

Impact of Covid-19 on European business in Vietnam



EUROCHAM

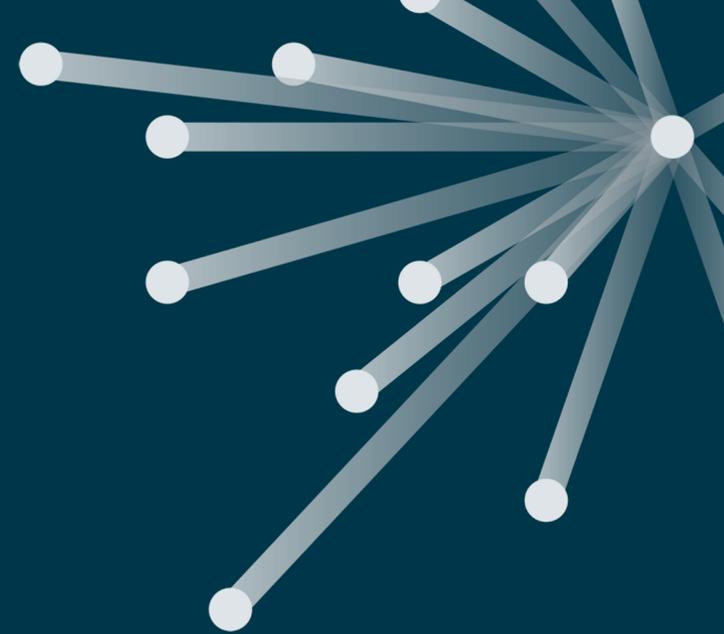
About the EuroCham Business Climate Index survey

The Business Climate Index (BCI) is a regular barometer of business sentiment among European companies operating in Vietnam. Because of the active participation of EuroCham members in this survey since 2013, the BCI is seen by decision-makers, the media, and business professionals in Vietnam as a key indicator of economic activity in the country.

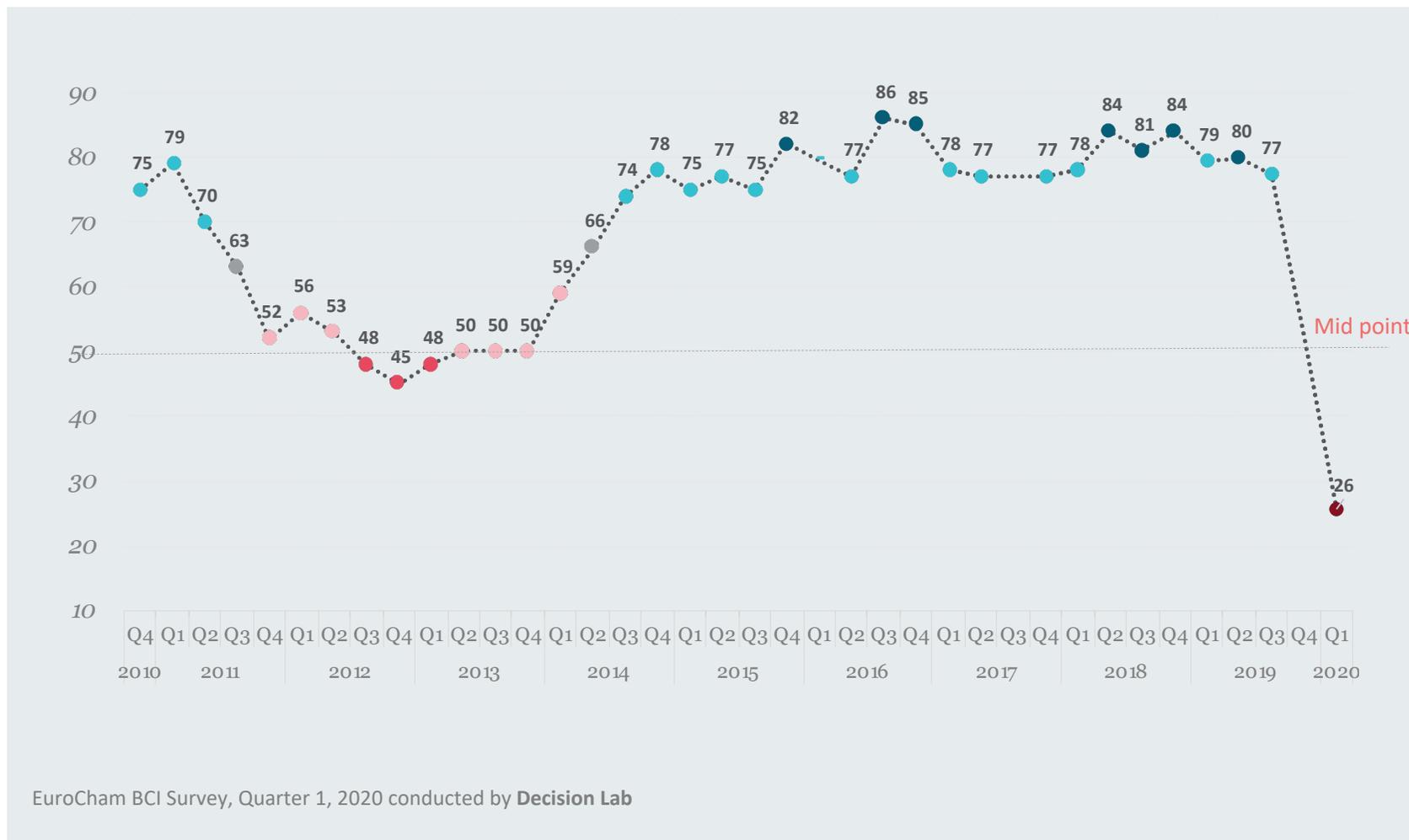
The BCI consolidates perceptions of European and Europe-related companies operating in Vietnam regarding the state and evolution of the business environment in the country. The final Index and other results of the survey, extracted quarterly, are an effective tool for EuroCham in its communication and advocacy efforts, particularly when representing the interests of its members to Vietnamese authorities.

Since Quarter 2 2018, the quarterly BCI survey is conducted by Decision Lab, a Vietnam-based market research agency actively doing business across Southeast Asia. This report is provided by Decision Lab.

