

PRESS RELEASE

AHK WORLD BUSINESS OUTLOOK 2019

Survey by the network of German Chambers of Commerce Abroad (AHKs)

Vietnam Focus



2019



Business
Situation



Business
Expectation



Economic
Expectations



Investment



Employment



The AHK World Business Outlook (AHK WBO) is based on a regular DIHK survey among member companies of the German Chambers of Commerce Abroad, delegations and representative offices (AHK). Since 2015, it encompasses the feedback from more than 3,500 German companies, branches and subsidiaries worldwide and in Vietnam as well as international companies with close links to Germany.

Thanks to the active participation of German companies in Vietnam and worldwide, AHK WBO is seen by leaders, decision-makers, entrepreneurs, media and business professionals globally and in Vietnam as a barometer of the business confidence among German companies and as a key indicator of German business situation, business expectation as well as economic expectations.

Vietnam: 30% of respondents stemmed from industry and construction, 27% from the service sector and a further 43% from the retail trade. Small companies with less than 100 employees account for 42% of responses. 21% of the companies employ 100 to 1,000 employees. Large companies with more than 1,000 employees account for 37% of the respondents.

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Positive economic climate and outlook of Vietnam

2018 was a successful year of Vietnam with a number of positive developments, such as the GDP growth (7.1 percent) or FDI disbursement (13 bn US\$). Similar to FDI, import export turnover reached a new record high of 465 bn US\$ with a export surplus of 13 bn US\$. The Vietnamese government shows the commitment to support and create the most favourable conditions for foreign investors and businesses. In addition, a wide range of free trade agreements such as TPP11 (CPTPP – the comprehensive and progressive agreement for Trans-Pacific partnerships) as well as the FTA between EU and Vietnam, which probably comes into effect this summer, will boost the economic growth of this country. That might be the reason that German business leaders in Vietnam maintain positive view with the economic expectation as well as with their situation in Vietnam and they look forward to a bright 2019 and 2020. Experts have forecast the Vietnamese economy will continue to grow 7% this year thanks to export turnover and the drastic development of the manufacturing, processing, and service sectors as well as to the integration process into the world economy of Vietnam. While 52 percent had a positive view of the local economic development in 2018, 67 percent expects an improvement in April 2019. Half of the companies (51 percent) claim conditions regarding the economic policy framework to be the greatest risk for their businesses in Vietnam. 28 percent is afraid of disadvantages due to trade barriers.

Positive view with business situation and expectation in Vietnam

German businesses operating in Vietnam assess both their own business situation and future business expectations significantly better than in 2018. 77 percent rate their current business situation in Vietnam as good and 3 percent as poor. While in 2018 only 56 percent had a positive view of their situation in Vietnam. The balance points increase from 52 points to 74 points. The great increase in business expectations is really surprising. While the positive ratings rise from 56 to 72 percent, the number of negative ratings fall from 4 to 0 percent. Accordingly, the balance climbs significantly from 52 to 72 point and achieve the high level of German business confidence in Vietnam.

Investment and employment intentions boom

55 percent of German companies in Vietnam intend to expand their activities in Vietnam and 59 percent assume an increase in employment.

Economy policy creates uncertainty in Vietnam

Concerning about the economic policy framework are increasing. After 44 percent in 2018, 51 percent of companies cite economic policy as the greatest factor of uncertainty for their businesses in 2019 in Vietnam. Another issues such as lack of skilled workers as well as labour costs might threaten their businesses here.

Conclusion of RCEP (Regional Comprehensive Economic Partnership), domestic and international demand as well as the political stability have very high influence for the German engagement in Vietnam in terms of market supply and demand as well as economic environment.

Another factors that might affect German businesses in Vietnam are corruption, lack of skilled workers as well as the rule of law

Lack of skilled workers in Vietnam

For German companies in Vietnam it is quite difficult to find the technical qualified staff with both, university and vocational level.

German reputation in Vietnam

Germany and Vietnam have an excellent economic relations and German enjoys an outstanding reputation in Vietnam which is really unique in this form in the ASEAN region. 46 percent of German companies agree with that.

Recommendations

One of our concerns is how to support domestic businesses in order to enhance their competitiveness and to ensure the sustainable development, because they are seen as a backbone of the economy in Vietnam. Building and developing domestic supporting industries, typical industrial clusters with advantages according to various regions can help to create the collaborate opportunities among domestic and foreign businesses. Therefore, businesses can easily develop together by taking advantages of experience and technological exchanges. A fact has shown that FDI businesses account for 73 percent of the export value and more than 50 percent of the overall industry outputs, while domestic businesses only produce a small amount of outputs, in both quantitative and qualitative, compared to FDI businesses.

Secondly, developing a practice-oriented vocational education system with the opportunities learning by doing will help to build a new skilled generation with profound knowledge, practical and communicative skills. This is a competitive advantage of Vietnam which can assure the sustainable development in the long run.

