

UOB Business Outlook Study 2024

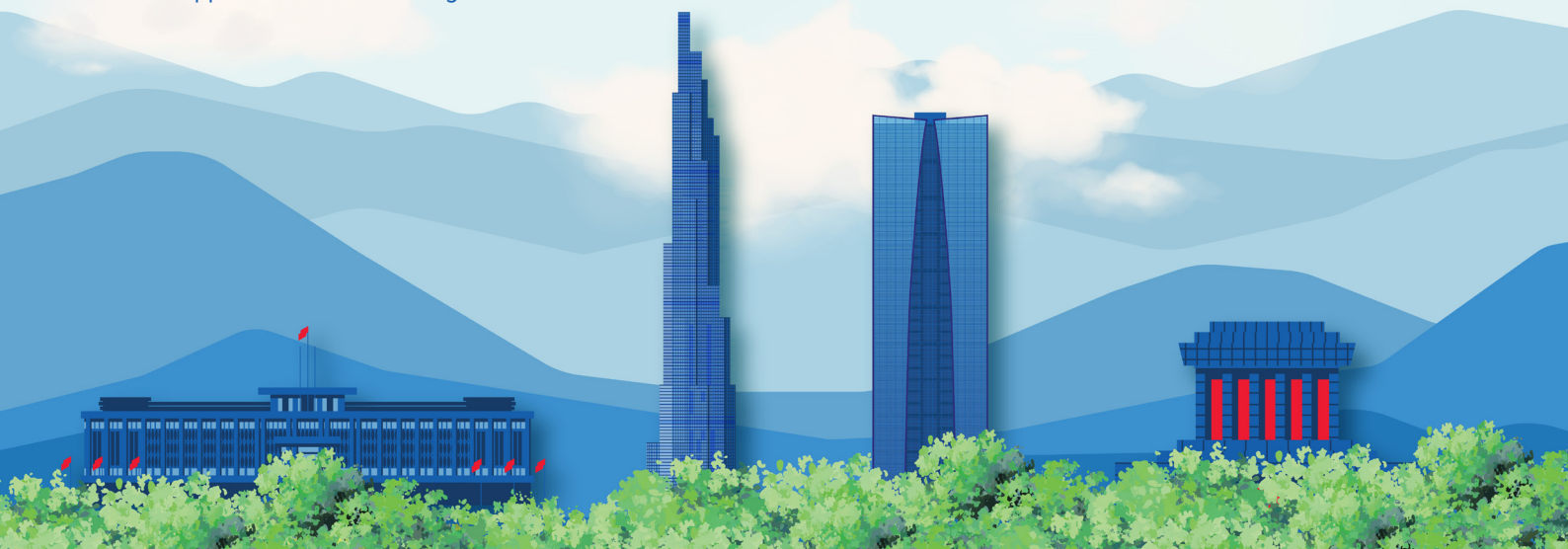


(SMEs & Large Enterprises)

UOB conducted a Business Outlook Study in Vietnam covering 525 business owners and key executives from SMEs and Large Enterprises.

The Business Outlook Study provides a comprehensive understanding of the current business sentiment, inflation impact and outlook among businesses across various sectors in Vietnam.

By capturing robust insights around key themes such as Overseas Expansion, Supply Chain Management, Digitalisation, and Sustainability, this study can help Vietnam businesses better understand the current environment they are operating in and plan for future opportunities and challenges.



Vietnam

▶ WHAT



15-minute online survey



Total of 525 interviews



Data collection:
Late-December 2023 to mid-January 2024

▶ WHO



Businesses with revenue less than VND 5.5 trillion



Covers both SMEs and Large Enterprises across key industry verticals



Owners/C-suite/Management level who are involved with business decision making



Classification of businesses:
Small Enterprises: annual turnover of < VND 180b
Medium Enterprises: annual turnover of VND 180b to <5.5t

Industries	Sample
Wholesale Trade	58
Manufacturing & Engineering	55
Tech, Media & Telecom	55
Construction & Infrastructure	55
Community & Personal	55
Business Services	55
Real Estate & Hospitality	55
Consumer Goods	52
Professional Services	50
Industrials, Oil & Gas	35
Total	525

► Business sentiment

 Nearly **1 in 2** businesses in Vietnam say the current business environment is very positive.



Most positive sectors



 Nearly **2 in 5** businesses in Vietnam expect a vastly improved business performance in 2024.



