

UOB Business Outlook Study 2023 (SME & Large Enterprises)

🇻🇳 Vietnam Report



Foreword

ASEAN is an interconnected, young, and dynamic economic region of more than 650 million people, offering unique and diverse business opportunities. Amidst market turbulence and uncertainty, ASEAN has weathered recessionary risks well and continues to show strong growth potential.

Today's multipolar world should expect a new post-Covid era of re-globalisation, even regionalisation, alongside a different set of geopolitical objectives. This means new investment opportunities for ASEAN that bring opportunity for business growth.

As a strategic partner to businesses, we have commissioned the UOB Business Outlook Study 2023 (SME & Large Enterprises) to capture key insights from over 4,000 companies across industries and 7 markets, to understand current business sentiments and how we can continue to support their resilience, growth and needs.

The insights cover three key areas:

1. The trends that are shaping the growth of businesses, in the areas of Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion;
2. How companies are adapting to a changing business landscape and adopting growth strategies;
3. How UOB and industry partners can continue to support businesses with their growth ambitions

ASEAN remains competitive - in terms of its cost, young labour force, and infrastructure - all of which are beneficial for businesses. The region's part in achieving sustainable development also requires the need for businesses to strategically look at business sustainability, from day-to-day operations and long-term succession planning, to net zero goals through transition towards ESG goals.

In an awakening region, business leaders need strategic partners with the ambition and capability to build the future of ASEAN. This is especially true for SMEs that form the backbone, specifically, 97% of ASEAN's economies.

As the One Bank For ASEAN, UOB connects businesses with and within ASEAN, and to Greater China, and the rest of the world.

Eric Lian
Head, Group Commercial Banking
Group Wholesale Banking

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Background and Methodology

UOB conducted a Business Outlook Study in **Vietnam** covering **505 business owners and key executives** from **SMEs** and **Large Enterprises**.

This study provides a comprehensive understanding of the current business sentiments, inflation impact and outlook among businesses across various sectors in Vietnam. The study also captures insights around key themes such as Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion.

>What



15-minute online surveys



Total of 505 interviews



Data collection:
28 December 2022 - 20 January 2023

>Who



Businesses with revenue <5.5 trillion VND



Covers SMEs and Large Enterprises across key industry verticals



Owners/chief executive level/management level who are involved with business decision making

>Coverage

Cities	Sample
Hanoi	208
Ho Chi Minh City	207
Rest of Vietnam	90
Total	505

Business classification:

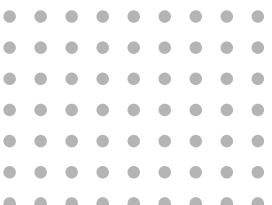
Small Enterprises: Annual turnover of <VND 180 billion

Medium Enterprises: Annual turnover of VND 180 billion to <VND 5.5 trillion

Industries	Sample
Wholesale Trade	58
Construction & Infrastructure	55
Community & Personal	55
Real Estate/Hospitality	55
Professional Services	53
Consumer Goods	52
Manufacturing & Engineering	52
Business Services	52
Tech, Media & Telecom	45
Industrials, Oil & Gas	28
Total	505



2. | Business Sentiments



> Business environment in 2022



Business environment in Vietnam was more positive than in Thailand, Hong Kong, Malaysia and Singapore.



Nearly **9 in 10** businesses in Vietnam said the business environment was positive in 2022.

Most positive sentiments (sectors)

95%
Real Estate/
Hospitality

94%
Professional
Services

92%
Business
Services

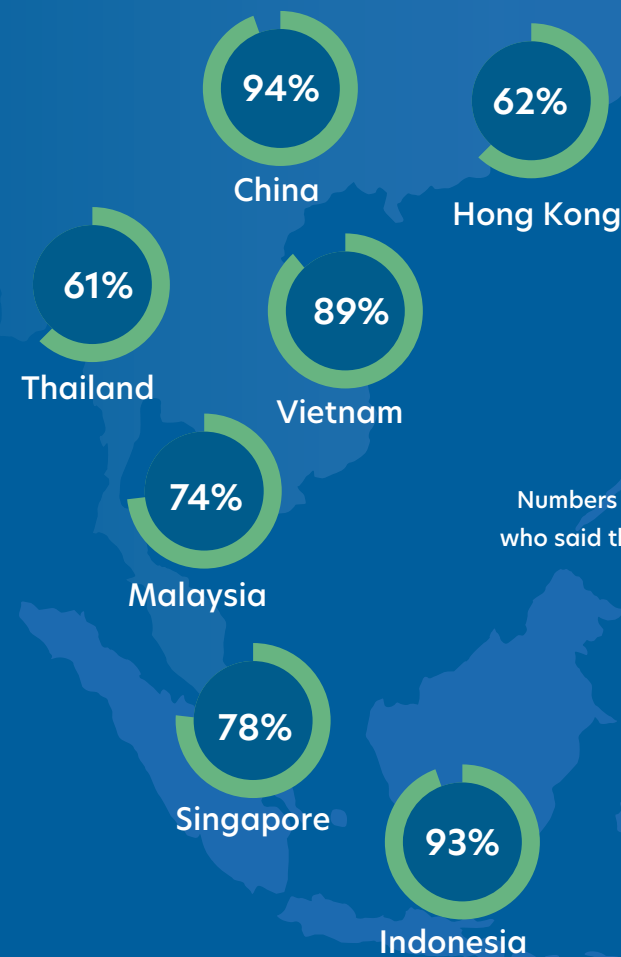
Most positive sentiments (enterprises)

91%
Medium
Enterprises

Most positive sentiments (cities)

90%
Hanoi

89%
Ho Chi Minh City



Numbers represent percentage of businesses who said the current environment is somewhat or very positive in 2022.

Increased revenue in 2022 has contributed to the positive sentiment among businesses



Over **9 in 10** businesses in Vietnam have seen an increase in their revenue in 2022.

Businesses in Vietnam recorded the second-highest revenue growth in 2022, after Indonesia.



Most revenue growth (sectors)



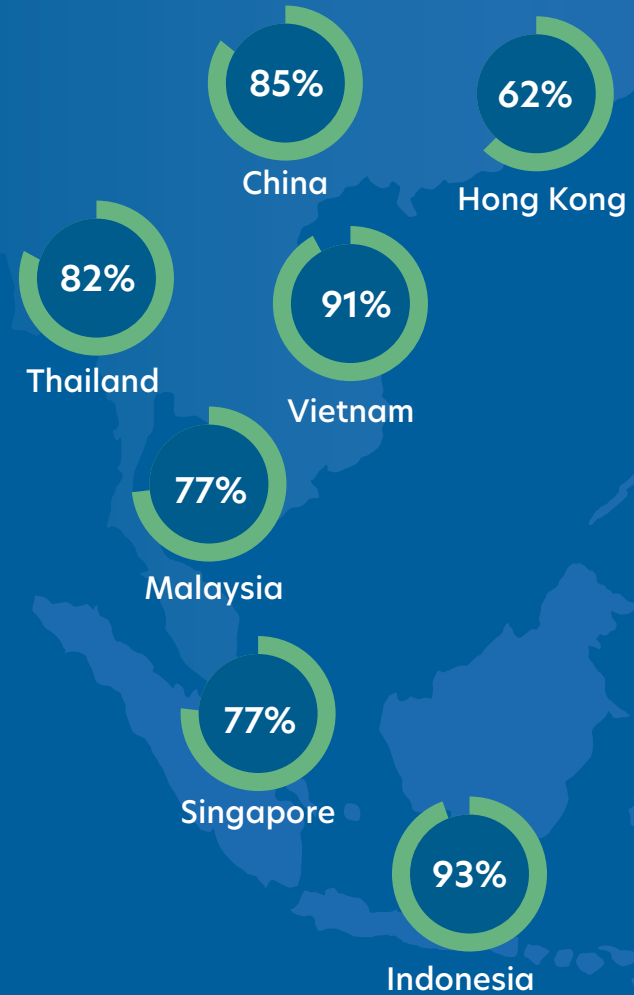
Most revenue growth (cities)



Most revenue growth (enterprises)

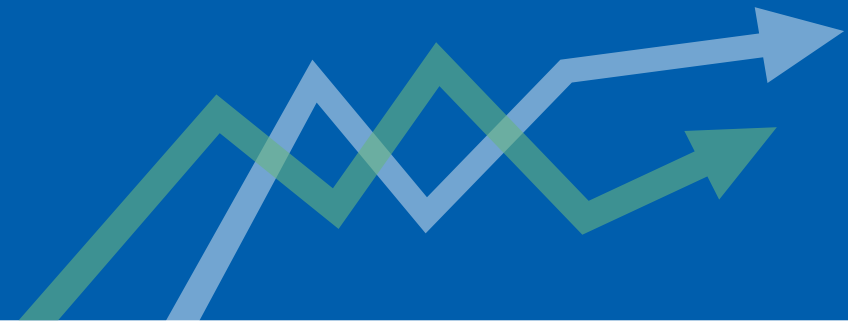


> Revenue improvement in 2022 vs 2021

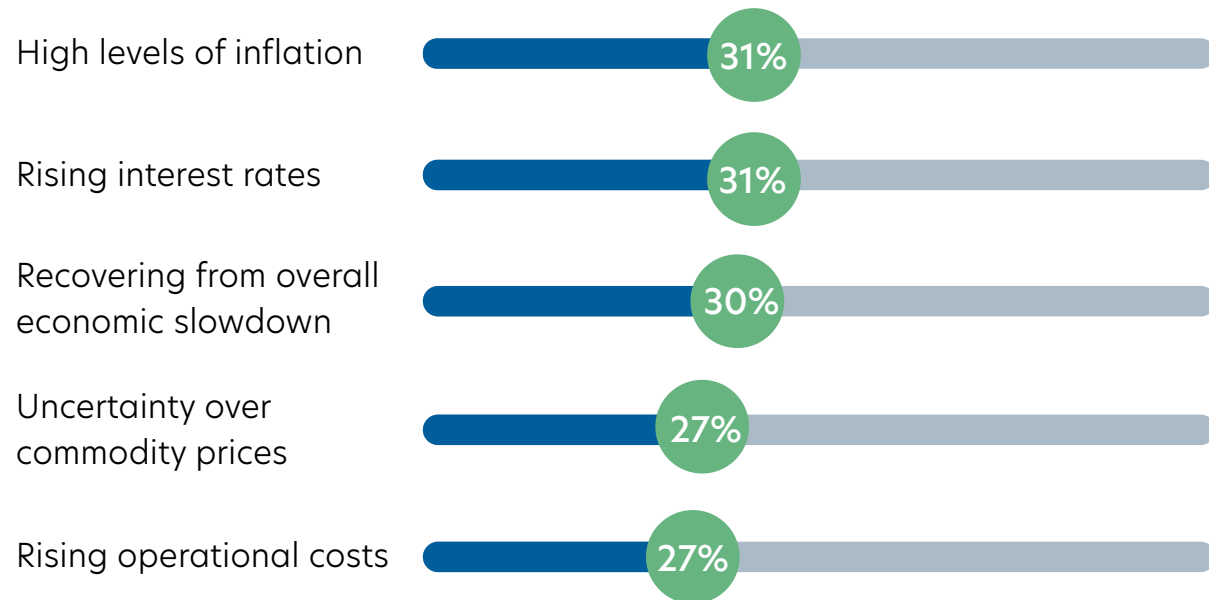


Q) How has your company's revenue changed in 2022 as compared with 2021? Base: Total (505)

