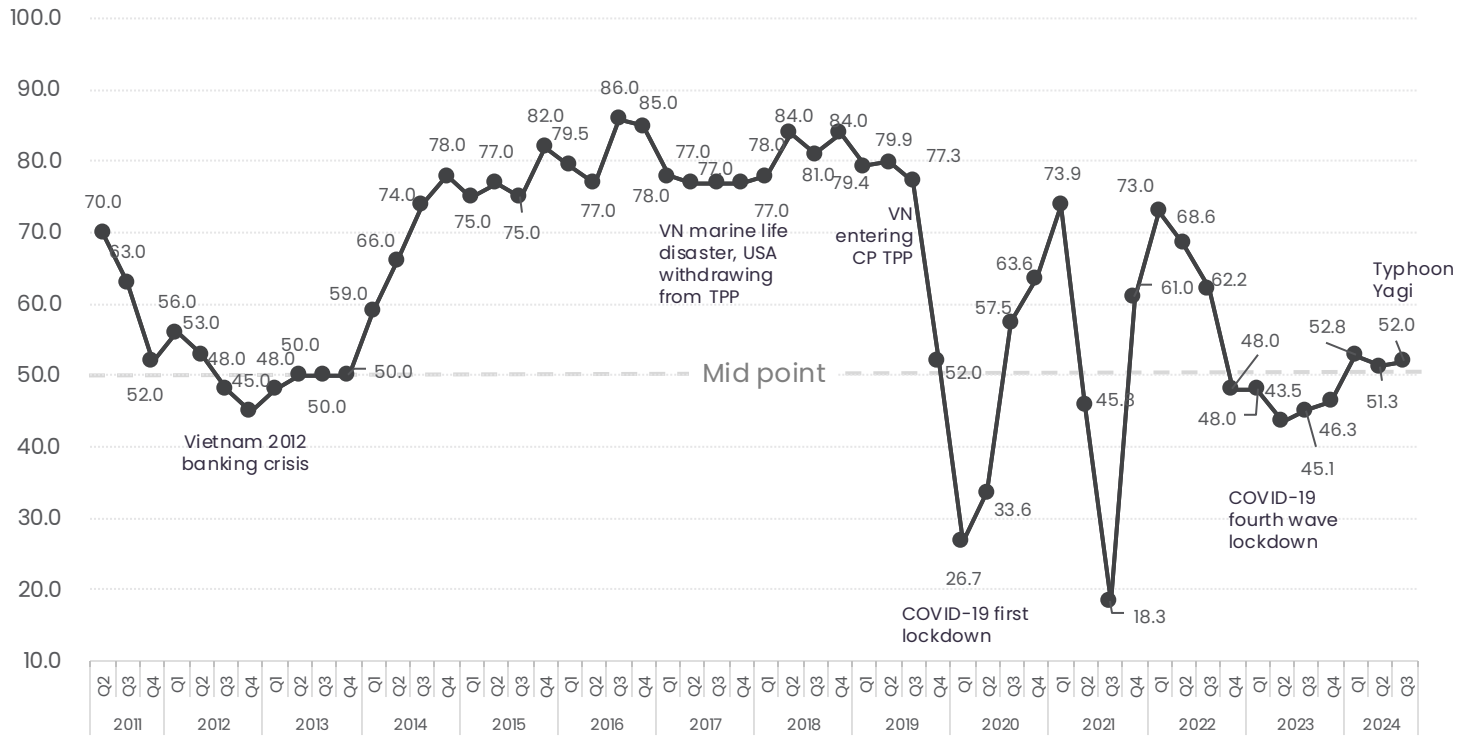
EuroCham's influence is underpinned by our extensive network of 20 specialised Sector Committees. These committees provide expert insights, shape policy recommendations, and foster sector-specific dialogue. This ensures that the diverse perspectives of our members are heard and reflected in EuroCham's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

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



# European businesses remain optimistic about Vietnam amidst the toll of Typhoon Yagi, bringing the Business Confidence Index (BCI) to 52.0.

The small rise in BCI shows that the cautious optimism continues to be widely shared among businesses. This momentum, coupled with the spike in GDP growth in H1 2024, indicates an early but still weak market recovery.

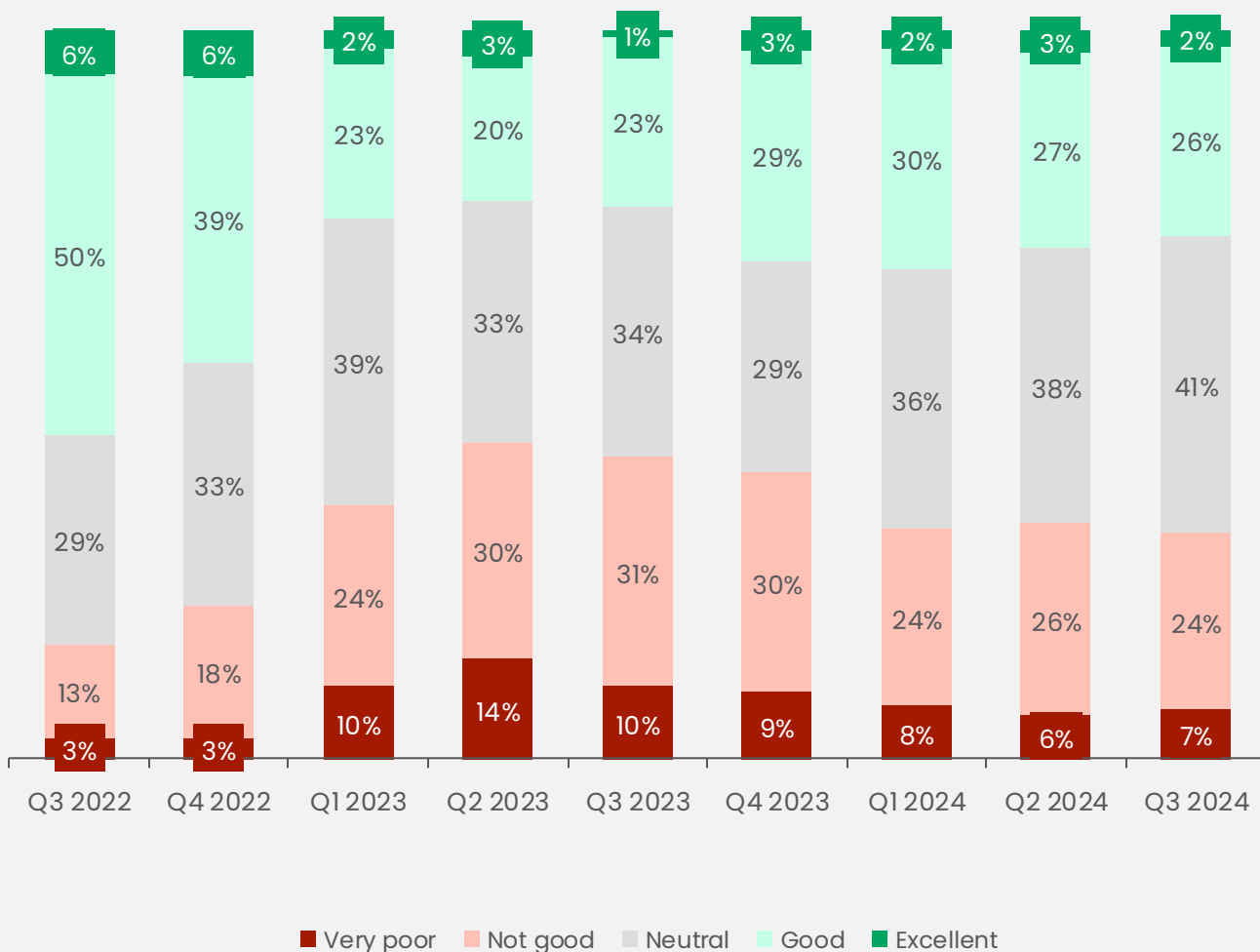


More businesses trust that Vietnam’s economy will stabilize and improve in the next quarter (+2 pp), while fewer expect that the economy will perform worse in this period (-1 pp).