Read more about Decision Lab at www.decisionlab.co



The Business Climate Index reached the lowest point to date in Q1, 2020

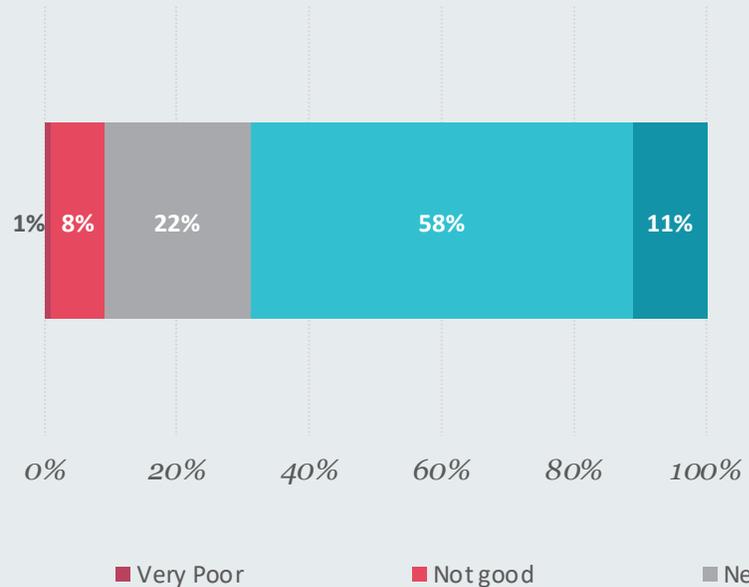


Due to the impact of the Covid-19 pandemic, the global business environment is experiencing a strong deterioration, and Vietnam, as an integral player of the global supply chain, is no exception.

93% of business leaders report that they have been negatively impacted by the pandemic. Nevertheless, the announced government measures to mitigate the impact have been well-received by businesses, and most are confident they can retain at least 70% of their staff during this difficult time.

55% consider the business environment to be “not good” or “very poor”

Q1/2019 business status



BCI Survey Quarter 1 2019

n=152

Q1/2020 business status



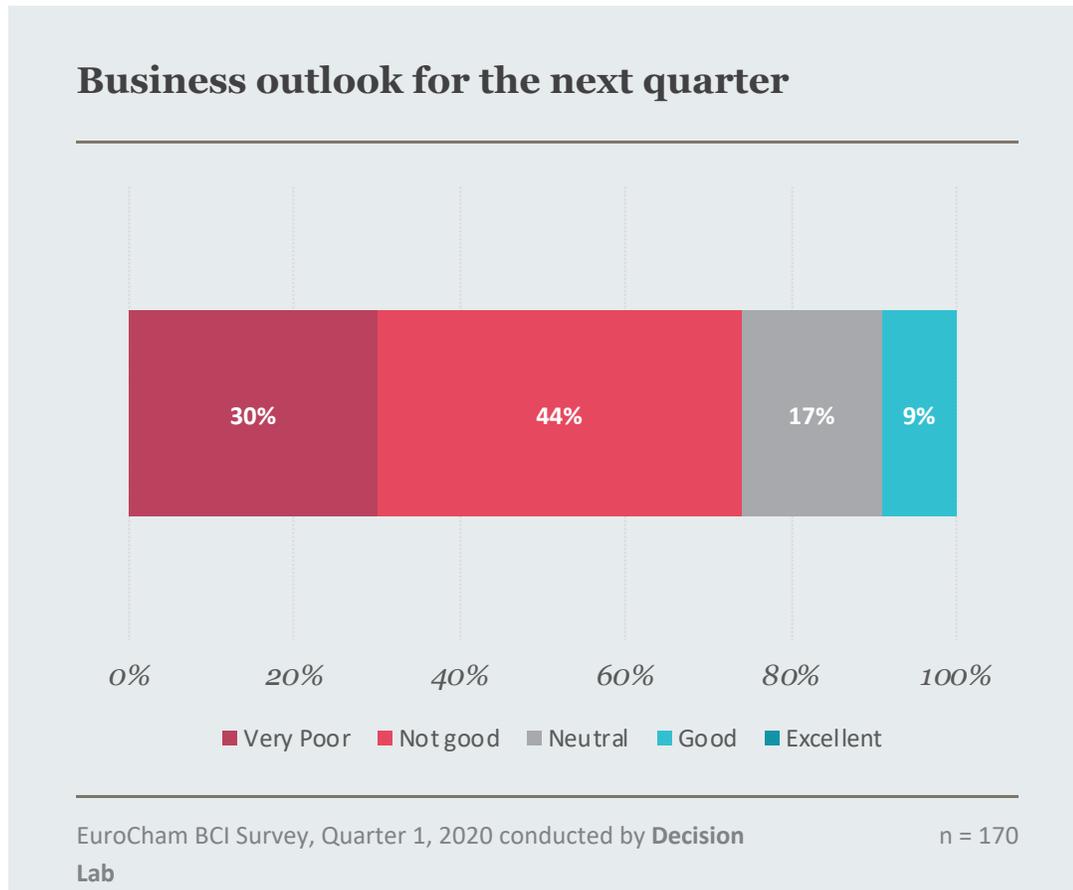
BCI Survey Quarter 1 2020

n=170

The Covid-19 pandemic has greatly disrupted the business environment in Vietnam, with more than half of business leaders going through very difficult times in their business. For this same period last year, only 9% of them were having difficulties.

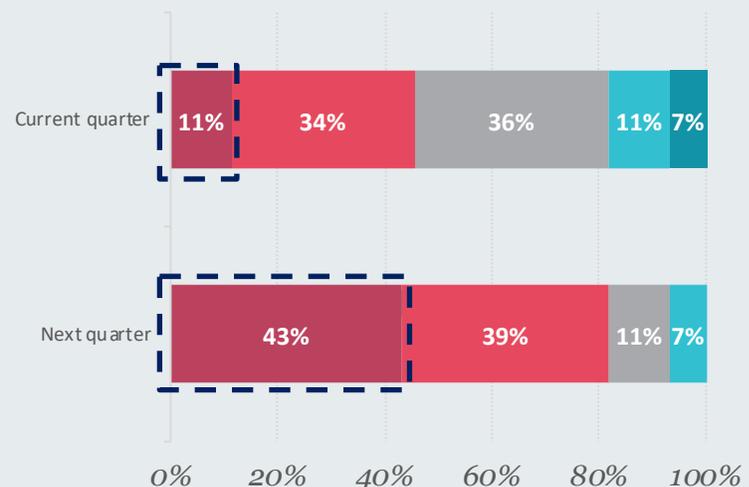
The situation is expected to become even worse in quarter 2

As the pandemic's development trajectory remains unpredictable and with the virus showing little sign of slowing down globally, European business leaders are being extremely cautious when assessing the outlook for the next quarter, with 74% estimating that it will be "Not Good" or "Very Poor".