The positive business sentiment is in spite of macro factors like high level of inflation and rising interest rates impacting businesses in 2022

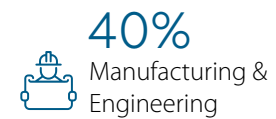


> Macro factors impacting businesses



> Most impacted sectors

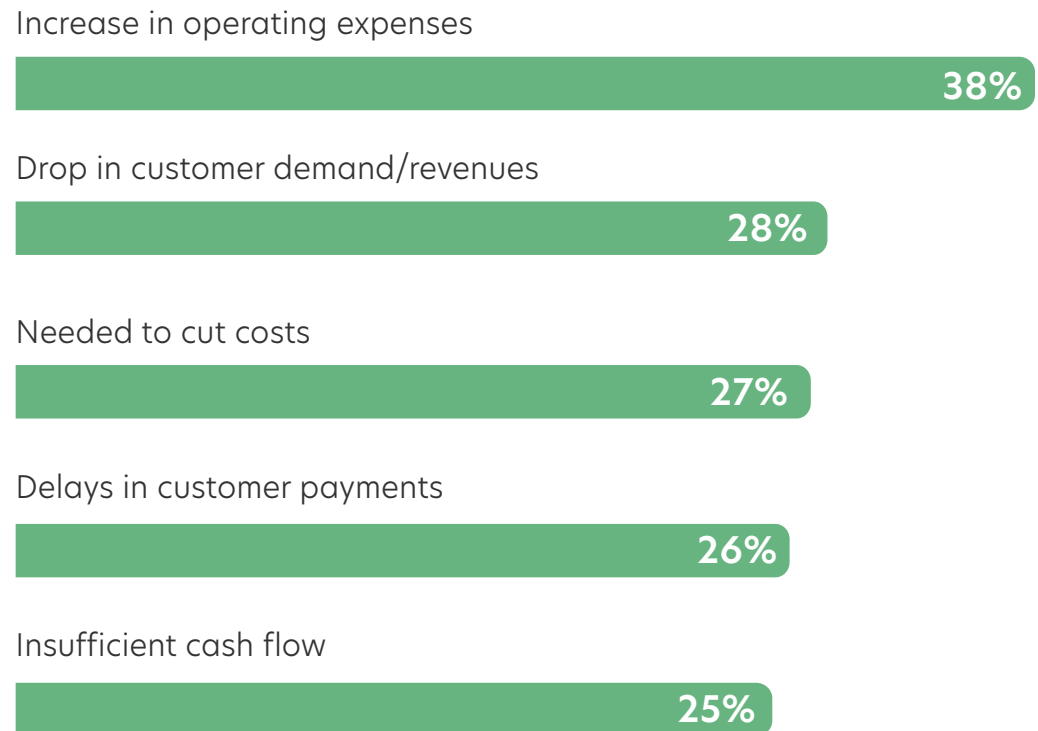
Rising operational costs



These macro factors have led to rising operating expenses and a drop in customer demand/revenues

Nearly **2 in 5** businesses in Vietnam say their operating expenses have increased.

> Factors impacting business operations



> Most impacted sectors/cities

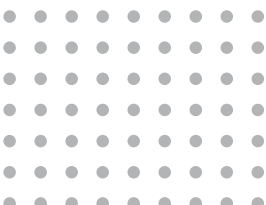


Q) How have the above factors affected your business in 2022? Base: Total (505)



Business Sentiments

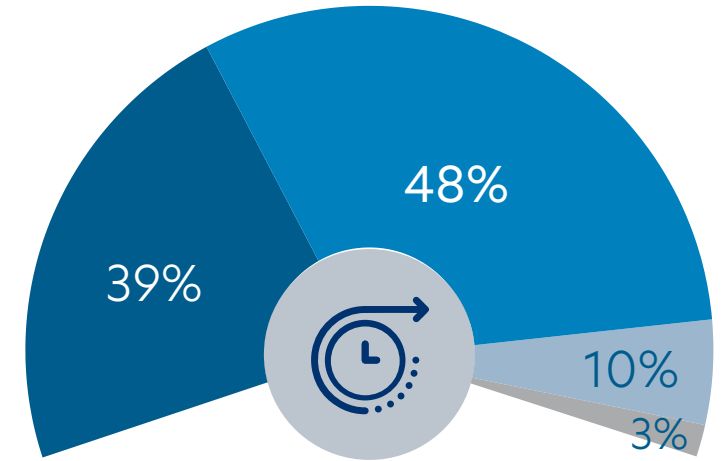
Business Outlook 2023 and Beyond



Nearly **9 in 10**
businesses in Vietnam have a
positive business outlook for
2023

> Outlook for 2023

- Very positive
- Somewhat positive
- Neutral/Unsure
- Somewhat/Very negative



Most positive outlook (sectors)

92%
Professional Services

91%
Wholesale Trade

90%
Consumer Goods

Most positive outlook (enterprises)

89%
Medium Enterprises

Most positive outlook (cities)

88%
Hanoi

87%
Ho Chi Minh City

Q) How would you describe the outlook for your business in 2023? Base: Total (505)

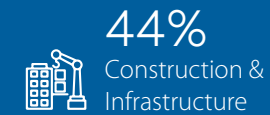
Digitalising the business, developing new sources of revenue and diversifying supply chains are key priorities for businesses in Vietnam in the next 3 years

> Priorities in the next 1-3 years



> Priorities by sectors/enterprises

Diversify & supply chains



Pivoting to a new business model



Reduce costs



Digitalisation is a key business priority as it improves customer service and helps businesses extend their range of products/services to new customers.

Investing in employee training and extending range of products and services are top actions taken in Vietnam to drive growth

> Top actions for growth



30%
Invest in employee training



29%
Extend our range of products and services



28%
Focus on improving customer service/experience



28%
Upgrade equipment/facility to improve productivity



27%
Diversify sales channels to selling online via e-commerce platforms



27%
Invest in innovation and R&D

> Most prioritised in

Extend our range of products and services



44%
Construction & Infrastructure

Diversify sales channels to selling online via e-commerce platforms



40%
Community & Personal Services

User-friendly channels for customer interaction and automation will play a key role in helping businesses improve customer service

7 in 10

businesses are looking for user-friendly channels for customer interaction.

> Capabilities for better customer experience



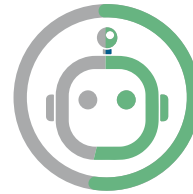
70%

User-friendly channels for customer interaction



65%

Automation to ease customer service



53%

Use of AI, chatbots etc. for real-time interaction



29%

Hyper personalised service/offer for customers

> Most prioritised in

User-friendly channels for customer interaction



74%

Medium Enterprises

Automation to ease customer service



77%

Consumer Goods



72%

Medium Enterprises

Use of AI, chatbots etc. for real-time interaction



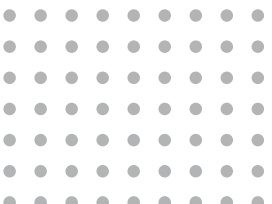
60%

Medium Enterprises

Q) What are the key channels/capabilities that your business needs to improve upon to handle this change in customer engagement expectations? Base: Total (505)



3. | Inflation Impact on Businesses

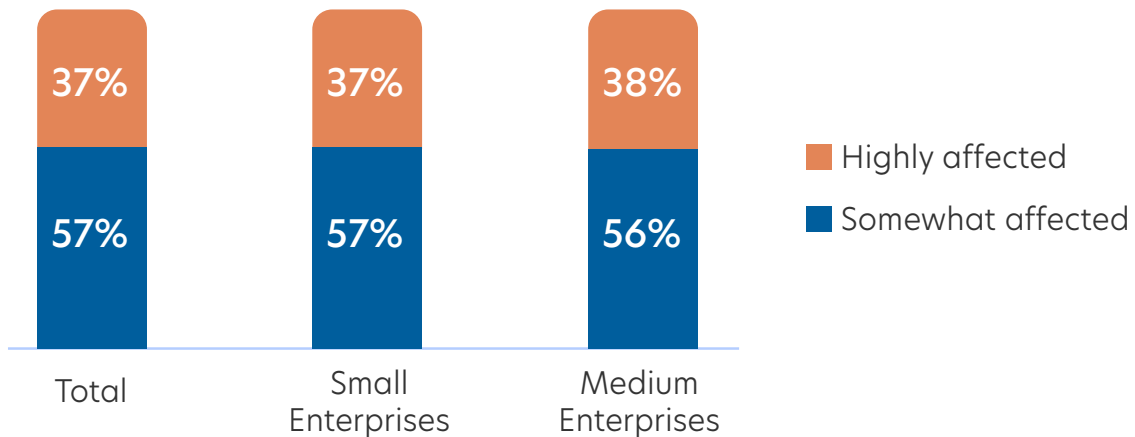


> Extent of inflation affecting businesses in 2022



Over **9 in 10** businesses in Vietnam have felt the impact of high inflation.

94% 94% 94% Net affected



Q) To what extent has high inflation affected your business this year? Base: Total (505)

Both Small and Medium Enterprises in Vietnam have been affected by high inflation.

> Extent of inflation by markets

Most affected sectors



Most affected cities



Many businesses have seen an increase in cost of raw materials and operations

> Impact of inflation on business operations



Increase in cost of raw materials
57%



Increase in cost of operations
56%



Reduction in profit levels
45%



Increase in staff salaries
37%



Increase in cost of equipment/machinery
33%



Increase in utility costs
30%



Nearly **3 in 5** businesses in Vietnam say that high inflation has led to an increase in cost of raw materials.