## Business assessment of the economy has consistently become more neutral since Q1 2024

Stagnation continues to prevail in Q3, thus enhancing an even more cautious business assessment. A drop in both positive (+2 pp) and negative (-1 pp) outlooks has contributed to a more neutral (+3 pp) anticipation of business performance in the next quarter.

Business assessment of current situation from Q3 2022 to Q3 2024



Q: How do you feel about the current business situation of your enterprise in Quarter 3 of 2024?

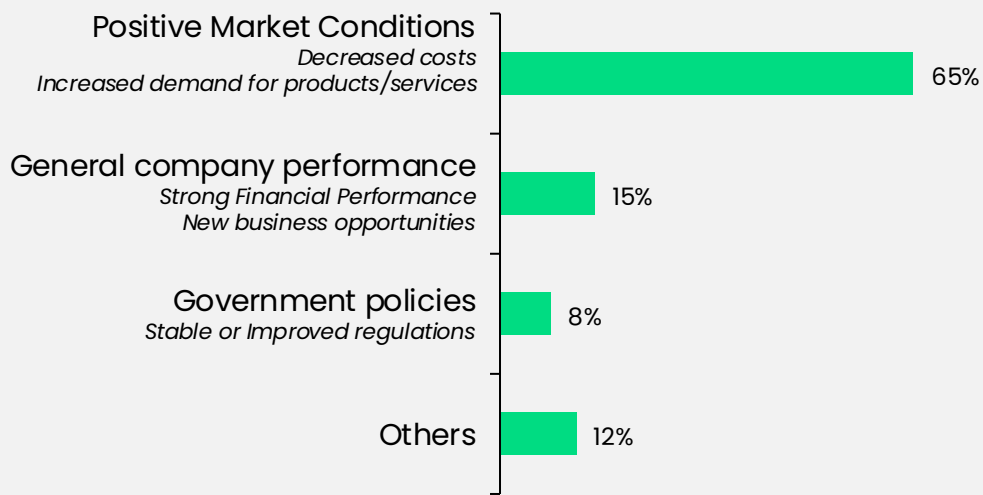
n = 228

# Although the reasons for a positive assessment remain stable, new concerns have emerged since the previous quarter

While some businesses cited Typhoon Yagi as a reason for negative assessments in Q3 2024, the anticipated impact on business sentiment was lower than expected, with most concerns still centered on geopolitical and operational challenges.

## Reasons for positive assessment

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

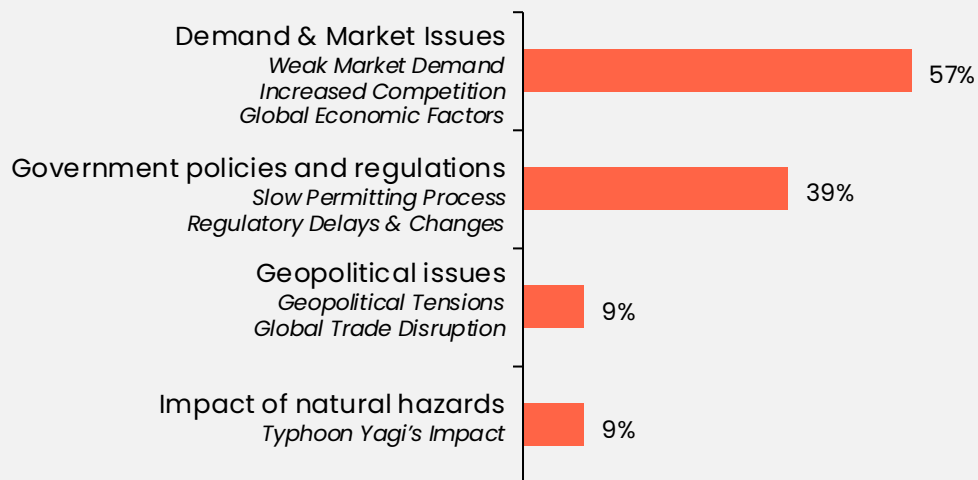


Q: Could you share what factors or events have most influenced your viewpoint?

n = 26

## 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?

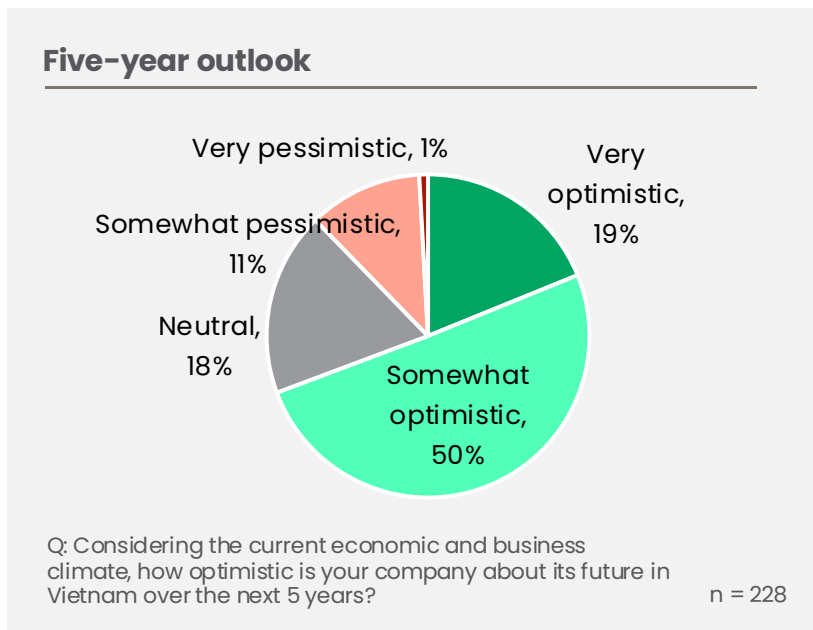
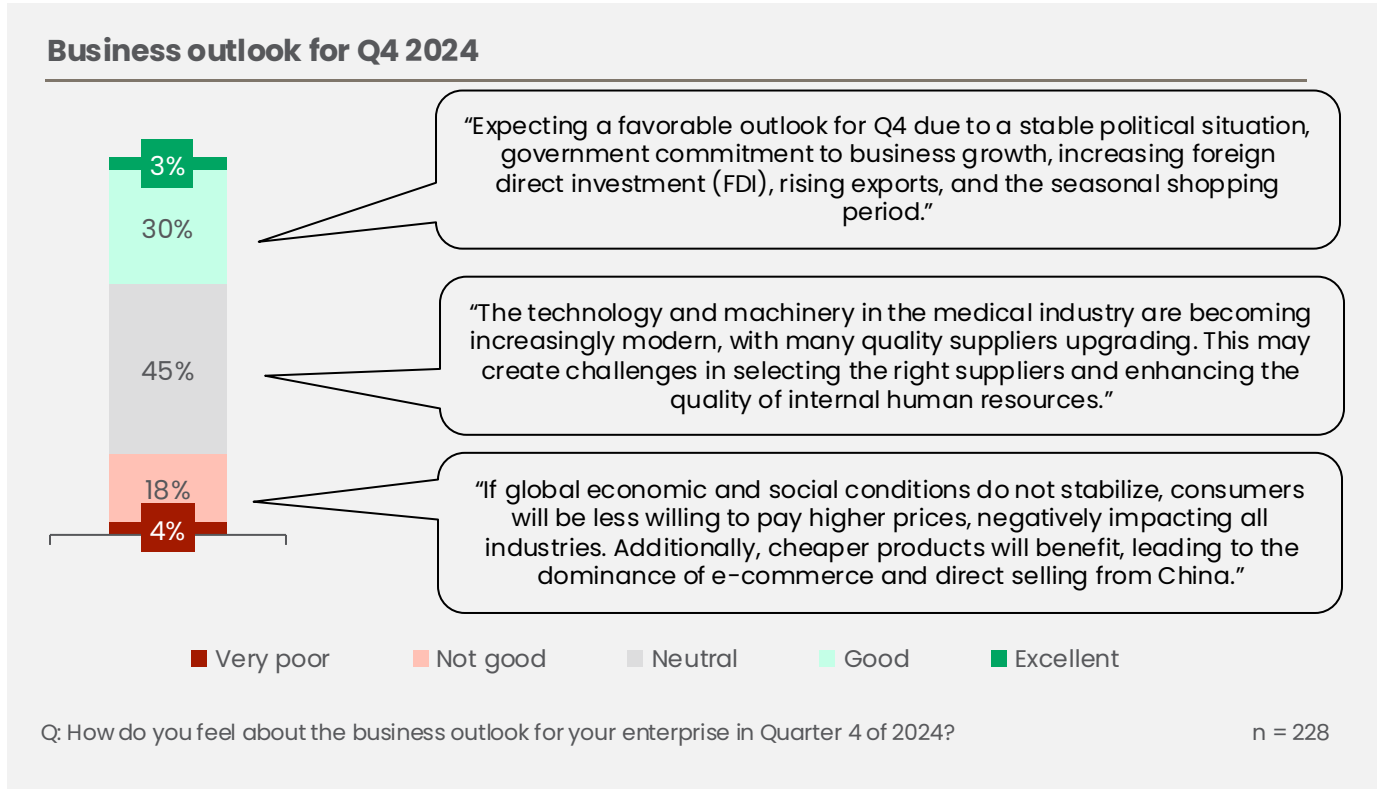
n = 46