The tertiary sector is most affected this quarter, but the outlook for companies in the primary and secondary sectors is the most pessimistic

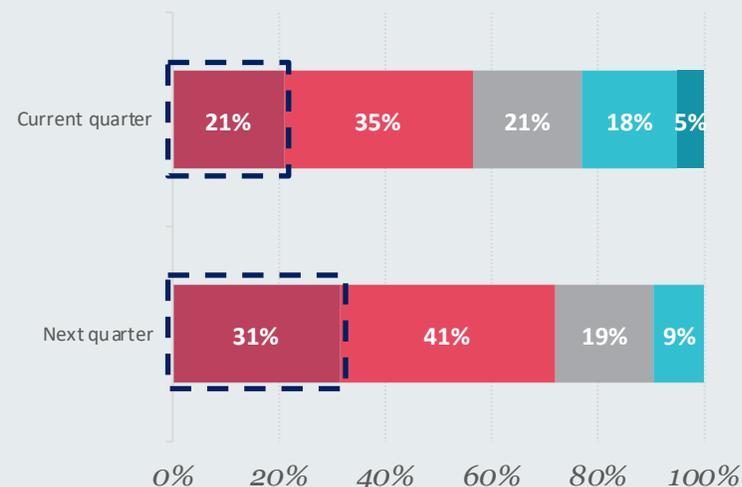
Primary and Secondary sectors



Quarterly Business Outlook, EuroCham BCI Survey, Quarter 1 2020

n=44

Tertiary sector



Quarterly Business Outlook, EuroCham BCI Survey, Quarter 1 2020

n=96

The tertiary sector was greatly affected during the 1st quarter of 2020 but holds a relatively more positive outlook for the next quarter.

Meanwhile, primary and secondary sectors are relatively most concerned when considering next quarter, while holding a more positive outlook for the current quarter.

The three sectors refer to the extraction of raw materials (primary), manufacturing (secondary), and services (tertiary).

Smaller companies felt the immediate impact, but are not as pessimistic about their future compared to larger companies

Bigger companies seem to suffer more from the long-term economic impact of the disease, and thus have a grim outlook on the future. On the other hand, small companies are more likely to adapt well to the changing landscape, and thus feel the impact to a lesser degree.

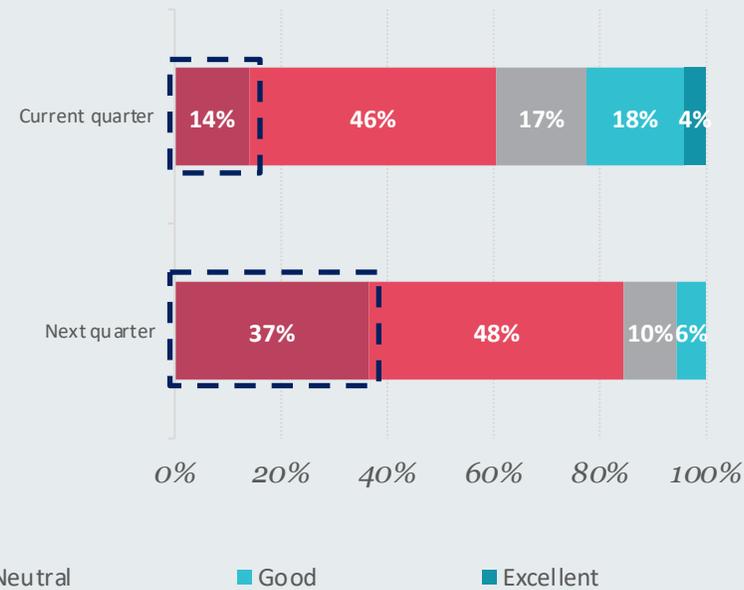
Less than 100 employees



Quarterly Business Outlook, EuroCham BCI Survey, Quarter 1 2020

n=99

More than 100 employees



Quarterly Business Outlook, EuroCham BCI Survey, Quarter 1 2020

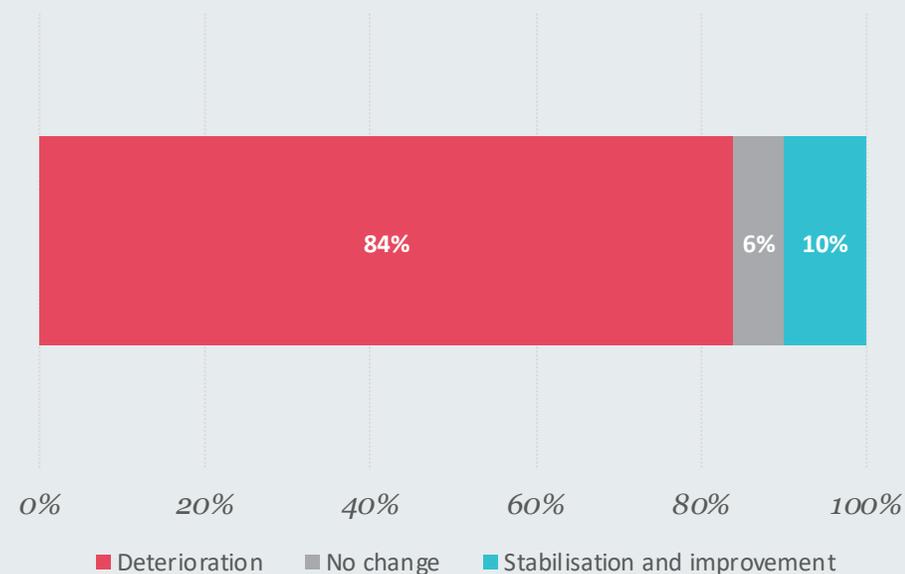
n=71

Only 1 in 10 executives are still optimistic about the development of the macroeconomic environment

Vietnam's macroeconomic outlook, which is heavily influenced by global factors, is expected to suffer greatly due to the worldwide pandemic, as would any other nation.

However, 10% of business leaders still expect a brighter future for the country, predicting stabilization and improvement in the next quarter.