Nearly **3 in 5** businesses have seen an increase in cost of operations.

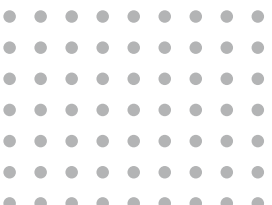


Inflation is also impacting the profitability of businesses in Vietnam. Businesses in Business Services and Community & Personal Services have witnessed a greater reduction in profits.



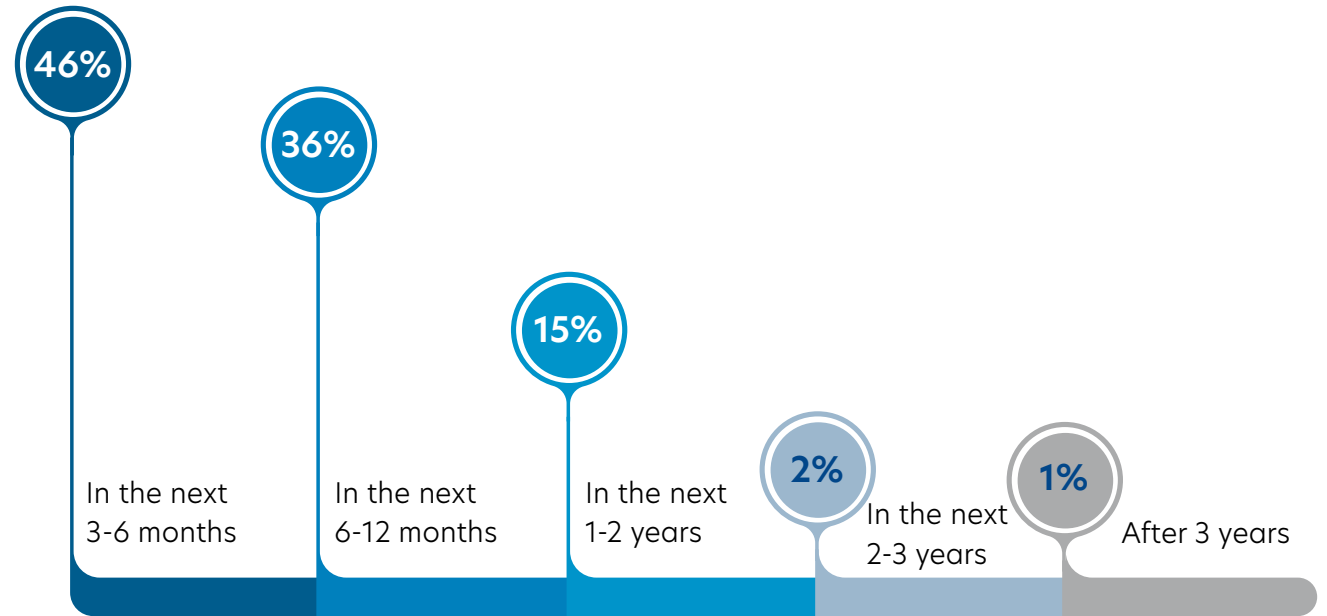
Inflation Impact on Businesses

Inflation Expectation in 2023



Over 8 in 10 businesses expect inflation to reduce within the next 12 months

> Expectations of inflation



Most affected sectors

93%
Tech, Media & Telecom

86%
Wholesale Trade

85%
Consumer Goods

Most affected enterprises

82%
Medium Enterprises

Most affected cities

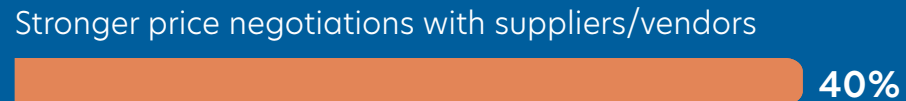
88%
Rest of Vietnam

81%
Hanoi

Q) By when do you expect the high inflation to reduce? Base: Total (505)

Productivity improvement and cost cutting are key measures to mitigate inflation impact

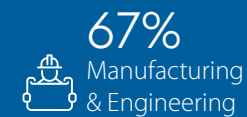
> Ways to combat inflation



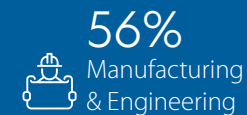
Over **1 in 2** businesses are improving productivity to combat inflation.

> Differences in combating approach

Improving productivity to save costs

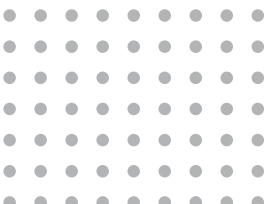


Digitalisation processes to drive cost savings



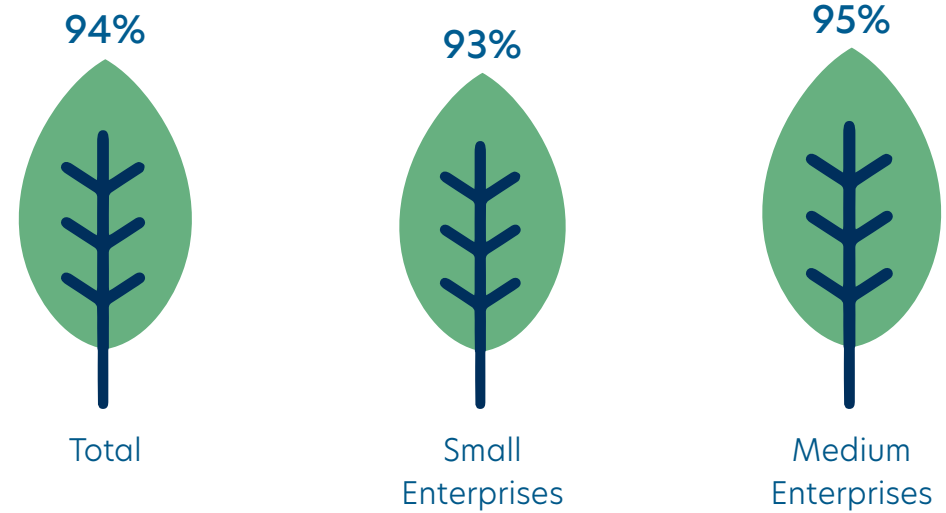


4. | State of Sustainability and Future Plans



Sustainability is important to a vast majority of businesses in Vietnam

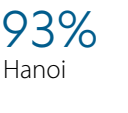
> Importance of sustainability



Leading sectors



Leading cities



Q) How important is sustainability (Environmental, Social and Governance considerations) to your business?
Base: Total (505)

Sustainability helps businesses improve their reputation, attract investors and gives them a competitive edge

Nearly **3 in 5** businesses say that sustainability helps to improve their business reputation and branding.

Over **1 in 2** businesses say that adopting sustainable practices helps attract investors.

> Drivers of sustainability



Improved reputation/
better branding of the
company



Helps attract
investors



Gives competitive edge

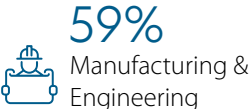
> Stronger drivers

Gives competitive edge

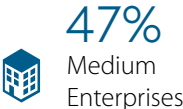


Business
Services

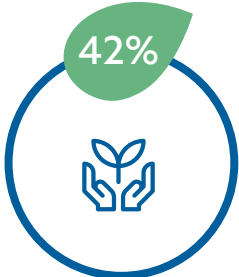
Helps my business fit better into the ecosystem



Manufacturing &
Engineering



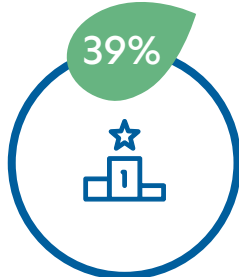
Medium
Enterprises



Helps my business fit
better into the
ecosystem



Enables talent
retention/attraction

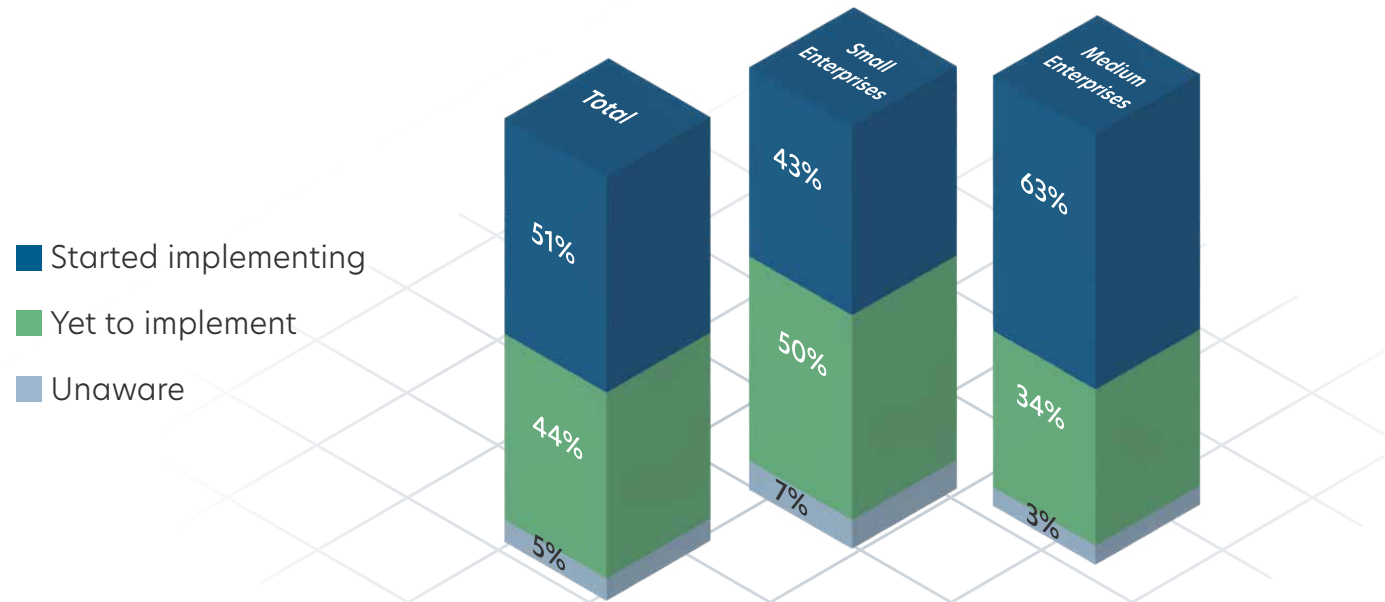


Customers prefer or
demand for it

Q) Why is sustainability important to your business? Base: Those who regard sustainability as important (473)