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



# While businesses remain cautious, with 45% of respondents feeling neutral, there is an increase in positive outlook

Although there are positive signals regarding the multifaceted domestic factors, many businesses show concerns for global tensions and instability that affect industries negatively.



The five-year outlook also records a small increase in the optimism for the next 5 years.

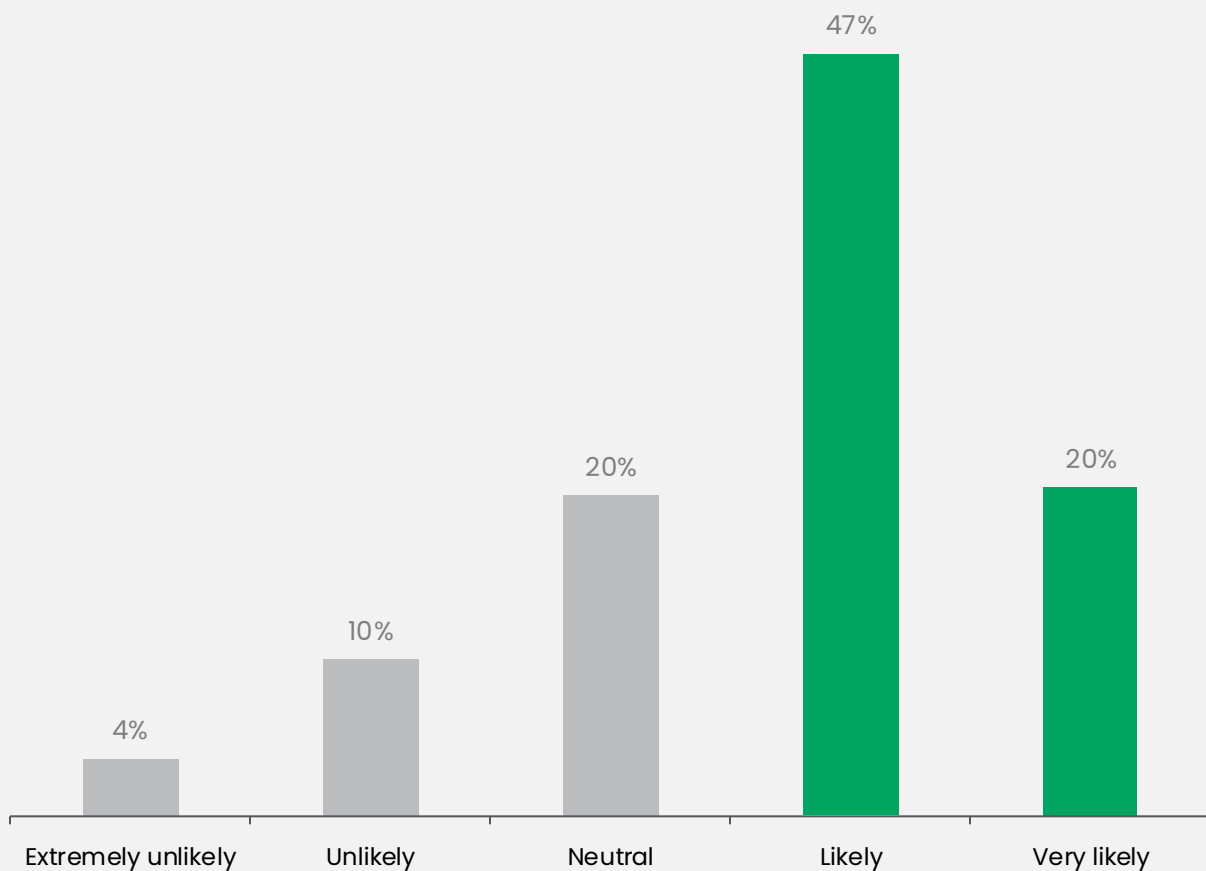
# 02 | Vietnam as an investment destination



## As business spirit slightly lifts, Vietnam secures its position as an attractive FDI destination

Almost 70% of European business leaders in Vietnam would recommend the country as an investment destination. This continued positive sentiment reinforces business trust in the country's economic wellbeing despite a challenging year.