Vietnam's macroeconomic outlook of the next quarter

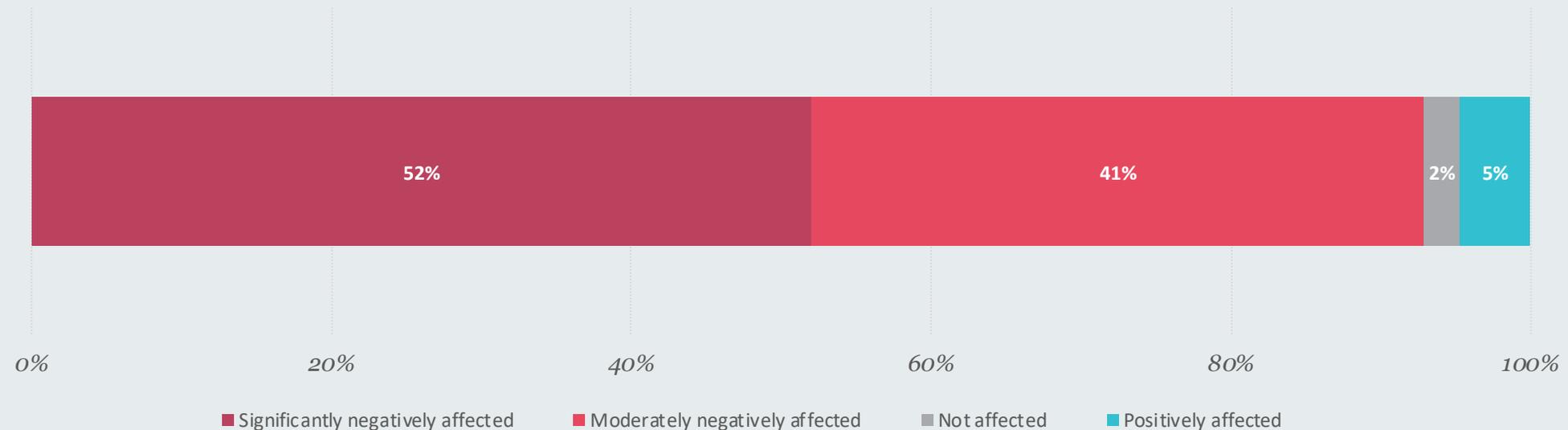


EuroCham BCI Survey, Quarter 1, 2020 conducted by Decision Lab

n = 170

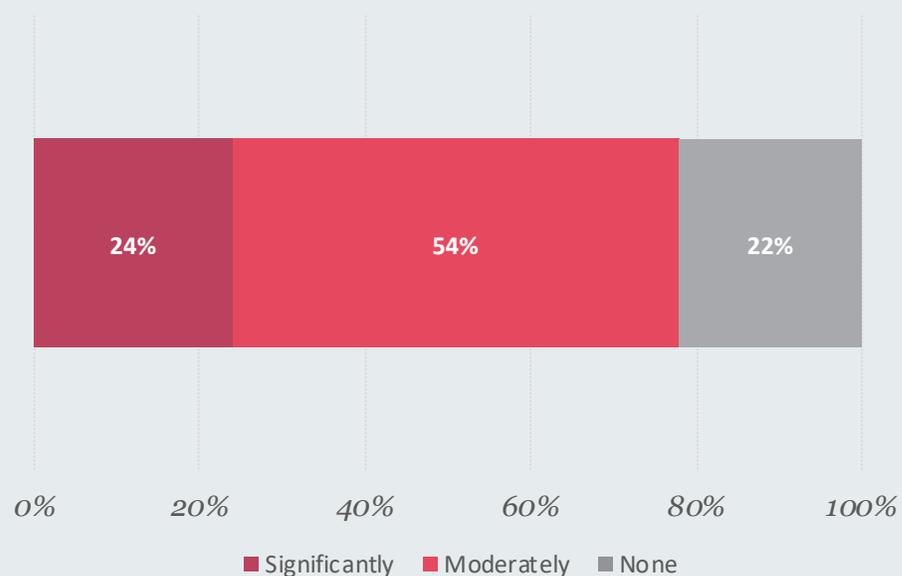
The Covid-19 crisis negatively impacts 93% of all companies

Overall impact of Covid-19 on business



The pandemic has caused most businesses to suffer from increased costs

Covid-19 impact on organisation's cost due to protective and preventive measures



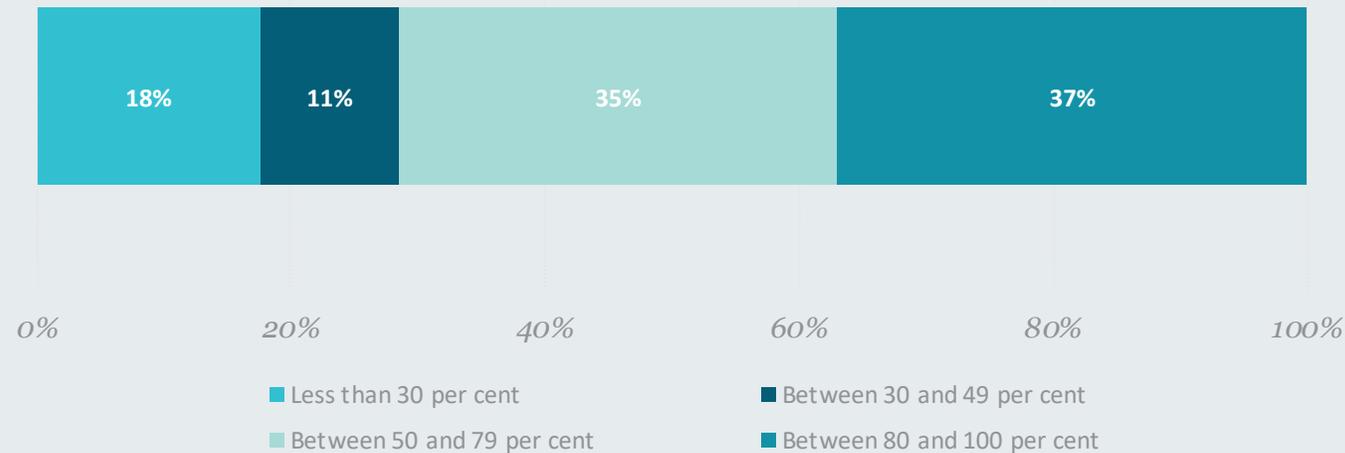
EuroCham BCI Survey, Quarter 1, 2020 conducted by **Decision Lab**

n=160

As global supply chains are heavily disrupted and all economic activities are slowing down, both global and local businesses are seeing increased costs due to protective and preventative measures of governments worldwide, such as restrictions in travelling and communication. Consequentially, 3 out of 4 business leaders are experiencing a moderate to significant impact on their organizational costs due to the Covid-19 pandemic.