Yet, less than half of all businesses have started implementing sustainable practices

> Current stage of sustainability adoption



Implementing sectors

65%
Construction & Infrastructure

60%
Manufacturing & Engineering

55%
Wholesale Trade

Implementing cities

55%
Hanoi

53%
Rest of Vietnam

Q) What stage is your company at today in the adoption of sustainability practices? Base: Total (505)

Concerns prevail about the increase in cost of products/services to end customers and negative impact on profits

> Key barriers to implementation



> Stronger barriers

May lead to increase in cost of our products/services to end customers



Concerns about negative impact on profits



Possible impact to revenues in the short term



Q) What are the major barriers to implementing sustainability practices in your company? Base: Total (505)

But businesses are convinced about implementing practices like employee welfare and use of energy-efficient equipment and technologies



> Practices planning to implement

Ensure employee welfare

45%

Use energy-efficient equipment and technologies

41%

More efficient use of resources to minimise waste

41%

Establish clear corporate governance

39%

Implement clear operational policies and processes

38%

Procure from businesses with sustainable practices

37%

> Prioritised areas

Ensure employee welfare

63%
Community & Personal Services

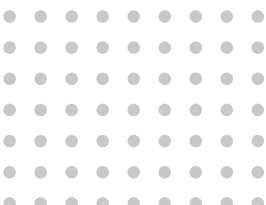
More efficient use of resources to minimise waste

51%
Medium Enterprises

Q) What sustainable practices (based on the ESG considerations) do you plan to incorporate within your business in future?
Base: Those who have not implemented sustainability practices (245)



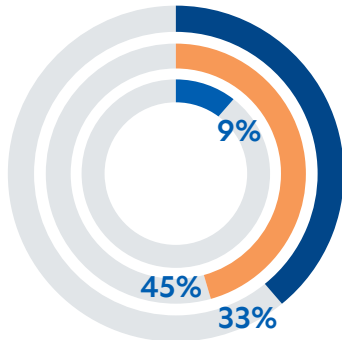
5. | State of Digitalisation



Nearly 9 in 10 businesses have adopted digitalisation in at least one department

> Current state of digital adoption

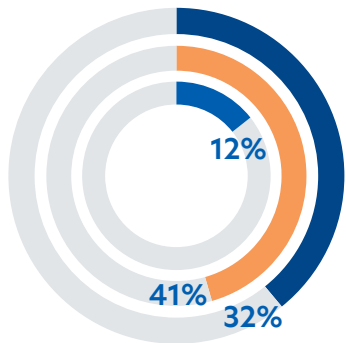
Net adopted **88%**



Total

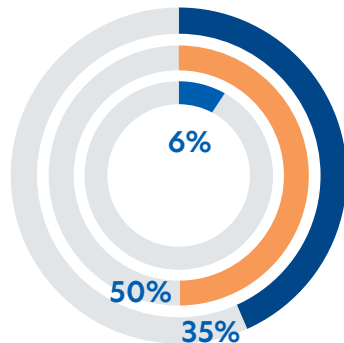
- Adopted across one departments
- Adopted across entire business
- Adopted across multiple departments

Net adopted **86%**



Small Enterprises

Net adopted **91%**



Medium Enterprises



Businesses in the Wholesale Trade sector and those from Hanoi are leading the digitalisation journey.

Sectors leading in digital adoption

93%
Wholesale Trade

93%
Construction & Infrastructure

90%
Manufacturing & Engineering

Cities leading in digital adoption

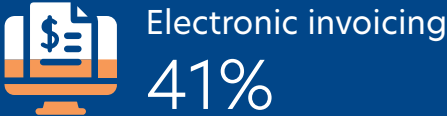
92%
Hanoi

86%
Ho Chi Minh City

Q) What is the current state of digital adoption in your company? Base: Total (505)

Human resource management, expense management and electronic invoicing are a priority

> Top priorities for digitalisation



> Priority areas

Human resource management



Electronic invoicing



Q) Which of these processes did your company digitalise specifically to help your business perform better in 2022? Base: Those currently trialling or adopted digitalisation in at least one department (475)

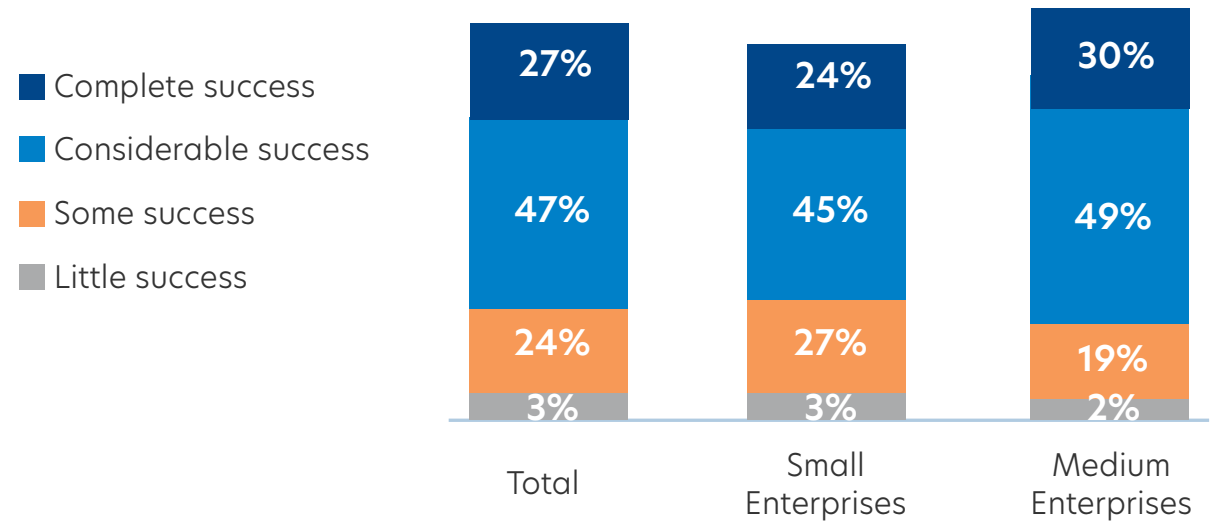


Businesses that adopted digitalisation have been successful in their efforts

Over **7 in 10** businesses have seen success in their digitalisation efforts.

> Success with digitalisation

Net Considerable/Complete success: **73%** (Total), **69%** (Small Enterprises), **79%** (Medium Enterprises)



More success with digitalisation (sectors)

85%
Real Estate/
Hospitality

80%
Tech, Media &
Telecom

78%
Wholesale
Trade

More success with digitalisation (cities)

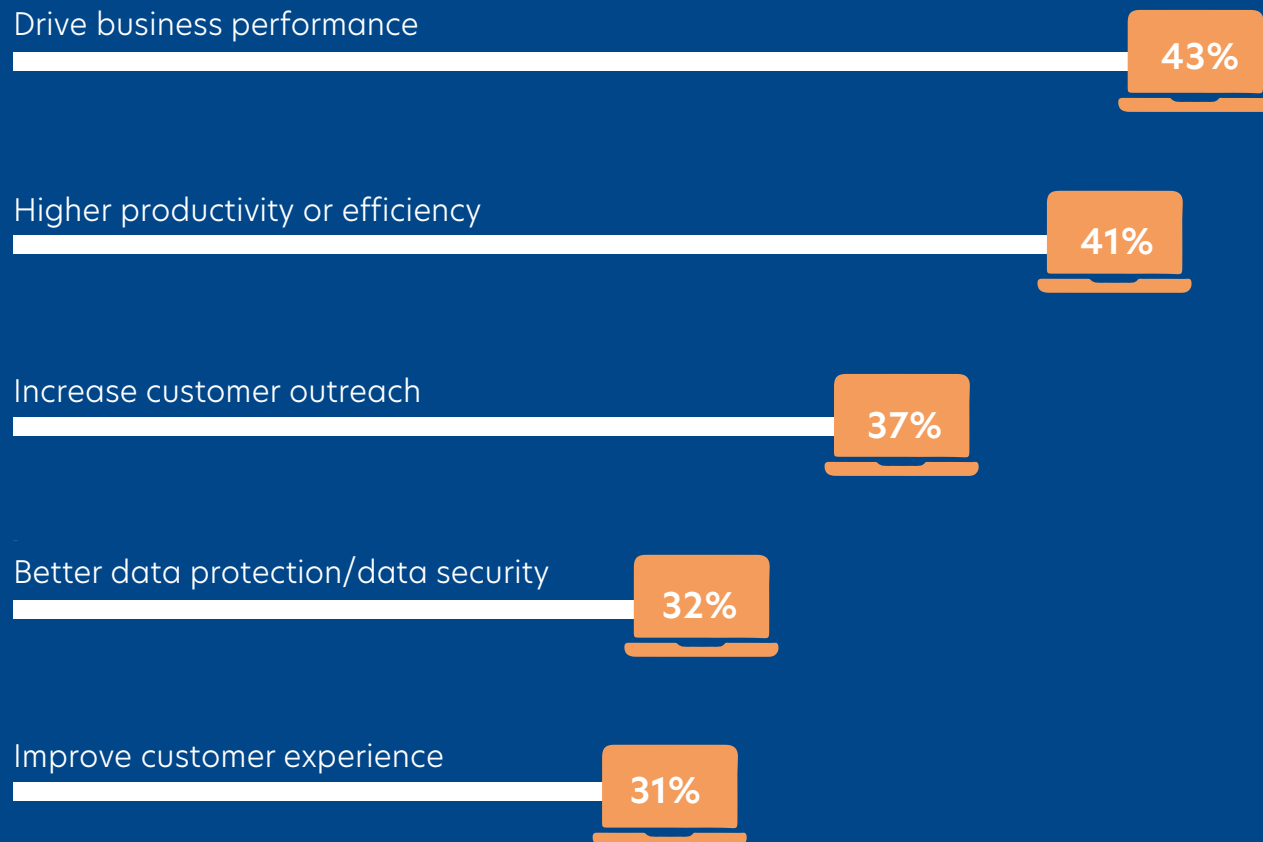
74%
Hanoi

74%
Ho Chi Minh City

Q) How much success has your company had so far in its digital adoption journey?
Base: Those currently trialling or adopted digitalisation in at least one department (475)

Digitalisation has led to better business performance, higher productivity and increased customer outreach