### Likelihood to recommend Vietnam as an investment destination



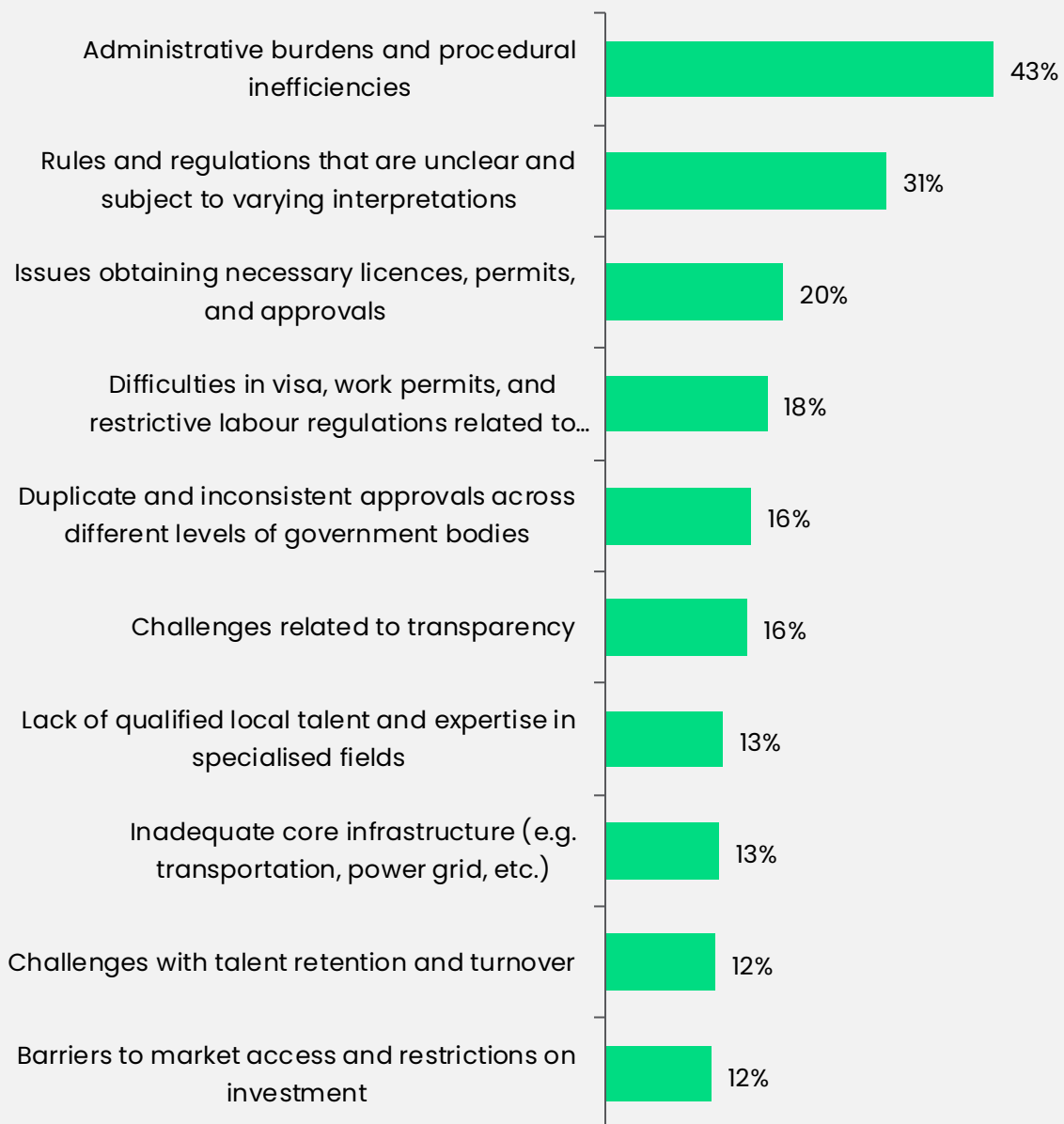
Q: How likely are you to recommend Vietnam as an investment destination to other foreign businesses?

n = 228

## Business operations encounter redundant administrative processes and unclear regulations and guidelines

Operational obstacles that significantly hinder business efficiency all centered around bureaucratic hurdles, inconsistent and duplicative administrative processes, and ambiguous rules and regulations. Concurrently, businesses are facing competency shortfall and substandard infrastructure challenges.

### Top 10 obstacles to doing business

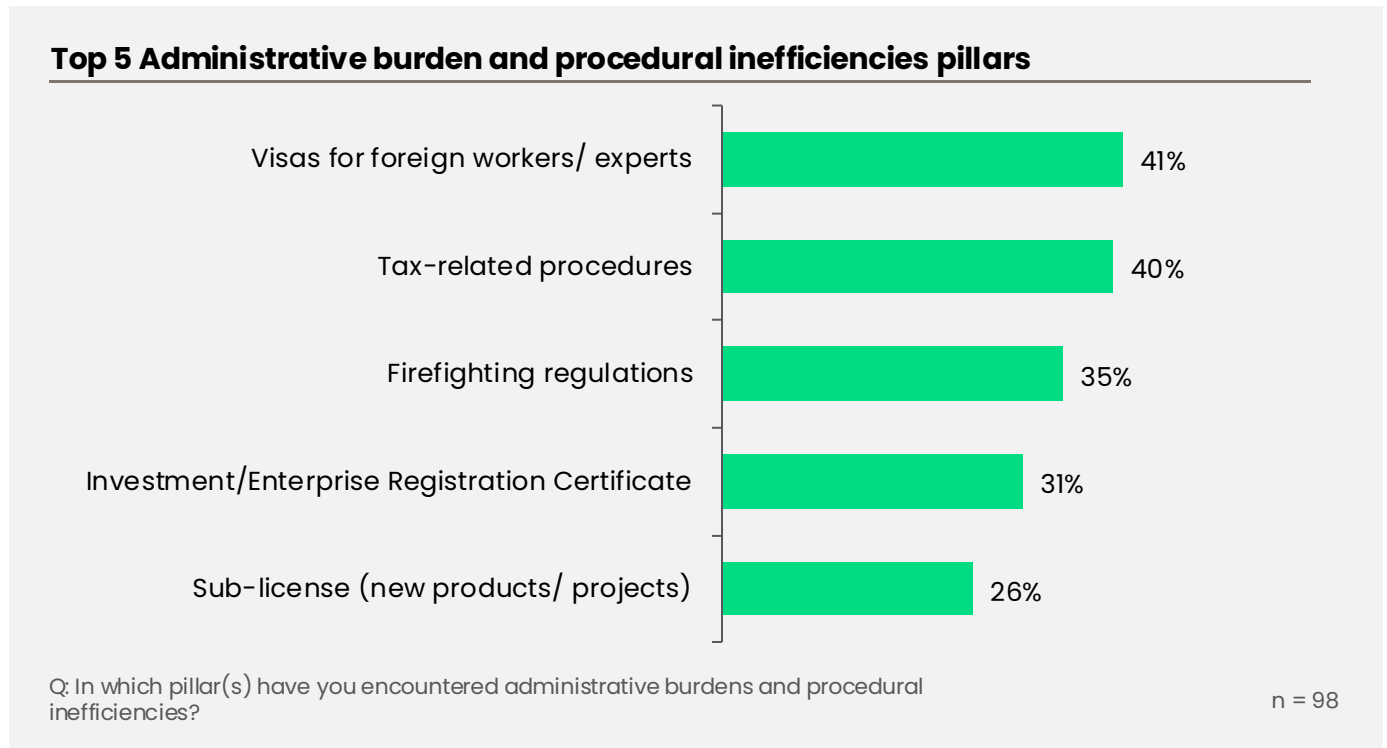


Q: Which are the top three most significant obstacles that hinder your company's performance and operational effectiveness in Vietnam? Please choose up to 3 options