Nevertheless, 3 out of 4 business leaders reaffirm that their business is still operating at more than half its capacity

Current business operation capacity



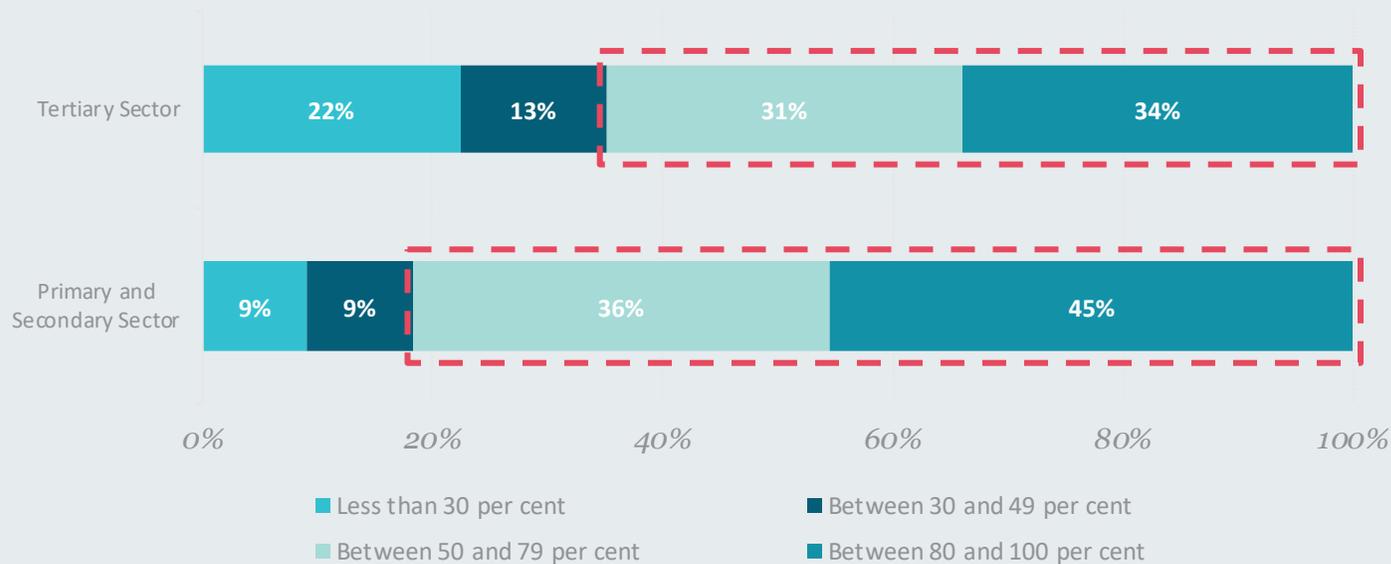
EuroCham BCI Survey, Quarter 1, 2020 conducted by Decision Lab

n=155

Despite the difficulties in operational costs, most companies are still able to keep their business operating at more than half of their capacity. This helps to keep the economy going, and implies that the economy could quickly get back on track if the pandemic is kept under control without stronger setbacks and if businesses receive the necessary support.

Companies in manufacturing, agriculture and electricity seems to fare slightly better than companies in the tertiary sector

Current business operation capacity

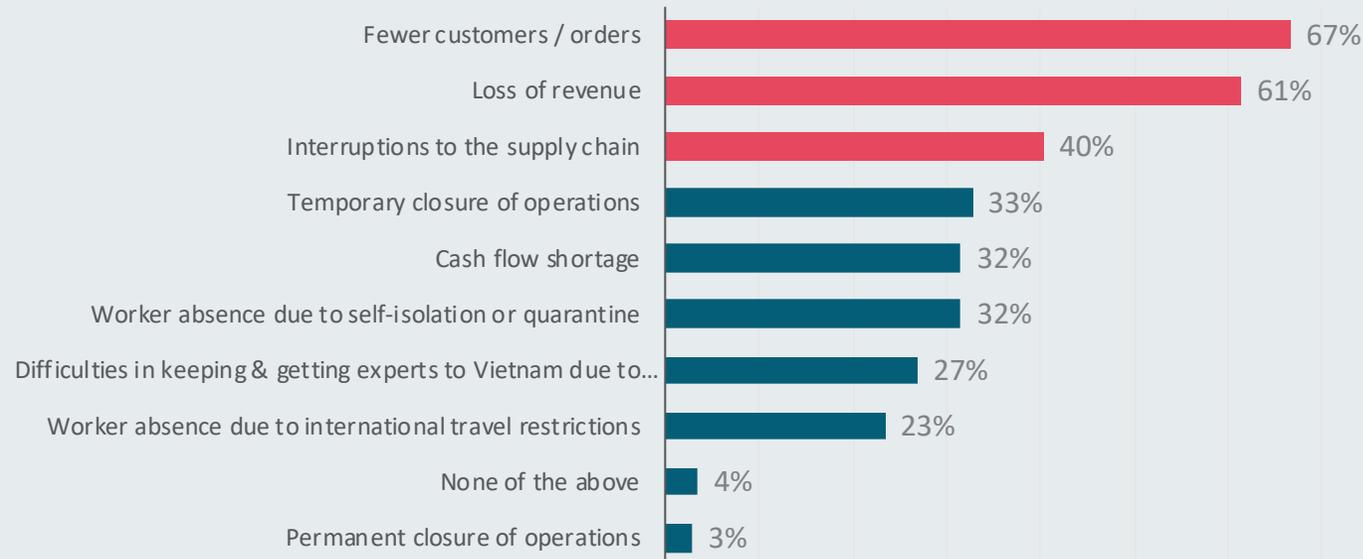


The effect of the Covid-19 crisis looks to impact the primary and secondary sectors more evenly, while relatively more companies in the tertiary sector will be hit severely.