> Impact of digitalisation

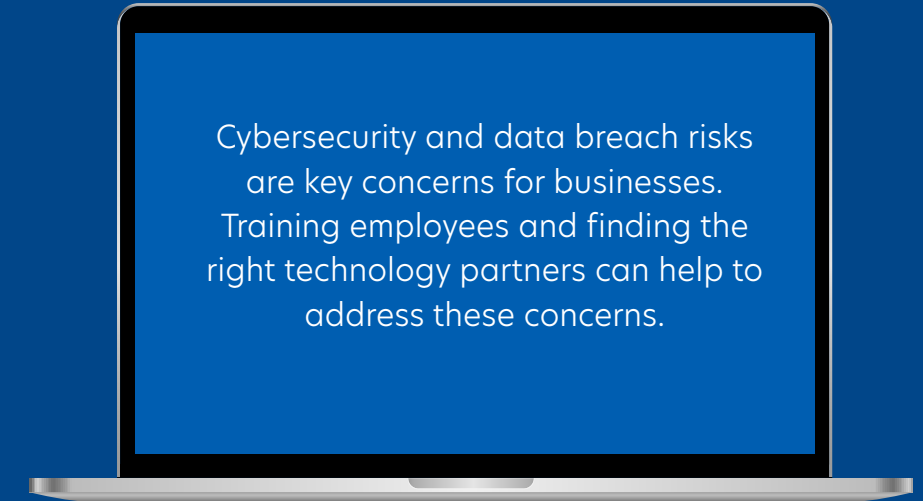
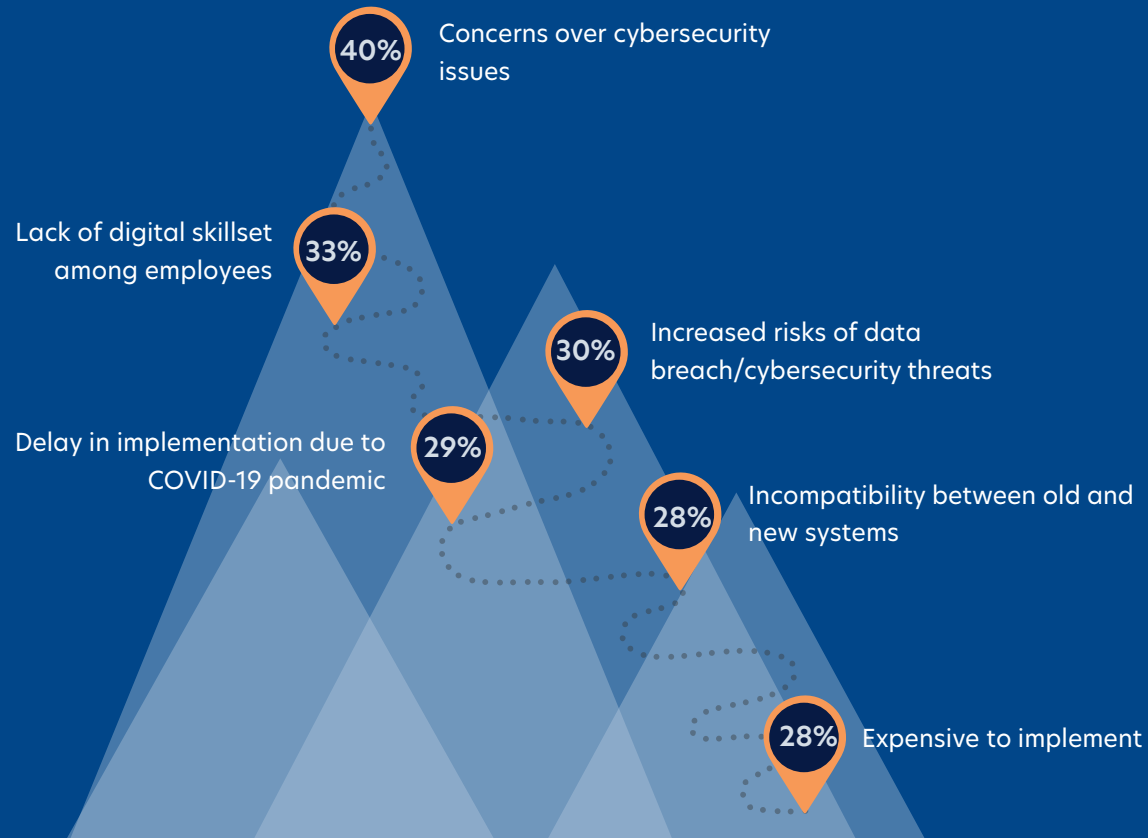


> Most impacted areas by sectors



Yet, there are several challenges that need to be addressed

> Top challenges in digitalisation



> Top challenges by sectors

Lack of digital skillset among employees

50%
Manufacturing & Engineering

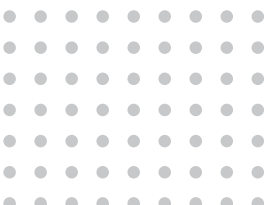
Increased risks of data breach/cybersecurity threats

35%
Medium Enterprises



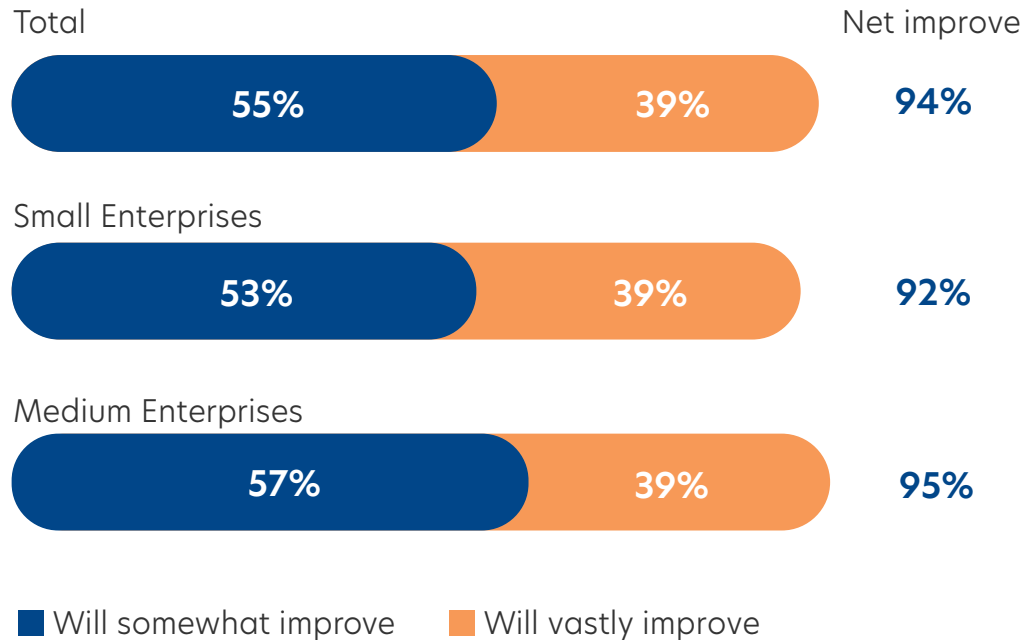
State of Digitalisation

Outlook for 2023



Post digitalisation business outlook is expected to be positive

> Business outlook post digitalisation



Most positive outlook (sectors)



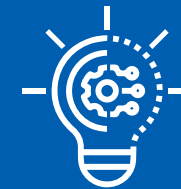
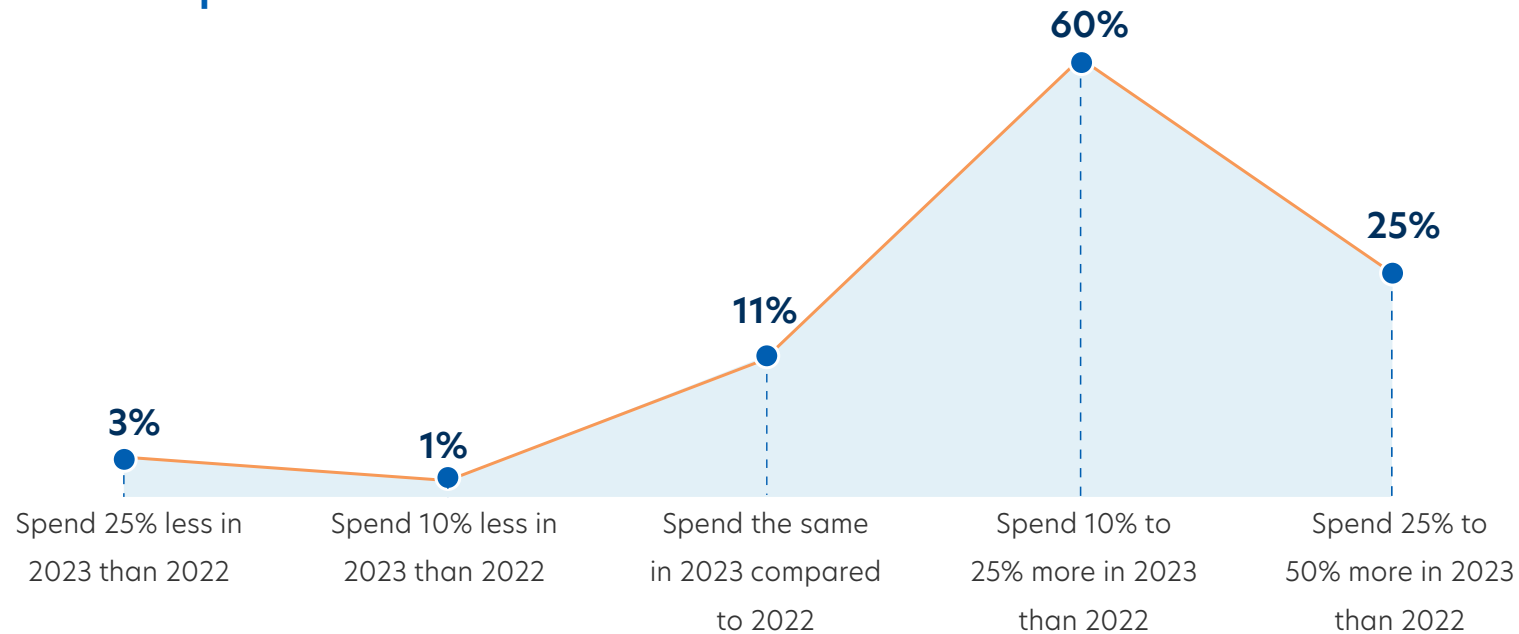
Most positive outlook (cities)



Q) How do you see your company's business outlook changing (e.g. revenue, productivity) in 2023, after digital adoption?
Base: Total (505)

Hence, businesses are continuing their digitalisation journey. Most expect to spend more on it in 2023

> Future expenditure in 2023



85%
of businesses foresee spending more on digitalisation in 2023.