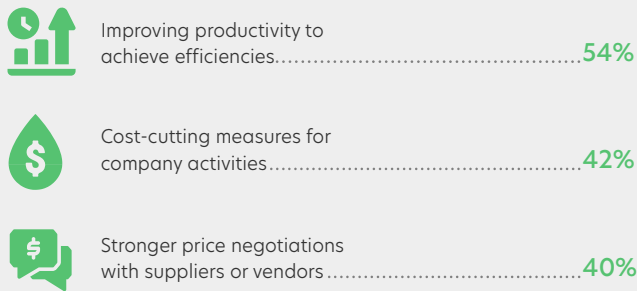
Most improved sectors



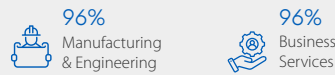
► Inflation and its impact

 Over **9 in 10** businesses in Vietnam say they have been impacted by high inflation in 2023.

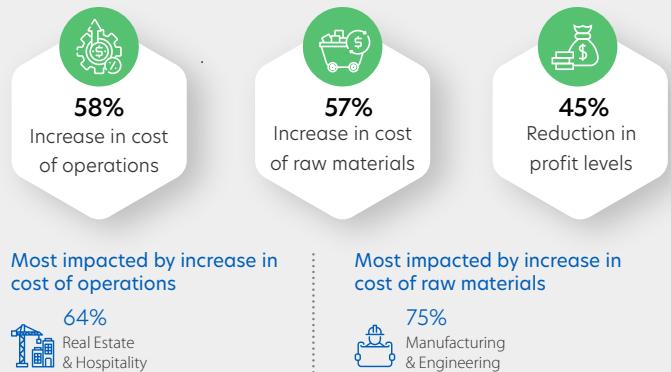
Ways to combat inflation



Most affected sectors



Areas affected by inflation



► Overseas expansion interest

 Nearly **9 in 10** businesses in Vietnam are interested in overseas expansion.

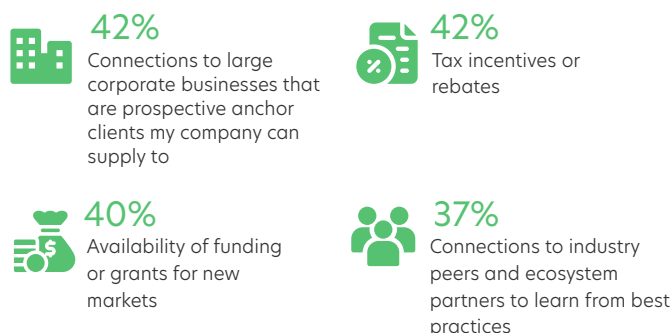
Most interested sectors



Least interested sectors



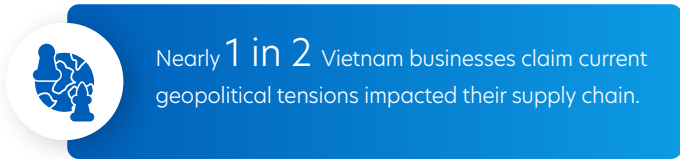
Support measures for overseas expansion



Key motivators for overseas expansion



Supply Chain Management (SCM) and its challenges



Most impacted sectors



Challenges faced by businesses



Key trading needs among businesses

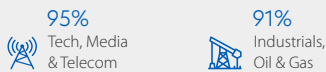


Digital adoption

Current state



Most digitalised sectors



Expected spending in 2024



Higher spending sectors



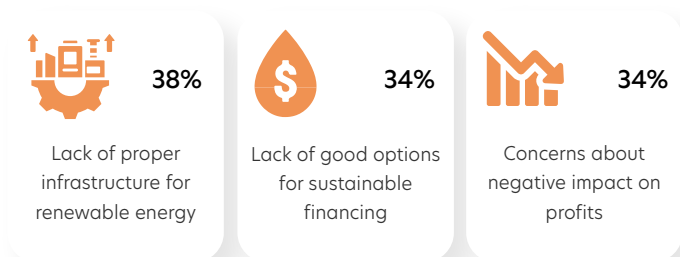
Sustainability adoption



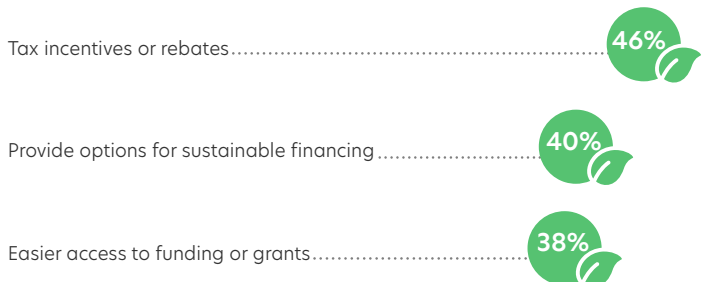
Higher adoption sectors



Challenges faced by businesses



Support measures to drive sustainability adoption

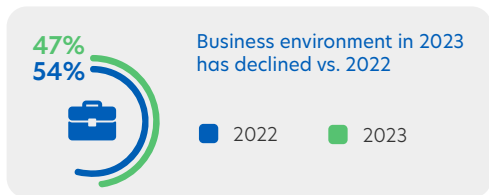
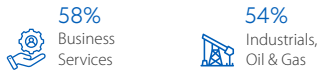


Business environment in 2023

Nearly **1 in 2** businesses in Vietnam say the current business environment is very positive.