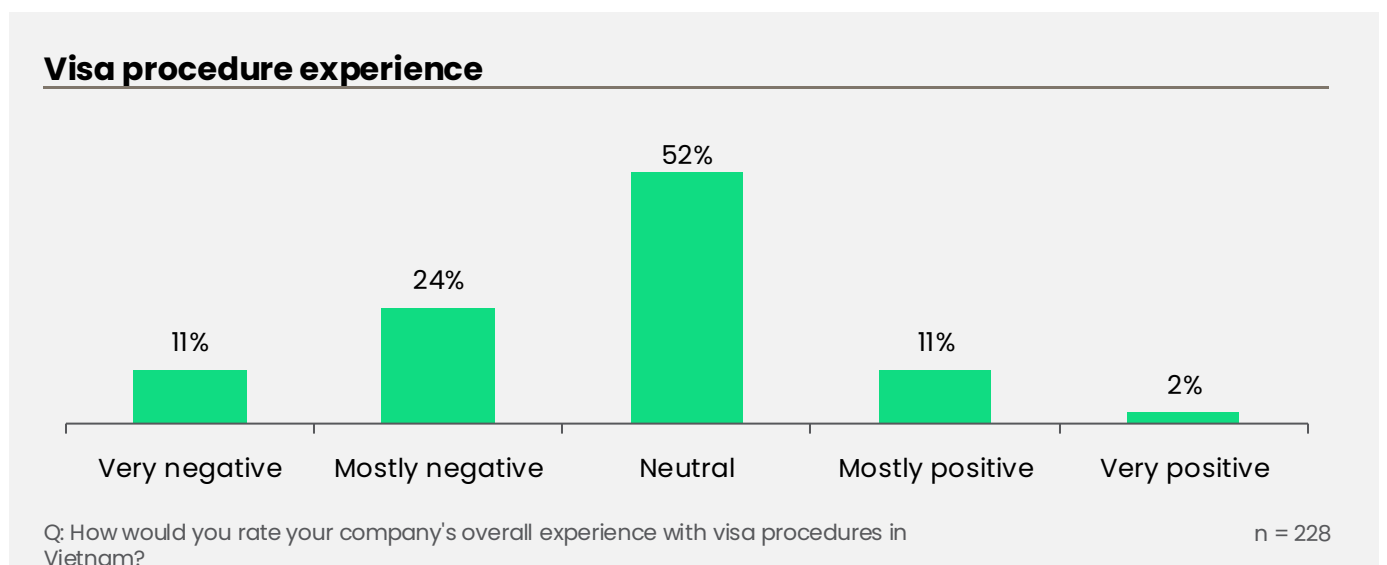
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## Visa procedures are a pain point for both foreign workers and their employers

Together with obtaining visas for foreign experts, tax-related procedures and recent firefighting regulations add to the administrative burdens that companies face.



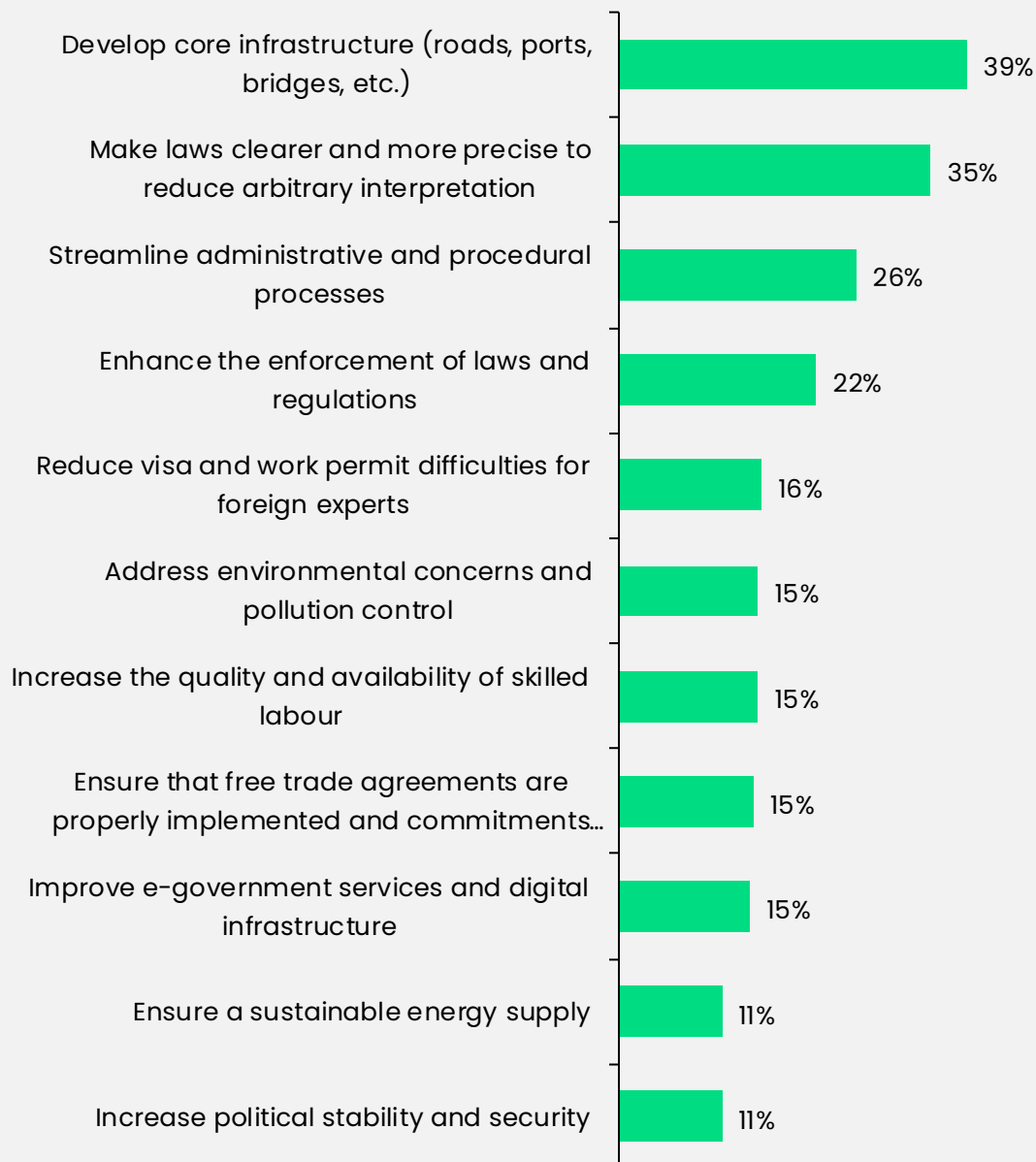
Around one-third (35%) of respondents report a negative visa procedure experience.



## Improvements to various factors are needed to better attract FDI and ensure business commitment

Respondents mention core infrastructure, legal clarity and precision, bureaucracy, and law enforcement as areas for improvement.

### Factors to improve ability to attract FDI



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

n = 228

# 03 | Direct Power Purchase Agreement (DPPA)



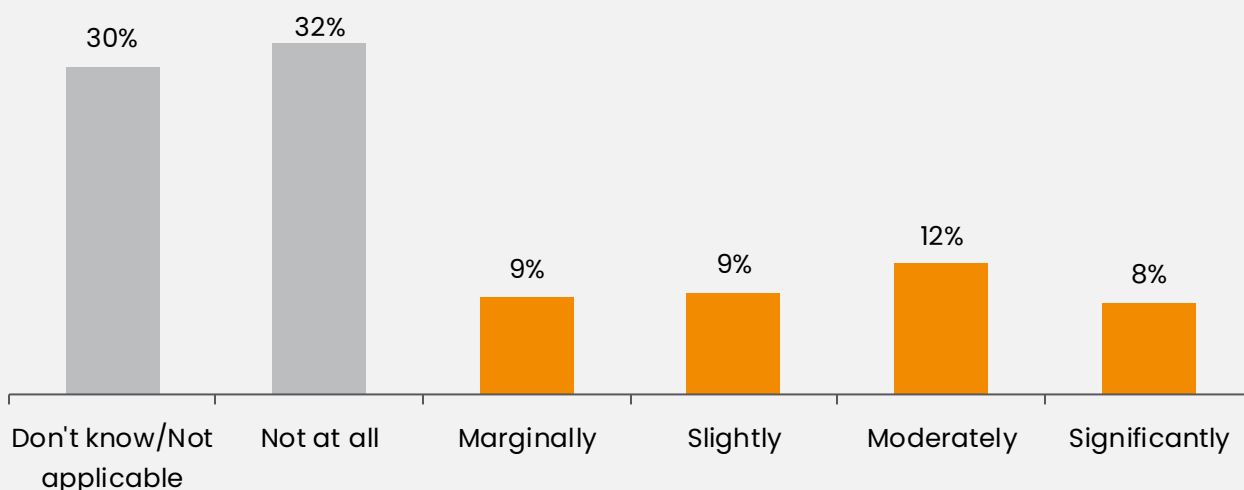
## DPPA and its positive impacts are on the rising horizon: Nearly 40% of businesses have benefited or are expecting to benefit from the agreement in various degrees.