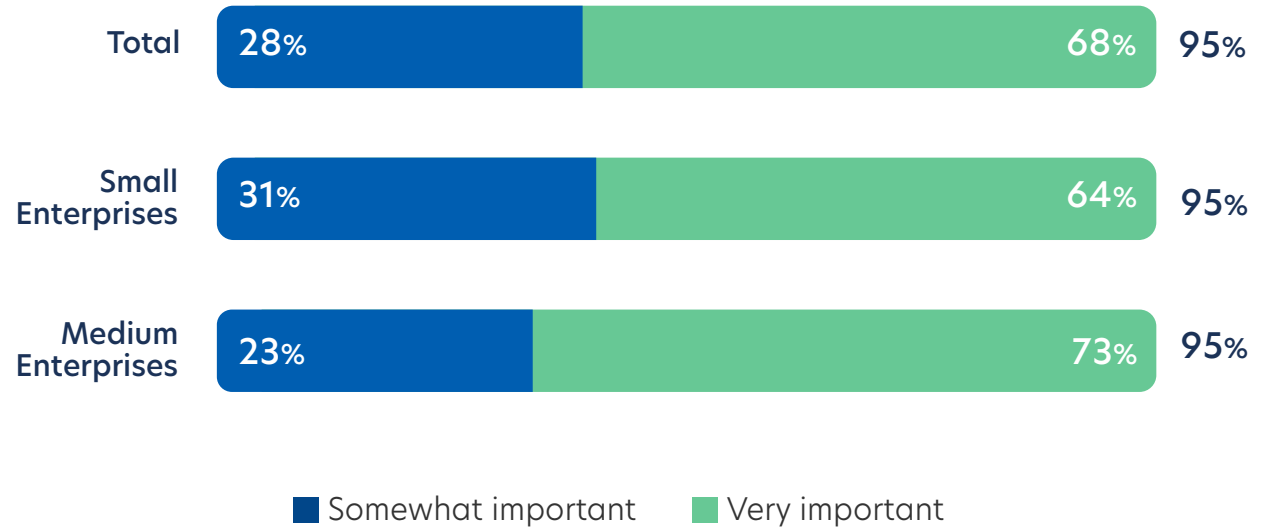
6. | Supply Chain Management (SCM)

SCM is important to most businesses in Vietnam

Over **9 in 10** businesses consider SCM important.



> Importance of SCM



Higher importance to SCM (sectors)

98%
Wholesale Trade

98%
Construction & Infrastructure

98%
Manufacturing & Engineering

Higher importance to SCM (cities)

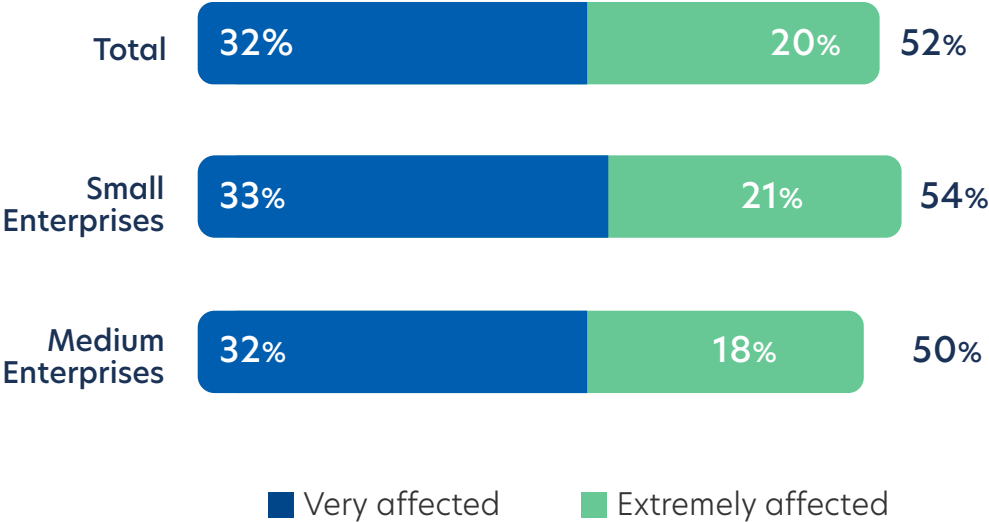
96%
Ho Chi Minh City

95%
Hanoi

Q) How important is supply chain management to your business? Base: Total (505)

Geopolitical tensions are having an adverse impact on supply chains

> Geopolitical impact on supply chains



Over **1 in 2** businesses say their supply chain has been affected by geopolitical tensions.

Most impacted sectors



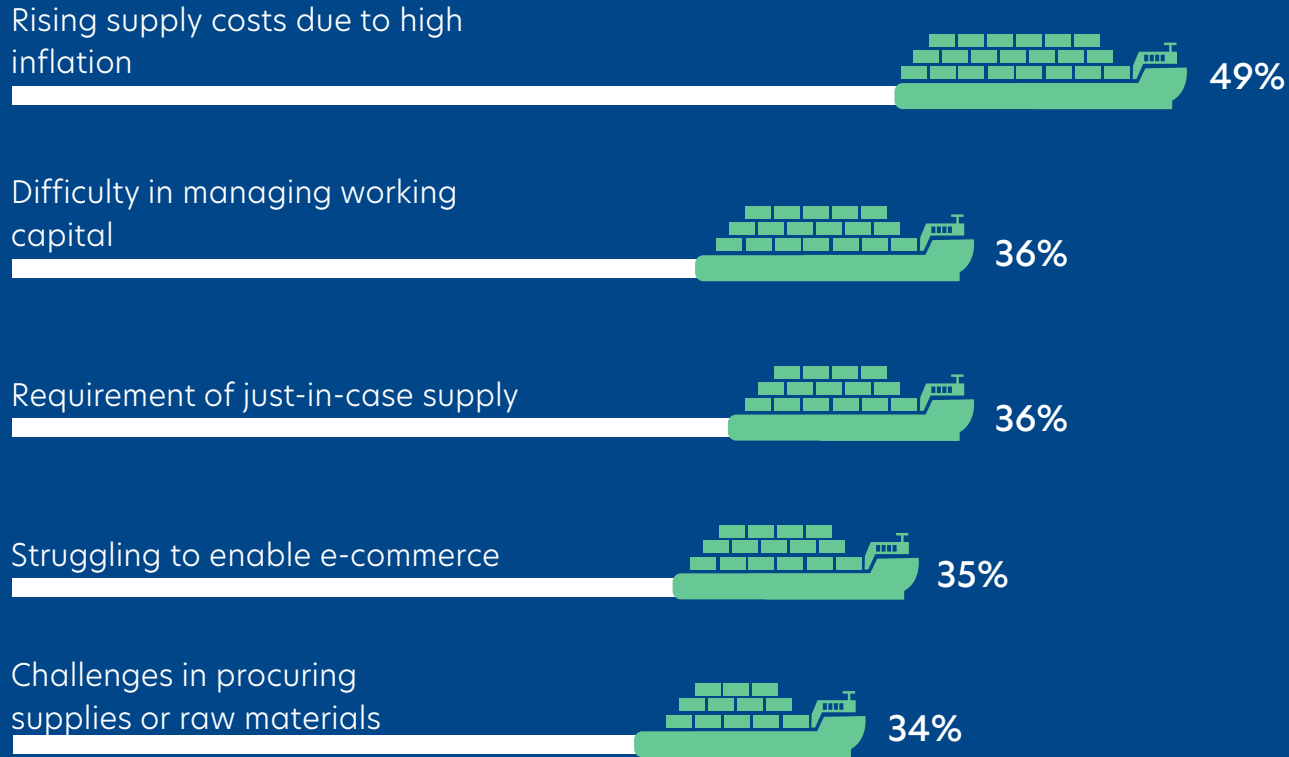
Most impacted (cities)



Q) To what extent has your company's supply chain been affected by geopolitical tensions such as Russia-Ukraine conflict, US-China trade tensions, or by COVID-19 restrictions etc.? Base: Total (505)

This has led to rising supply costs and difficulty in managing working capital

> Key supply chain challenges



> Higher challenge sectors/cities

Rising supply costs due to high inflation

63%
Manufacturing & Engineering

Difficulty in managing working capital

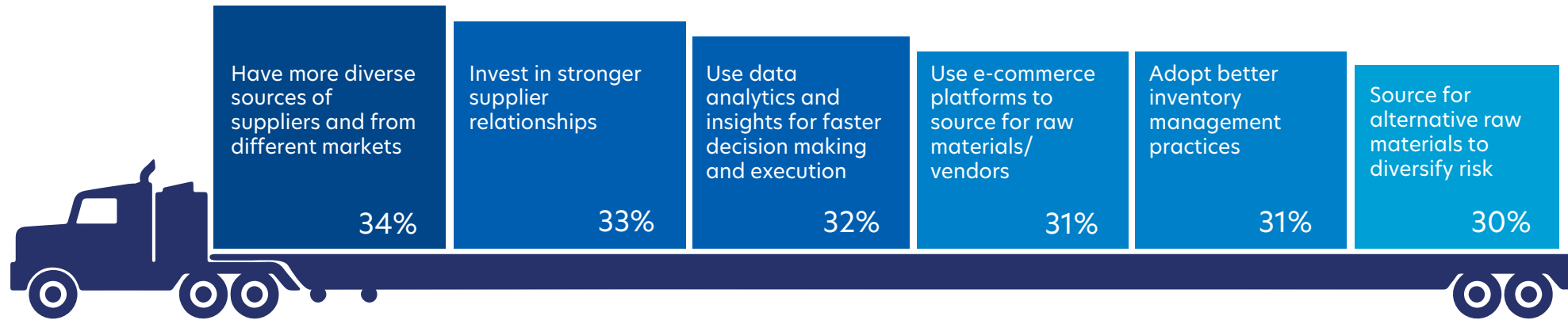
42%
Ho Chi Minh City



Nearly **1 in 2** businesses say their key supply chain challenge is rising supply costs due to high inflation.