Last but not least, building a fruitful and creative ecosystem for startups as well as providing financial, educational and environmental assistances will give domestic startup companies, small and medium sized businesses the ability to reach foreign investors and modern technology.

END

German Industry and Commerce Vietnam

Marko Walde

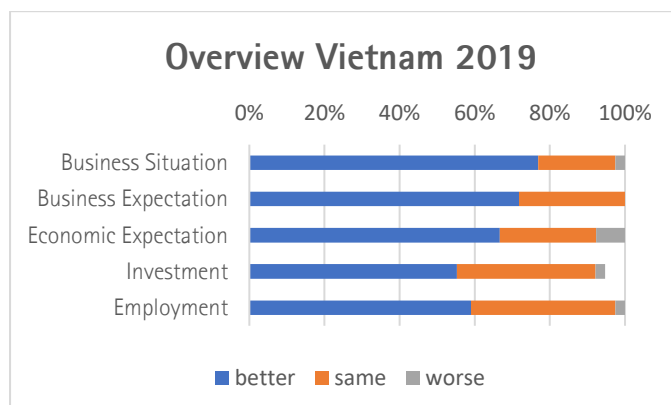
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Chart 1: Overview of Vietnam's result – AHK World Business Outlook Index 2019



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THE RESULTS

1. Evaluation of German production and business situation in 2019 compared to 2018:

Nation	Better	Stable	Worse
Vietnam	77%	21%	2%
ASEAN	61%	35%	4%
<i>Vietnam (Result in 2018)</i>	<i>56%</i>	<i>40%</i>	<i>4%</i>

2. Evaluation of business production in the next 12 months:

Nation	Better	Stable	Worse
Vietnam	72%	28%	0%
ASEAN	59%	37%	4%
<i>Vietnam (Result in 2018)</i>	<i>56%</i>	<i>40%</i>	<i>4%</i>

3. Business expectation for economic development of Vietnam in mid-term:

Nation	Better	Stable	Worse
Vietnam	67%	26%	7%
ASEAN	42%	46%	11%
<i>Vietnam (Result in 2018)</i>	<i>52%</i>	<i>36%</i>	<i>12%</i>

4. Business intention in the next 12 months:

Intention	Increase	Same	Decrease	Not invest
Investment in Vietnam	55%	37%	3%	5%
Investment in ASEAN	44%	38%	10%	8%
<i>Investment in Vietnam (Result in 2018)</i>	<i>52%</i>	<i>36%</i>	<i>8%</i>	<i>4%</i>
Employment in Vietnam	59%	39%	2%	0%
Employment in ASEAN	48%	45%	8%	
<i>Employment in Vietnam (Result in 2018)</i>	<i>56%</i>	<i>40%</i>	<i>4%</i>	

5. Factors influencing business development in the next 12 months:

	Factors	Vietnam	ASEAN	<i>Vietnam (Result in 2018)</i>
1.	Demand	26%	47%	<i>20%</i>
2.	Financing	18%	21%	<i>16%</i>
3.	Labour costs	31%	26%	<i>12%</i>
4.	Lack of qualified workers	44%	41%	<i>44%</i>
5.	Exchange rate	13%	28%	<i>32%</i>
6.	Costs of energy, electricity and gas	21%	19%	<i>20%</i>
7.	Legal certainty	23%	21%	<i>24%</i>
8.	Economic policy	51%	45%	<i>44%</i>
9.	Infrastructure	23%	21%	<i>28%</i>
10.	Trade barriers/ Preference of domestic companies	28%	30%	<i>40%</i>

6. Business branches participated:

Industry/Construction	30%
Commerce	27%
Service	43%

Companies with less than 100 employees	42%
Companies with more than 100 employees but less than 1000 employees	21%
Companies with more than 1000 employees	37%

7. The importance of the following factors to business development (based on 3 criteria: Demand, Supply and business environment)

	High influence	Moderate influence	Low influence	No influence
Free trade agreement between EU and ASEAN	33	47	11	9
Free trade zones ASEAN	27	43	22	8
CPTPP agreement	19	31	36	14
Closing of RCEP (Regional Comprehensive Economic Partnership)	11	36	39	14
Domestic demand	65	11	22	2
Region demand	44	33	23	0
Domestic supply	28	25	42	5
Foreign supply	19	47	28	6
Political stability	60	38	2	0
Inflation	29	51	17	3
Corruption	43	43	14	0
Lack of skilled workers	47	33	17	3
Tax burden	28	36	36	0
Access to financial sources	14	31	49	6
Rule of law	40	46	14	0
Negative image of Vietnam in Germany	8	23	40	29
Negative image of Germany in Vietnam	11	14	29	46
Negative image of the EU in Vietnam	11	6	46	37

8. Assessment on the difficulty in finding qualified staffs based on different levels of education:

	High	Moderate	Low
University level (non-technical)	22	58	20
University level (technical)	41	46	13
Vocational level (non-technical)	27	53	21
Vocational level (technical)	46	37	17