The Direct Power Purchase Agreement (DPPA) decree allows renewable energy generators (REG), including wind, solar, small hydro, biomass, geothermal, ocean wave systems, as well as any other forms of renewable energy plants, to directly sell to large electricity consumers (LEC). The decree envisages two purchase structures:

- 1. Private Power Lines:** REG can develop independent power lines and sell directly to LEC, independently from the national grid managed by Vietnam Electricity (or EVN).
- 2. The National Grid:** REG can utilize the existing national grid to sell to LEC via three power purchase agreements: 1) REG sells all electricity that is produced into the Vietnam Wholesale Electricity Market; 2) LEC signs a contract for the purchase and sale of electricity with a Power Corporation under EVN; and 3) REG and LEC sign a forward contract for the trading of electricity.

Source: Ministry of Industry and Trade, and Vietnam Electricity

### DPPA Benefits



Q: To what extent has your company benefited, or is expecting to benefit from the Direct Power Purchase Agreements (DPPA)?

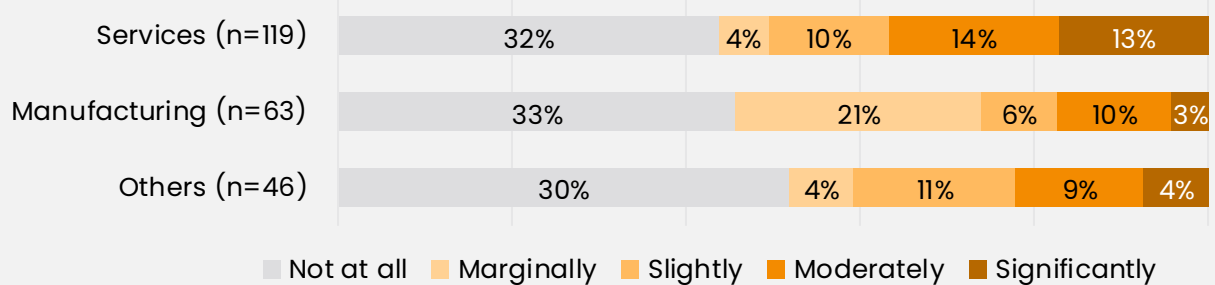
n = 228



## The DPPA has shown to be most beneficial to the service sector and businesses that operate on larger scales

1 in 4 service providers and companies that have 100 employees and above anticipate the DPPA would benefit them moderately or significantly.

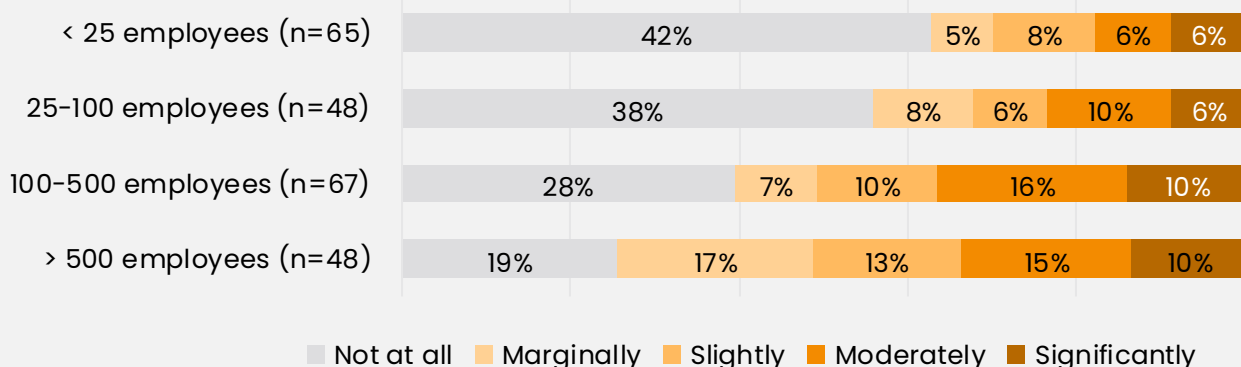
### DPPA Benefits by Sectors



Q: To what extent has your company benefited, or is expecting to benefit from the Direct Power Purchase Agreements (DPPA)?