To address these challenges, businesses are diversifying source of suppliers and from different markets and investing stronger relationships

> Actions for supply chain stability



> Top actions by sectors

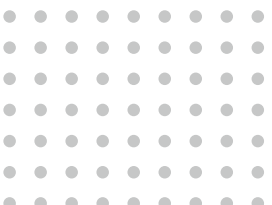
Source for alternative raw materials to diversify risk



Q) What steps, if any, have you taken or are planning to take to ensure a stable supply chain in the future? Base: Total (505)

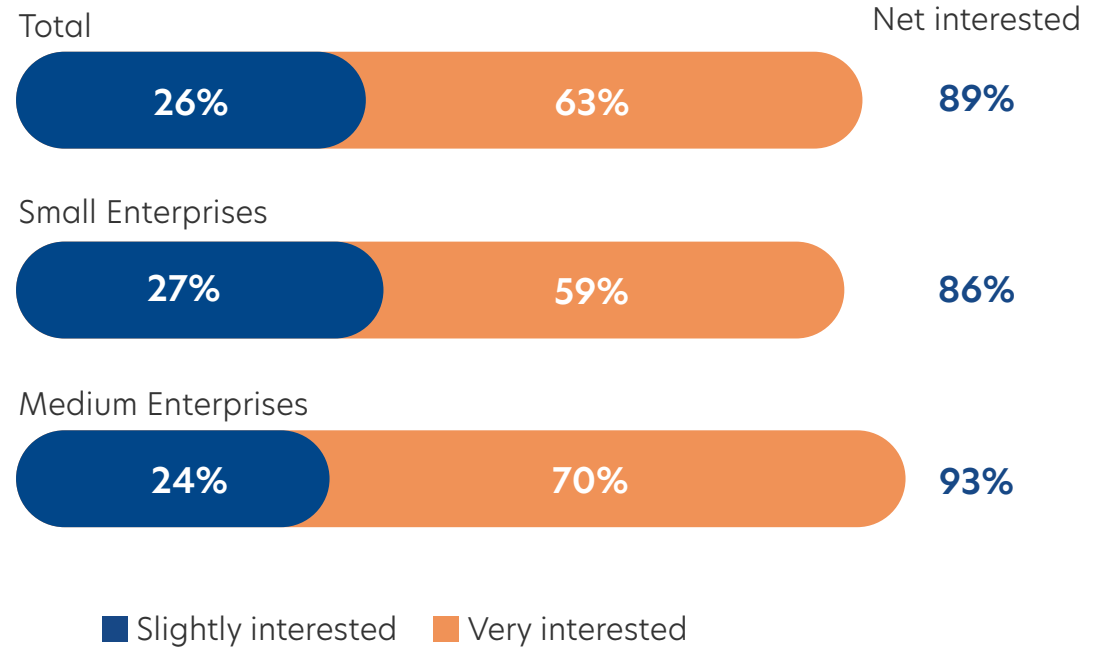


7. | Interest in Overseas Expansion



Nearly 9 in 10 businesses in Vietnam are interested to expand overseas

> Interest in overseas expansion



Most interested sectors

94%
 Manufacturing & Engineering

89%
 Community & Personal Services

93%
 Wholesale Trade

Most interested cities

92%
 Ho Chi Minh City

89%
 Hanoi

Q) How interested is your business in expanding overseas in the next three years? Base: Total (505)

Interest in expansion is fuelled by a desire to improve profits, grow revenue and build an international reputation

> Motivators for overseas expansion



> Top motivators by sectors/enterprises

Improve profitability



Take advantage of government policies/schemes to expand

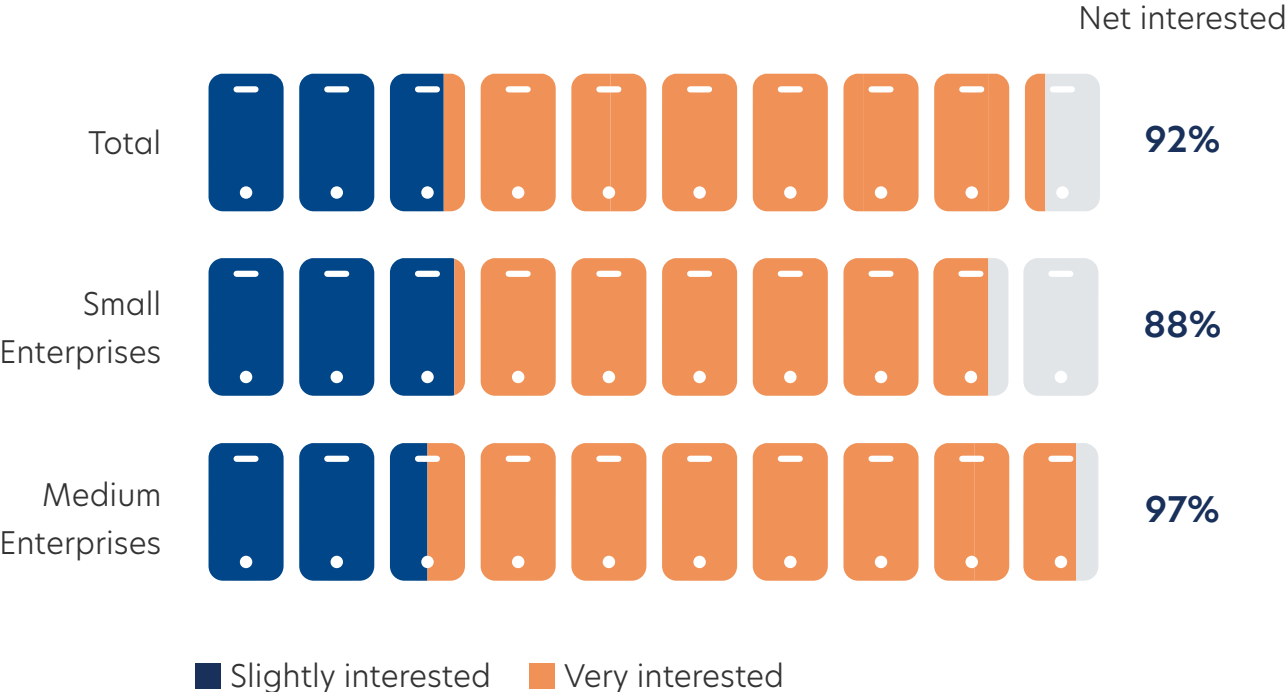


Over **3 in 5** businesses are looking to expand overseas to improve profits and revenue.

Q) What are the key motivators in your effort for overseas expansion? Base: Interested in overseas expansion (450)

Thus, cross-border digital trade platforms as a means for overseas expansion have high interest

> Interest in using cross-border digital trade platforms



Over **9 in 10** businesses are interested in leveraging cross-border digital trade platforms for their overseas expansion.

Most interested sectors



Most interested cities

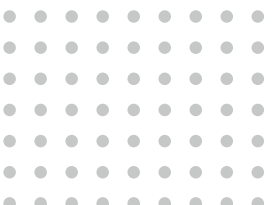


Q) How interested is your company in using cross-border digital trade platforms as a means for overseas expansion?
Base: Total (505)



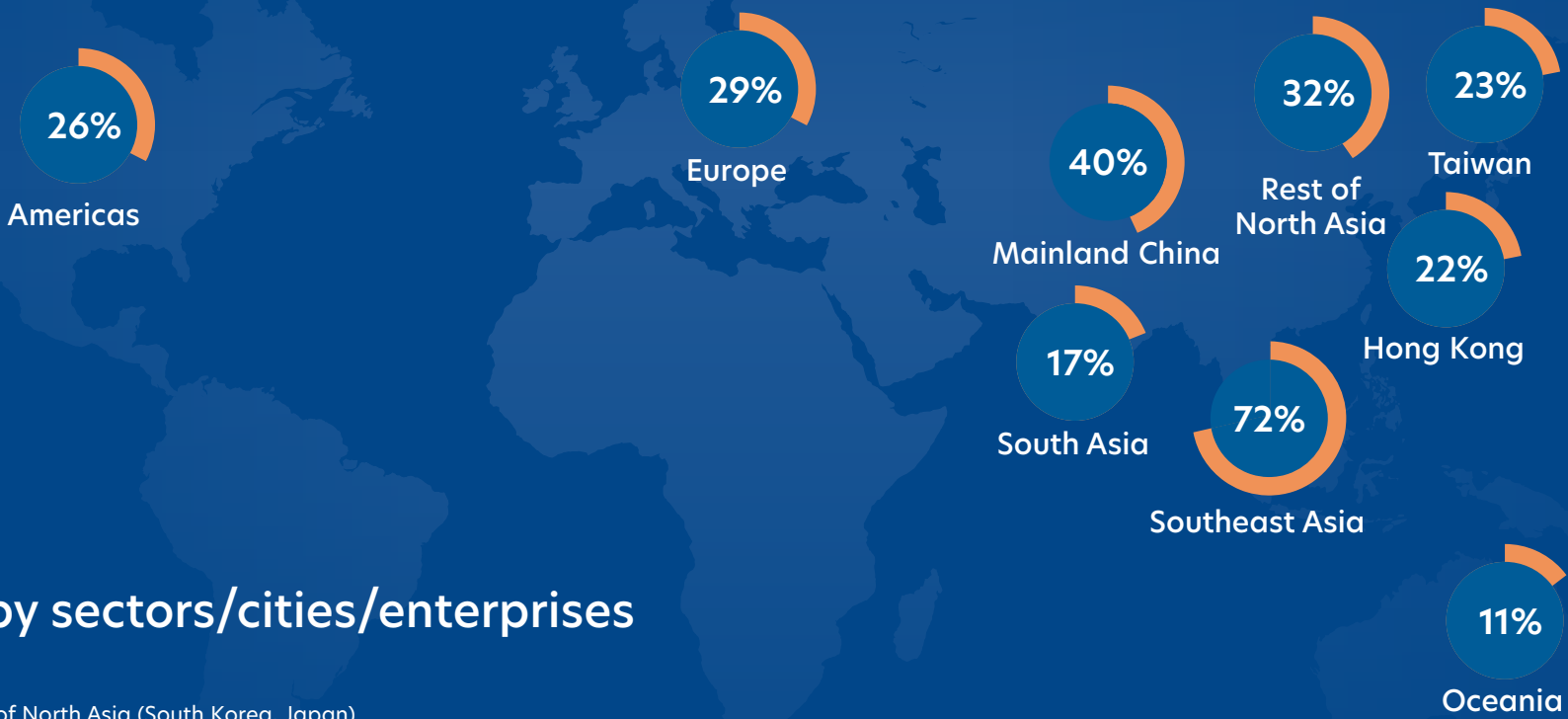
Interest in Overseas Expansion

Future Expansion Plans



Southeast Asia, Mainland China and Rest of North Asia are key markets of interest for overseas expansion