Most positive sectors



Business outlook for 2024

Nearly **2 in 5** businesses in Vietnam expect a vastly improved business performance in 2024.



Most improved sectors



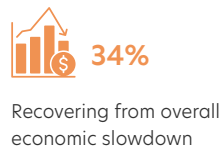
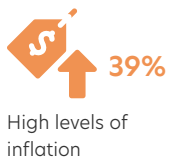
Nearly 2 in 5 businesses expect a vastly improved performance in 2024.

Vastly improving, 2023 44%

Vastly improving, 2024 37%

Top factors that have impacted businesses in 2023

High inflation, uncertainty over commodity prices and recovery from economic slowdown are the top three macro factors impacting businesses.



Business priorities for next 1-3 years



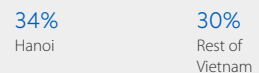
High inflation and uncertainty of prices are leading to many businesses looking to diversify supply chain in the next 1-3 years.

Finding new business partnerships for collaboration is a priority for 3 in 10 businesses in Vietnam.

Higher priority to diversify supply chain by sectors

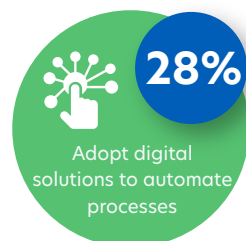


Higher priority to diversify supply chain by cities



How businesses plan to achieve their priorities

To achieve their business priorities, many businesses are looking to upgrade equipment or facility, diversify sales channels and seek export opportunities.



▶ Extent of inflation impact



Most impacted by sectors



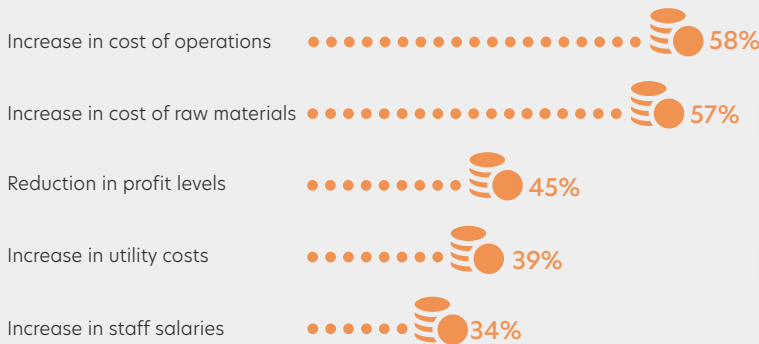
Most impacted by cities



▶ Macro factors impacting business in 2023



▶ How inflation has impacted businesses

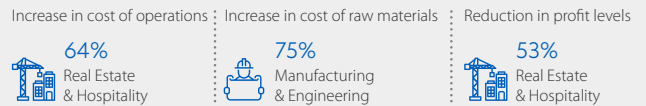


High inflation has increased the cost of operations for nearly **3 in 5** businesses.

57% Businesses say their cost of raw materials has increased due to inflation.

The impact across sectors has not been uniform. More Real Estate & Hospitality businesses have seen an increase in their cost of operations while more in the Manufacturing & Engineering sector have been impacted by increase in cost of raw materials.

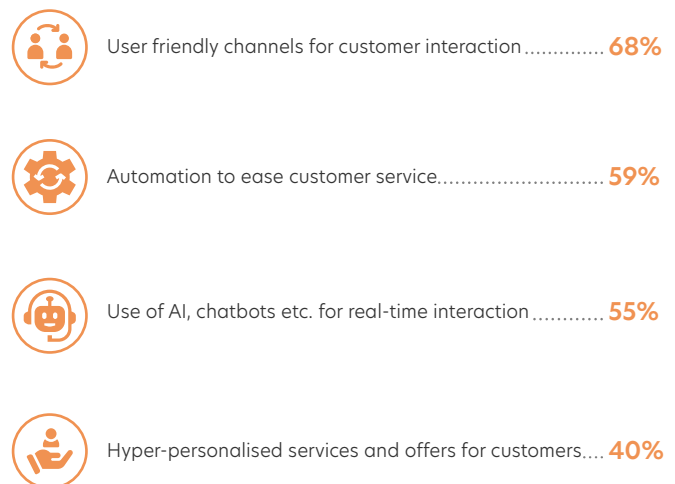
Most affected sectors



▶ Ways to combat inflation

Businesses are balancing cost-cutting measures with productivity improvements to manage the high inflation.

68% Businesses are looking to leverage user friendly channels for customer interaction.