n= 228

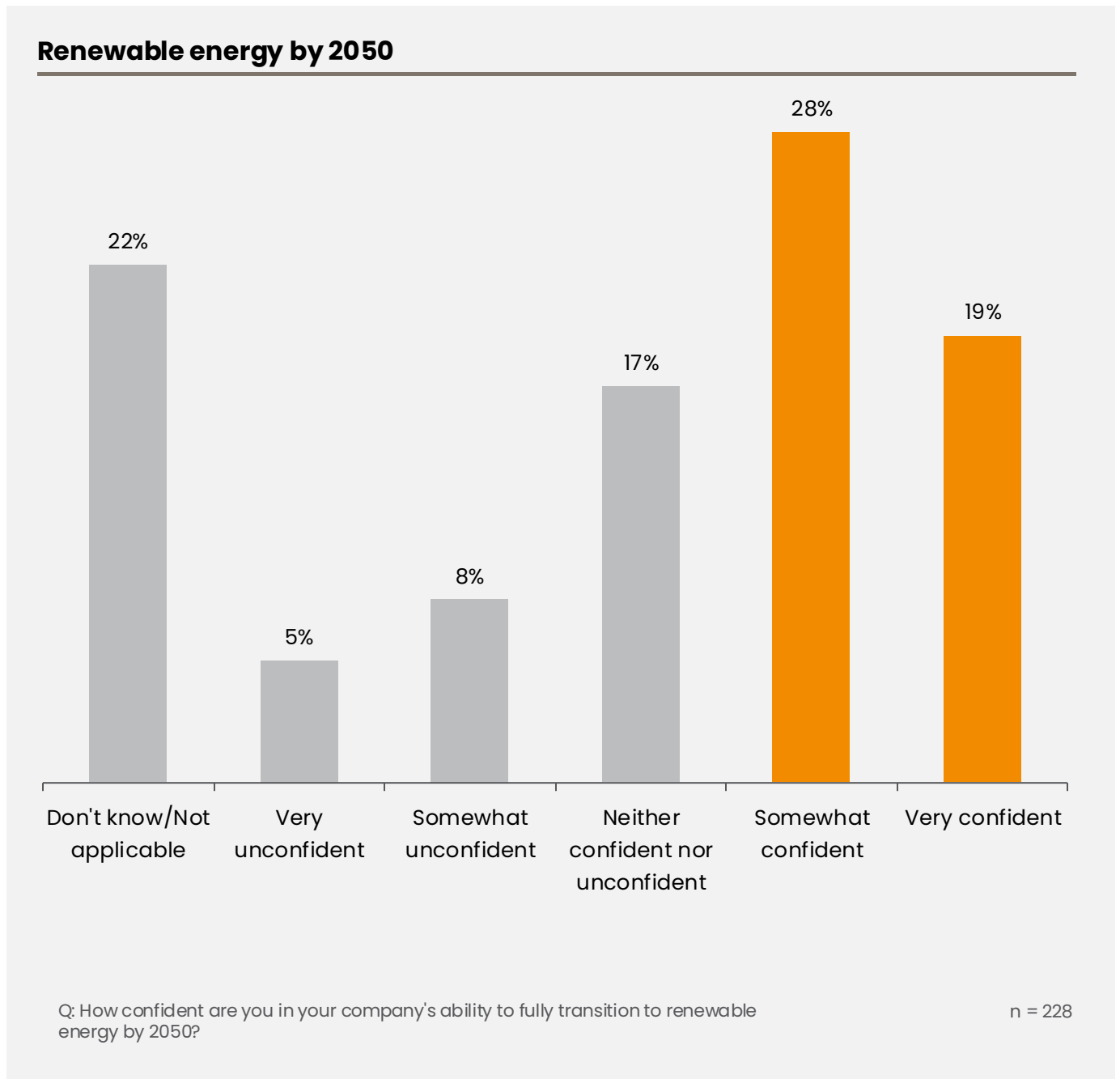
### DPPA Benefits by Company Size



Q: To what extent has your company benefited, or is expecting to benefit from the Direct Power Purchase Agreements (DPPA)?

n= 228

## Approximately half of European companies in Vietnam are confident about their ability to fully transition to renewable energy by 2050

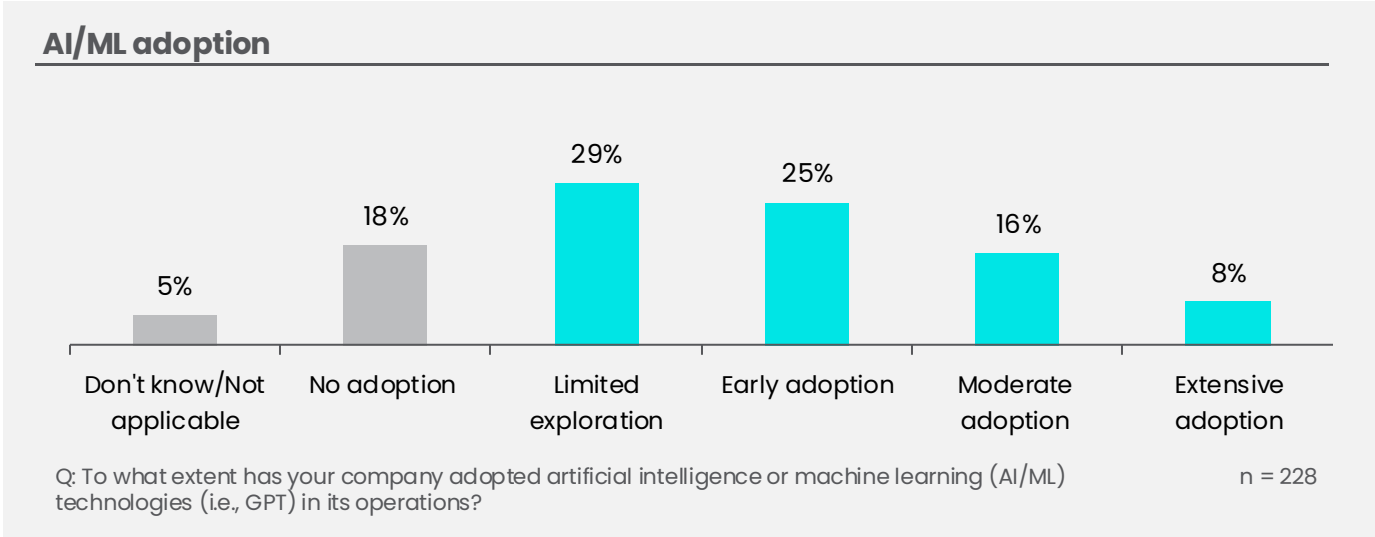


# 04 | Current Events



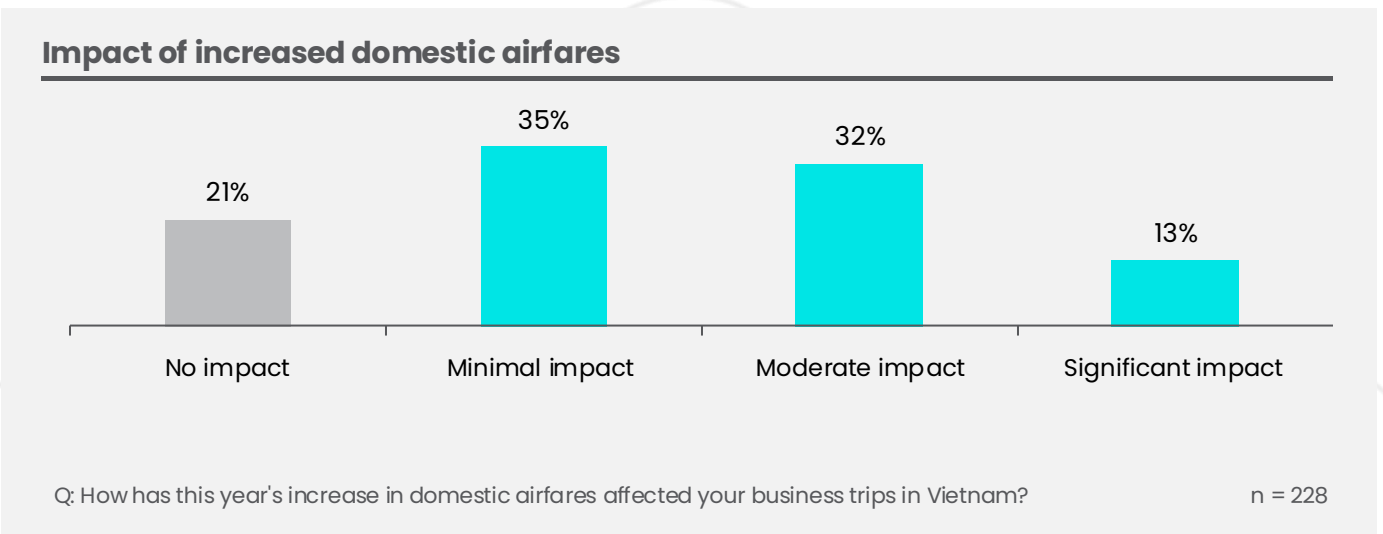
# 1. AI/ML adoption

Nearly 50% of companies have adopted Artificial Intelligence/Machine learning in their operations, but the majority are still at an early stage.