> Location planned for overseas expansion



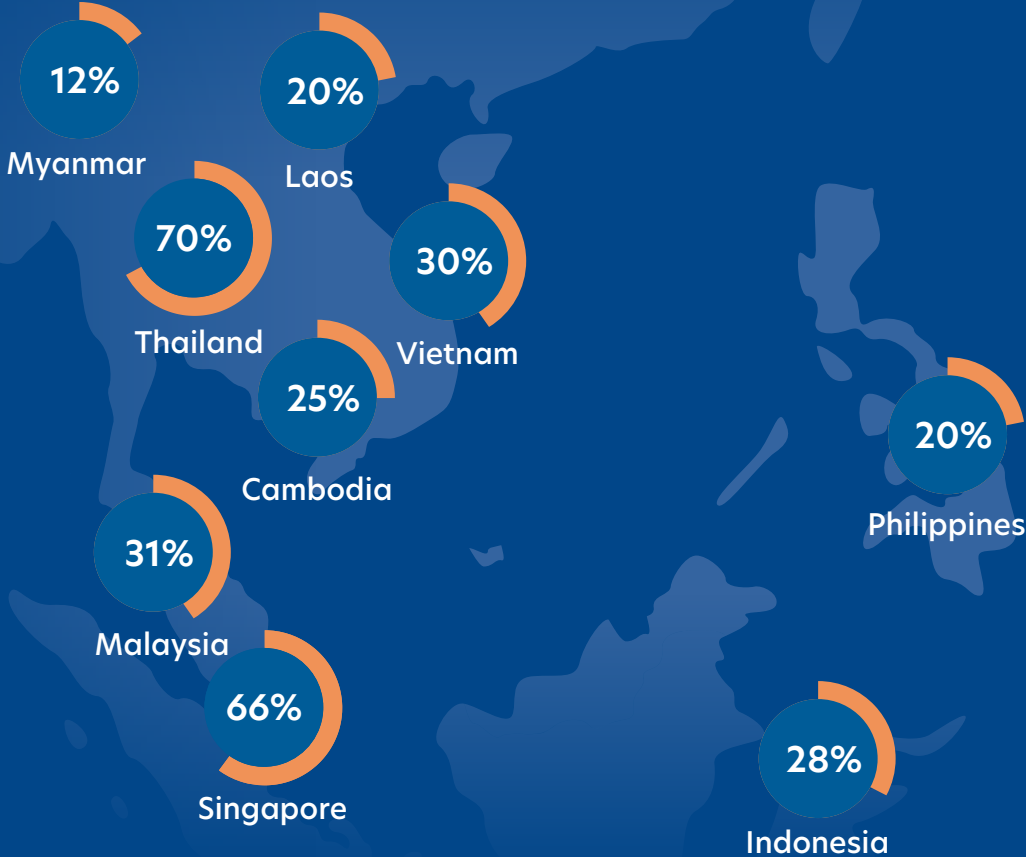
> Top locations by sectors/cities/enterprises



Q) Which of these markets is your enterprise intending to venture into within 3 years (by 2025)? Base: Interested in overseas expansion (450)

Thailand, Singapore and Malaysia are the top 3 expansion markets within ASEAN

> Priority markets within ASEAN



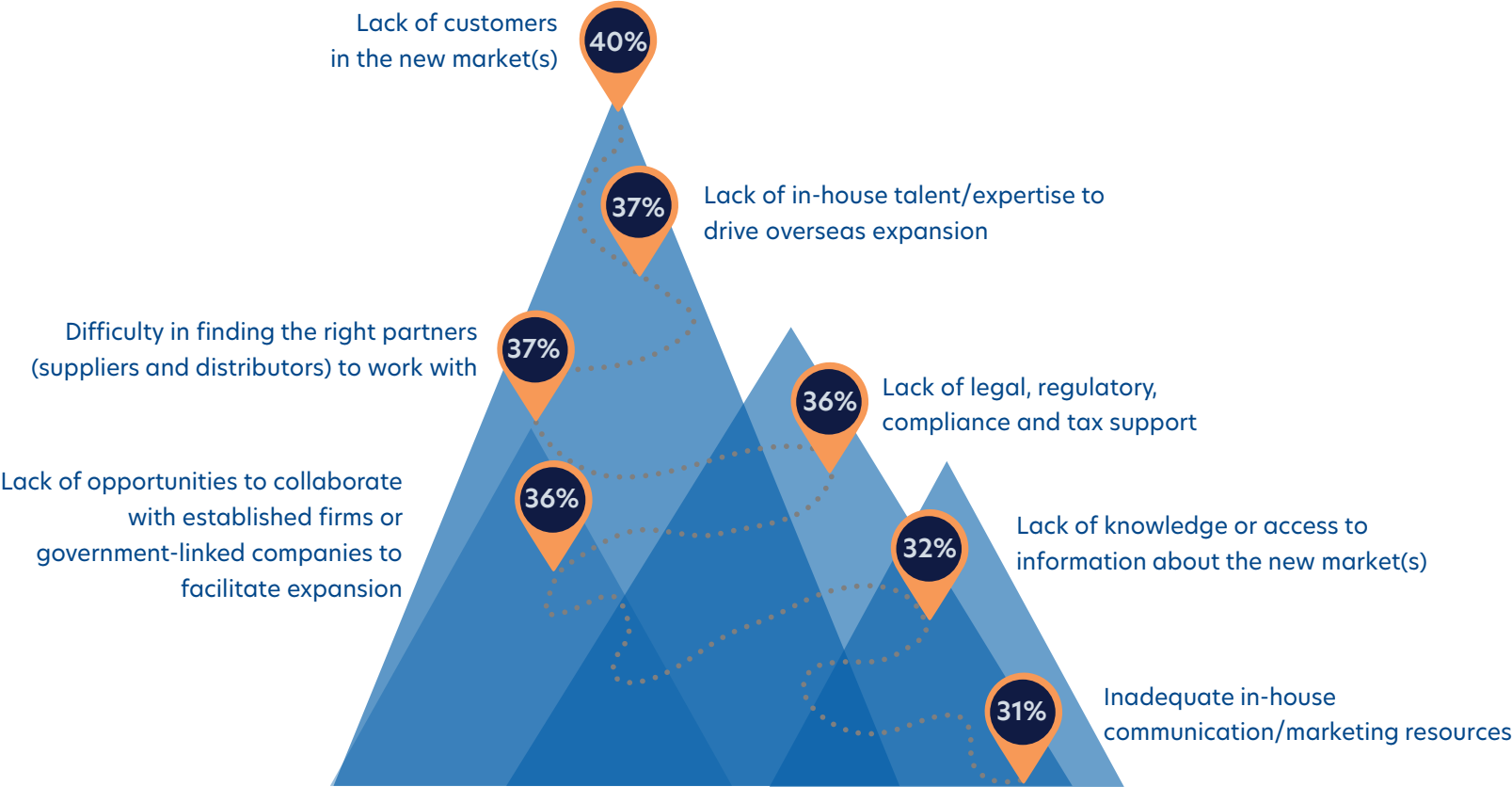
> Top ASEAN locations



Q) Please select the most important countries (up to 3) in ASEAN that your enterprise is intending to venture into within 3 years (by FY2025).
Base: Interested in expanding within ASEAN (138)

Lack of customers in the new market and lack of in-house talent/expertise are key hurdles in overseas expansion

> Expected challenges for overseas expansion



Q) What are the key barriers in your effort for overseas expansion? Base: Total (505)

Support from government, financial and ecosystem partners (1/2)

SMEs may also look to government programmes and value-added services from UOB to realise their business ambitions.

Business Support

SMEs Development Fund: This fund offers SMEs up to 80% funding to embark on their business development projects. The total amount of funding must not exceed 15% of the fund's charter capital.

Credit Guarantee Fund by the Ministry of Planning and Investment: SMEs and micro-businesses can engage a network of consultants for business growth as well as to receive subsidies.

SME Law: SMEs will be taxed at lower rate than corporates and will enjoy other non-tax incentives such as lower land use and rental fees, as well as improved access to credit.

Priority Lending to SMEs: This initiative lowers short-term lending rates for SMEs by 1 to 15 percent annually to make financing more affordable.

Softer Loans for SMEs: Vietnam's SMEs Development Fund aims to help enhance operational effectiveness, increase profits and create more jobs. The fund has helped cushion pandemic-hit businesses by offering lowered lending rates.

Funding Societies: This scheme aims to serve SMEs in various sectors by offering products such as trade financing, accounts receivable (AR) and accounts payables (AP) financing.

UOB Business Banking Loan: Offers up to SGD 1.8 million for Working Capital, Capital Expenditure, etc. with a competitive pricing scheme under Biz Solution and Biz Property products. For Biz Merchant, no collateral is required, limit is up to SGD 100K which enables SMEs to easily secure funding at preferential rates and fast approval process.

Sustainability Support

Business sustainability: The collaboration with business functions help manage ESG risk and opportunities, develop decarbonization pathway strategies, providing insights into key sustainable finance developments and the impact on UOB and our clients.

Corporate Sustainability: The collaboration with business functions help develop and implement relevant sustainability framework, policies, procedures, and initiatives; co-owns the operational decarbonization strategy for UOBV together with Corporate Real Estate Services (CRES); lead training program across UOBV.

Digitalisation Support

Investment in ICT: There are initiatives in place in the venture capital funding to spur the development of new technologies among SMEs.

Launching digital solution UOB BizSmart: A full-suite package of solutions that helps SMEs drive forwards digitalizing business operation.

UOB BizMerchant: A smart and simple lending product that provides unsecured financing for online businesses. At the forefront of applying digital innovation, UOB BizMerchant aims to motivate and financially support e-commerce sellers base on their revenue on online platform with fastest process.

Support from government, financial and ecosystem partners (2/2)

UOB BizSmart: Offers a wide range of digital solutions, including accounting, HR and payroll, E-invoice, business management & consulting, and digital transactions, to enhance business efficiency and growth. By signing up for BizSmart, SMEs can experience seamless API integration between UOB SME app and accounting software, along with a special opportunity to enjoy a one-year complimentary subscription to this software and various bundled offers from our partners.



Overseas Expansion/Supply Chain Support

USAID Improving Private Sector Competitiveness Project: This scheme aims to encourage a broad-based, inclusive economic growth through improved business practices ranging across innovation and technological adoption, policy reform and increased market access.



Right By You

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