The three sectors refer to the extraction of raw materials (primary), manufacturing (secondary), and services (tertiary).

The biggest impact of Covid-19 is being felt on the topline followed by interruptions to the supply chain

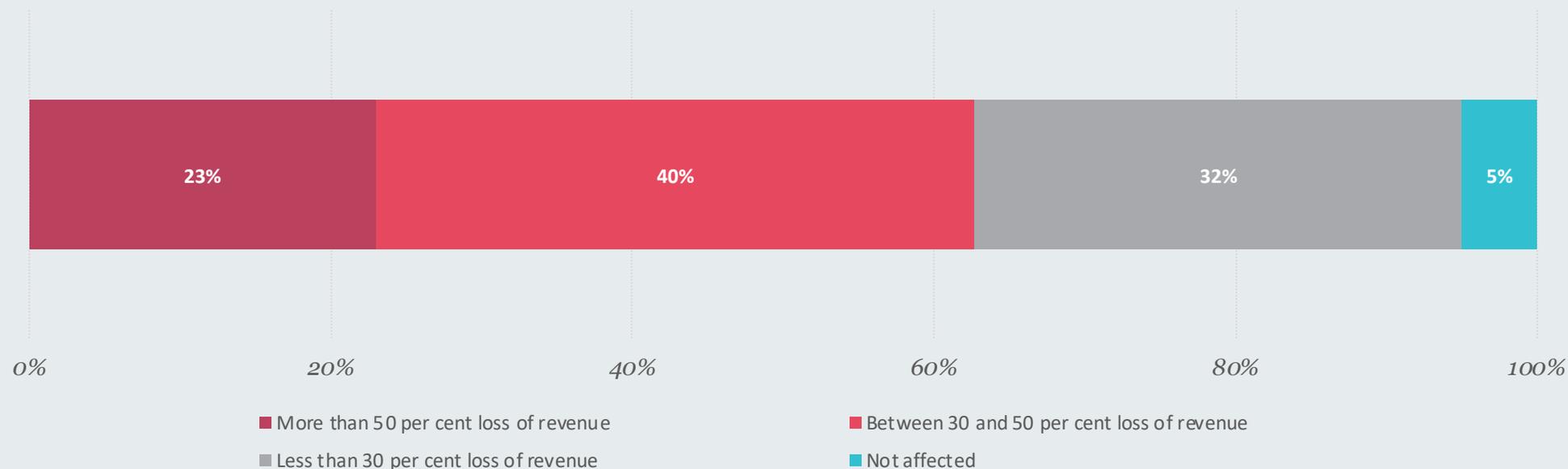
Impact of Covid-19 on businesses



As discussed, the most worrisome impact of the pandemic would be a strong reduction in customers/orders due to the worldwide economic slowdown, as well as widespread disruption in the global supply chain.

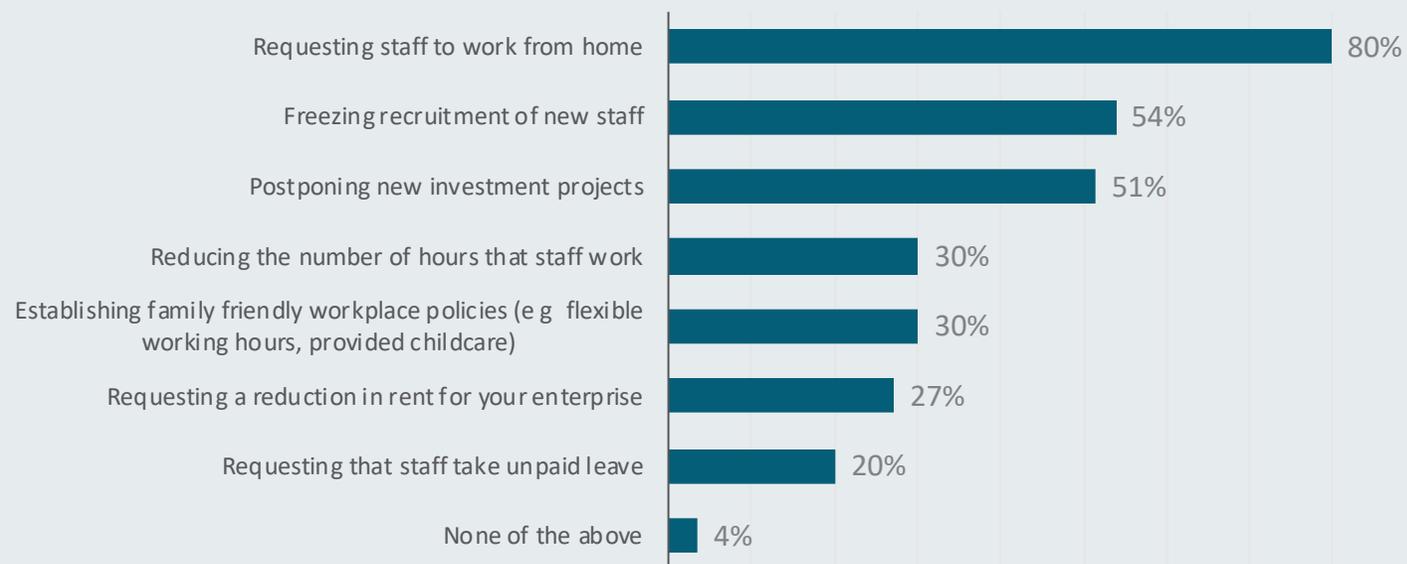
1 out of 4 business leaders anticipate that Covid-19 will result in a loss of more than half their revenue

Estimated cumulative impact of Covid-19



Most companies are requesting their staff to work from home and are using a variety of measures to temporarily reduce costs and risk

Measures taken to mitigate the impact of Covid-19

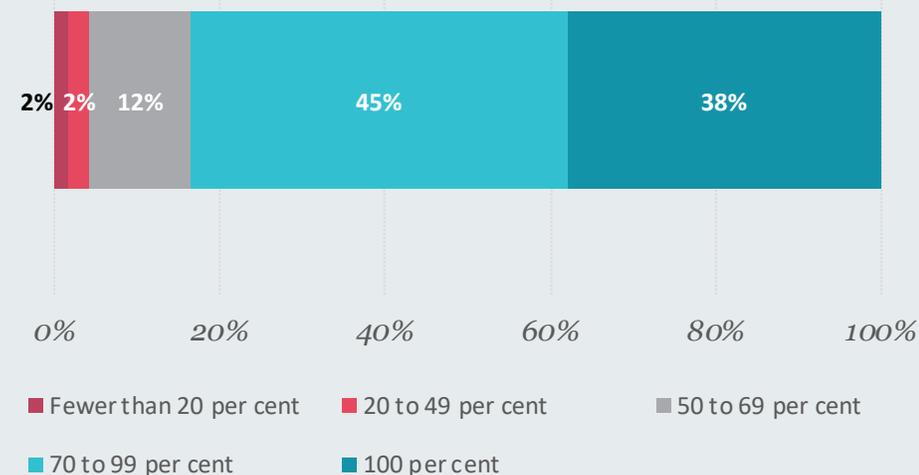


To combat the impact of the pandemic, most companies are requesting their employees to work from home.