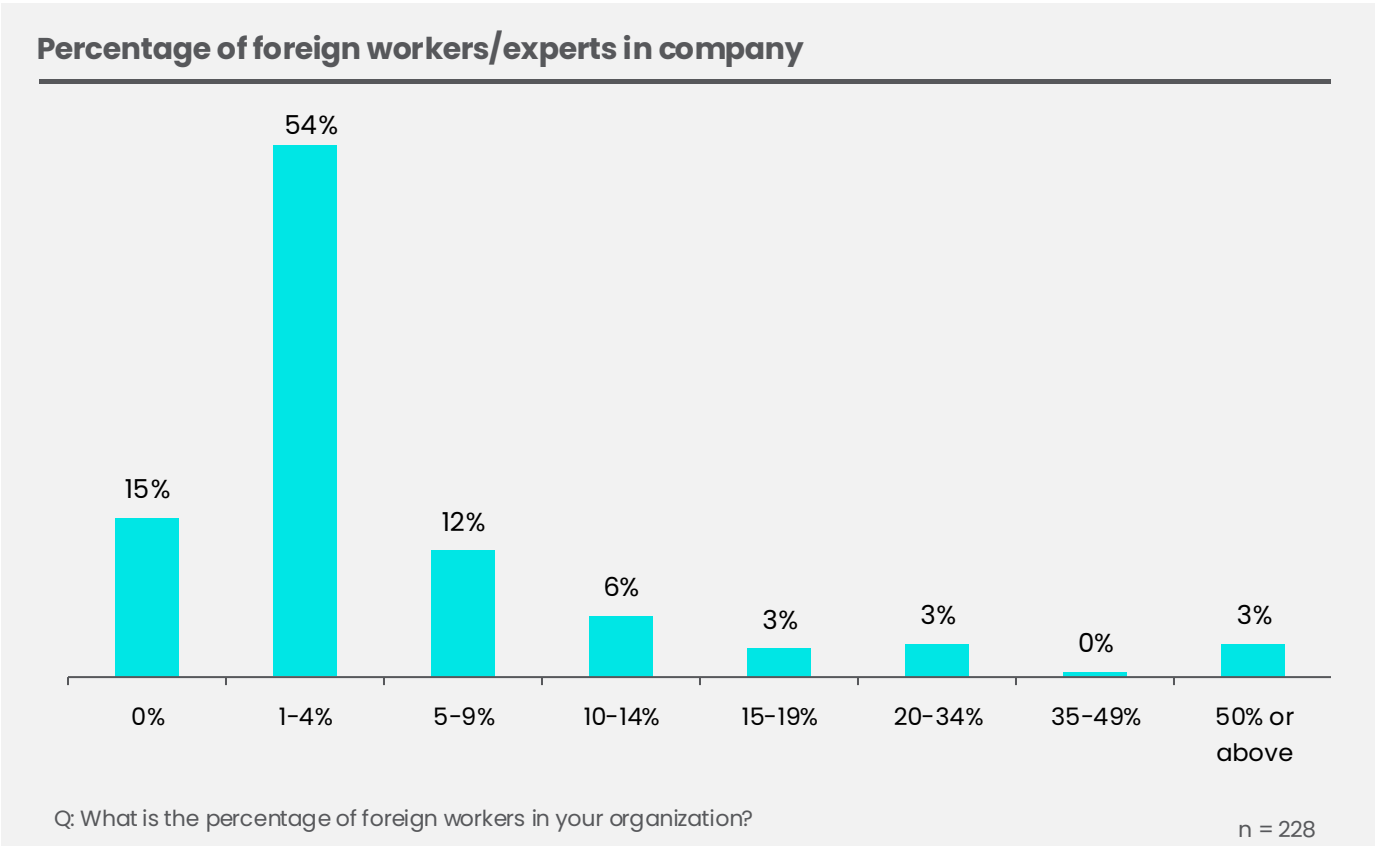
# 2. Impact of increased airfares

Over 40% reported becoming more selective of their business trips or opting for alternative transportation, as well as reducing or even canceling travel plans due to high costs.



### 3. Hiring of foreign employees

Two-thirds of businesses (66%) have 1-9% foreign experts in their workforce and very few (6%) have over 20% non-local staff.



**Barriers to hiring local Vietnamese:**

- Lack of skills and/or experience for the job
- Resources for training
- High turnover rate

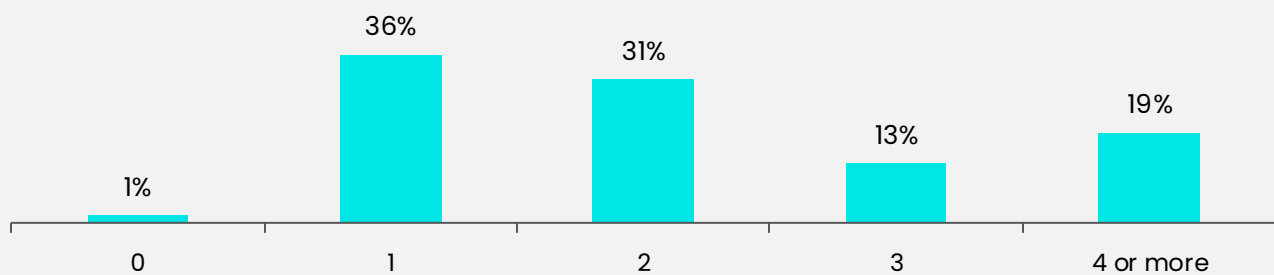
**Barriers to hiring foreign experts:**

- Difficulties in visa, work permits, and restrictive labor regulations
- High costs
- Issues obtaining necessary licenses, permits, and approvals

## 4. Plans for expansion in Vietnam

Close to 80% of companies maintain 1-3 offices or manufacturing units in Vietnam. Among businesses who shared about their business expansion plans, more than half are currently planning to expand operations.

### Number of offices or factories in Vietnam

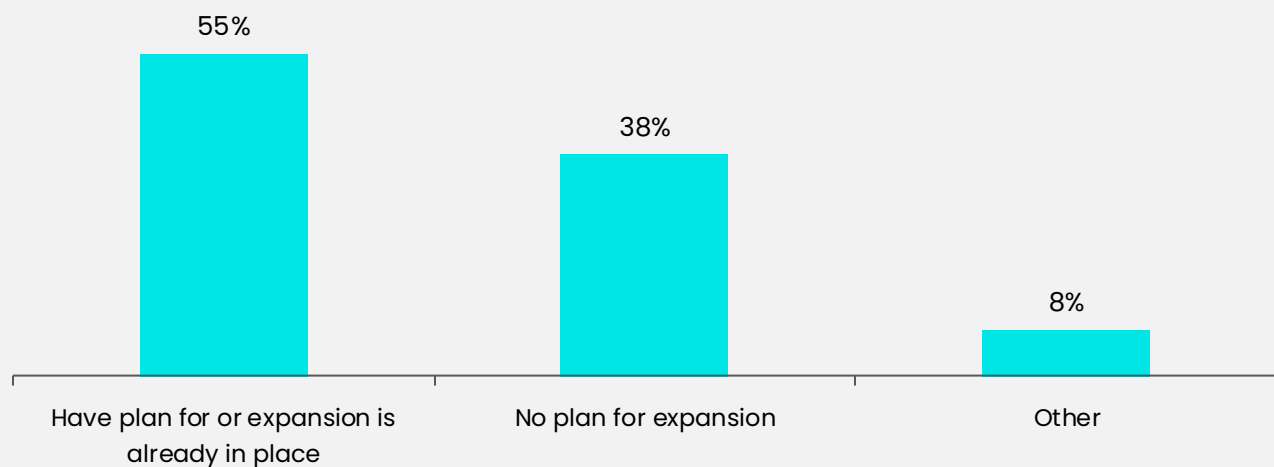


Q: How many offices (including but not limited to representative or operational offices, showrooms, etc.) or factories does your company have in Vietnam?

n = 228

Several companies plan to establish manufacturing facilities in the North, and/or new offices in key cities such as Hanoi, Ho Chi Minh City, Da Nang, and Can Tho.

### Plan for expansion



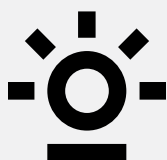
Q: (Optional) Can you share any plans your company may have for opening new offices or factories in Vietnam in the future?

n = 64

# 05 | Methodology



# Methodology



## Purpose

The purpose of this survey is to collect European business leaders' opinions about their business situations, in order to reflect the state of 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, 228 completed the full questionnaire in this round. This represents a response rate of 8.7% which is considered moderately high for a survey amongst the top business executives.



# Reach out to us

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