A sense of growing caution can also be observed as more than half of executives are halting all recruitment and investment activities.

Despite the current difficulties, 4 out of 5 business leaders are confident that they will be able to retain at least 70% of their current staff over the next quarter

Expected headcount retainment in the next quarter



As much as 24% of the labour force could become unemployed in the next quarter due to the impact of Covid-19

Expected headcount retainment in the next quarter

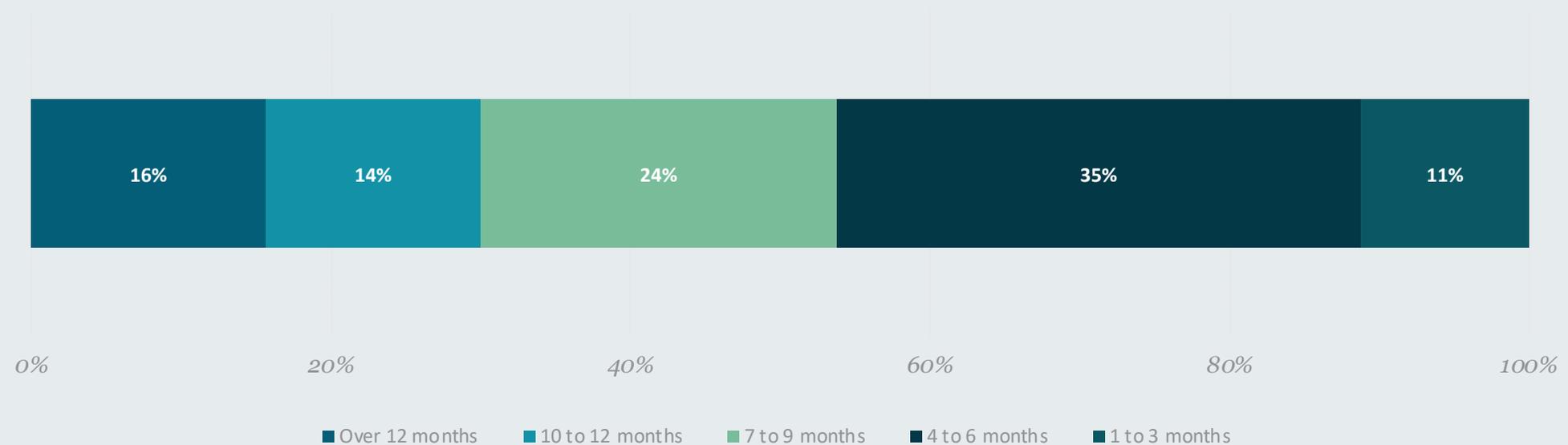
76 – 94%

Total expected headcount retainment as a percentage of current number of employees amongst members of EuroCham.

n=153

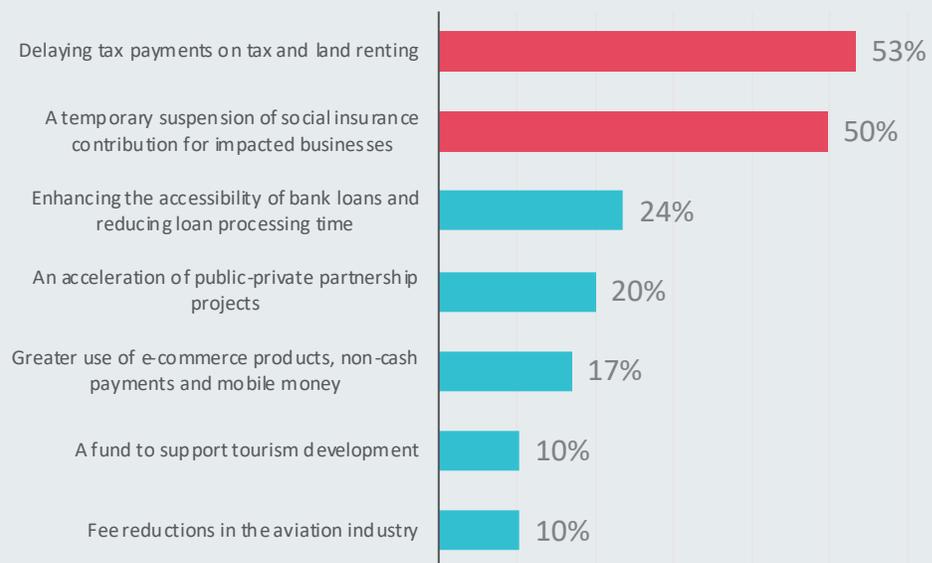
Over half estimate that more than 6 months are needed to return to “normal”

Time needed to “get back to normal” and compensate for potential losses



Government measures are highly welcomed by businesses

Ranking of announced government measures



EuroCham BCI Survey, Quarter 1, 2020 conducted by **Decision**

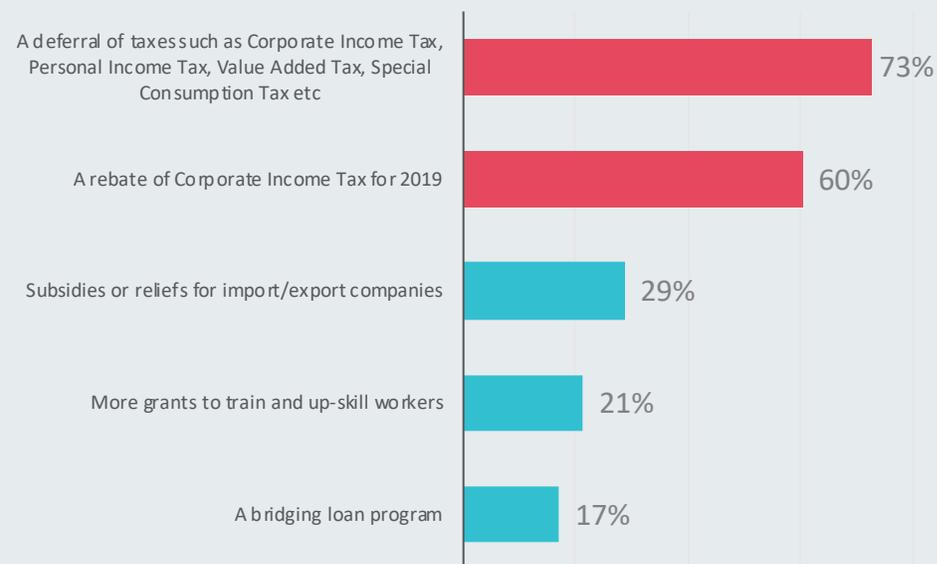
Lab

n=165

The tax payment and land renting delay, as well as suspension of SIHUI contribution measures by the Vietnamese government are highly welcomed by the impacted European businesses and may potentially contribute to helping them through this period and mitigate layoffs.

Further tax deferrals are desired by businesses for future aid measures

Ranking of potential new measures



EuroCham BCI Survey, Quarter 1, 2020 conducted by **Decision Lab**

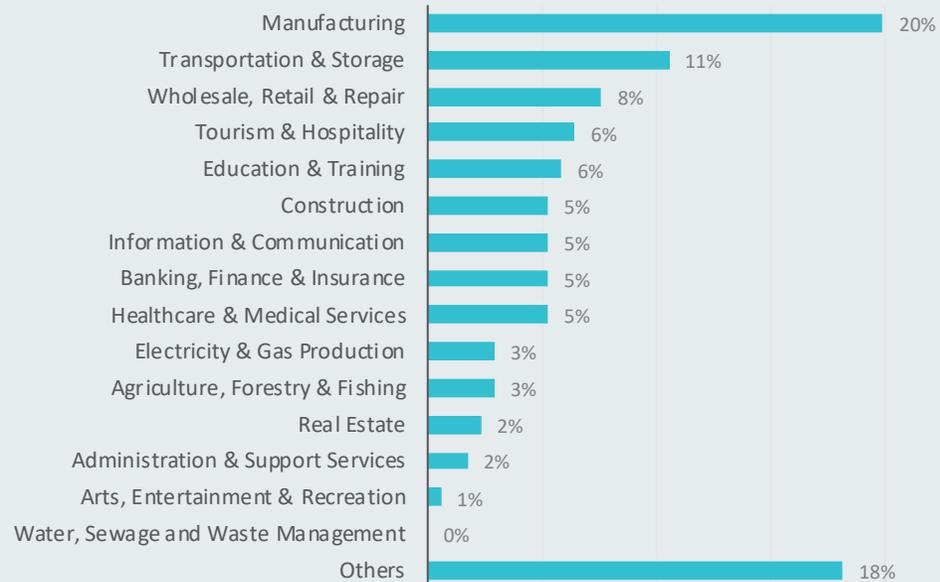
n=164

As the pandemic goes on with no immediate end in sight, further support from the government is highly desirable to alleviate the impact of the disease on businesses.

Specifically, European businesses are hoping for further tax deferrals on different kind of taxes, as well as a rebate of the Corporate Tax Income in 2019.

Respondent background

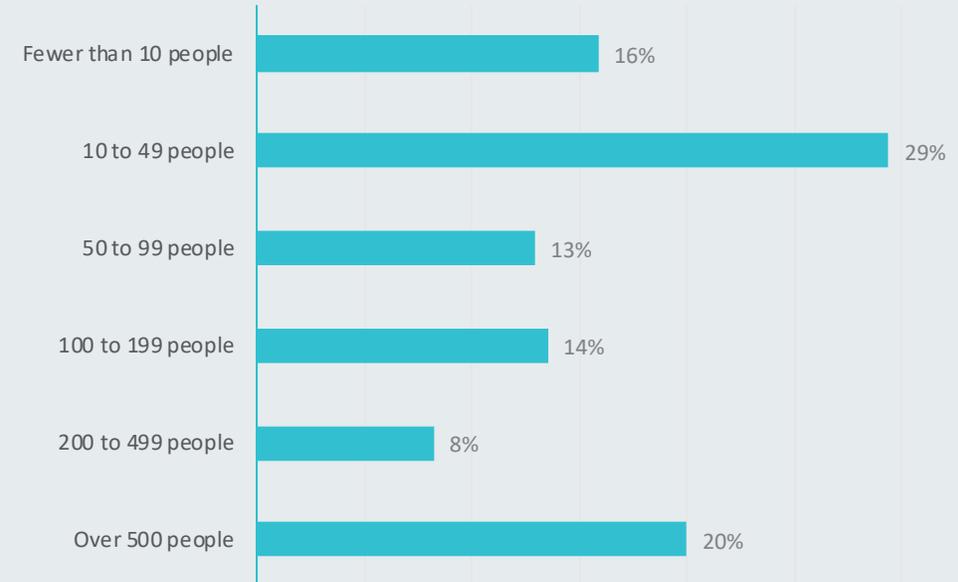
Business sector



EuroCham BCI Survey, Quarter 1, 2020 conducted by
Decision Lab

n=171

Company size



EuroCham BCI Survey, Quarter 1, 2020 conducted by
Decision Lab

n=170

The methodology

THE PURPOSE

The purpose of this survey is to collect European business leaders' opinions about their business situations, which reflects the state of Vietnam's business environment and helps identify any potential changes in the economic climate.

RESEARCH AND DATA COLLECTION METHOD

The survey is conducted using an online questionnaire, scripted and managed by Decision Lab's surveying and data management platform.

The survey is emailed quarterly to 1,260 business leaders amongst representatives from EuroCham's more than 1,000 members. The respondents typically represent top management from European companies and Vietnamese companies with close business

connections to Europe, for example, suppliers, distributors and so on. A minority of the members are European individuals working in non-European companies in Vietnam.

THE RESULTS

Amongst the invited, 171 completed the full questionnaire. This represents a response rate of **13.6%**, which is considered high for a survey amongst business leaders.



Reach out to us

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