Interest in overseas expansion

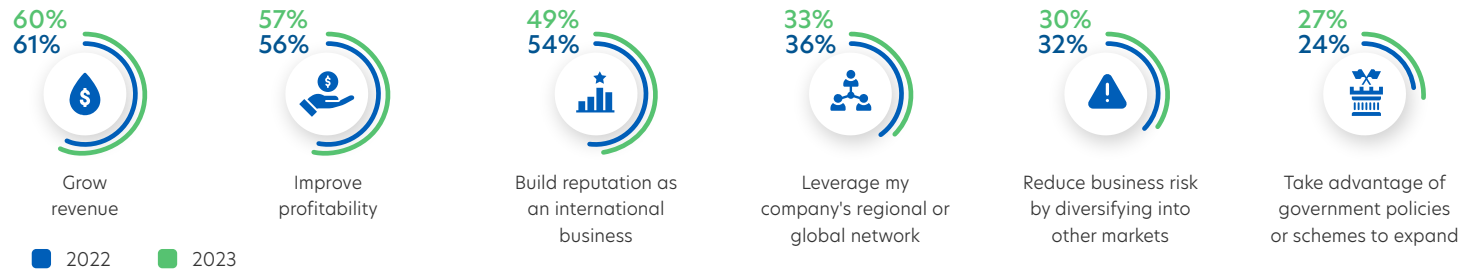


Most interested sectors



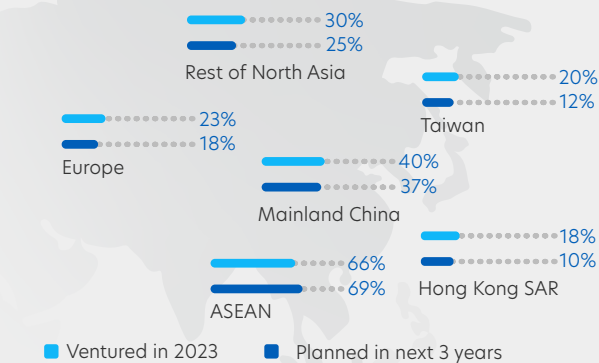
Key motivation for businesses to expand overseas

More businesses are now looking to expand overseas to improve profitability and to take advantage of government policies or schemes.



Key markets on the radar for overseas expansion

ASEAN and Mainland China are the top two regions that businesses in Vietnam have expanded in 2023 and will continue to expand in the next 3 years.



Business Services and Community & Personal businesses have ASEAN on its radar for future expansion. Within ASEAN region Thailand and Singapore, the two largest domestic markets, attract businesses the most.

Barriers for overseas expansion

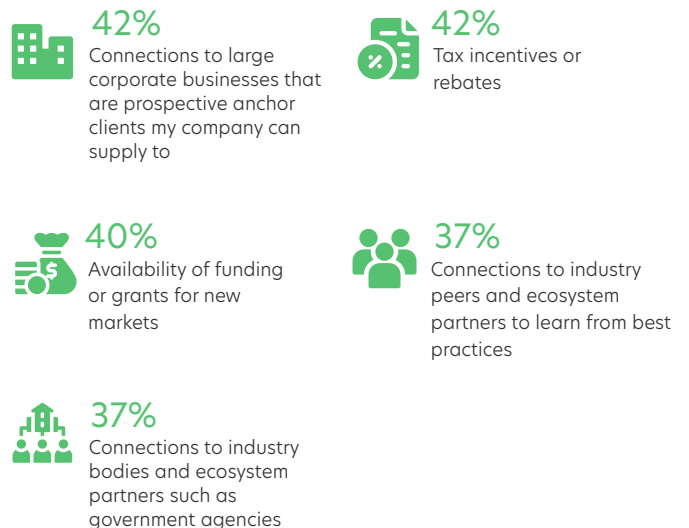


Lack of customers in the new market is by far the biggest challenge for sectors such as Professional Services and Tech, Media & Telecom.

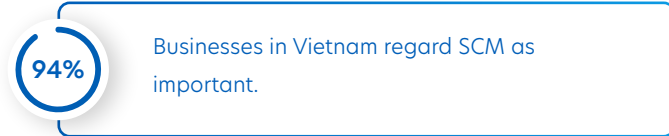


Support measures for overseas expansion

Non-financial support through connections to large businesses as prospective anchor clients and financial support through tax incentives or funding are expected to be most effective.



► Importance of SCM



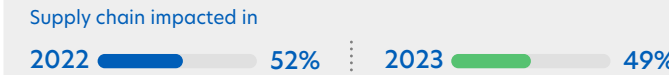
Sectors where SCM is more important



Differences by turnover



► Impact of geopolitical tensions on supply chain

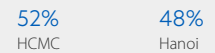


Nearly 1 in 2 Vietnam businesses claim current geopolitical tensions impacted their supply chain. However, fewer businesses are affected now than a year ago.

Most impacted sectors



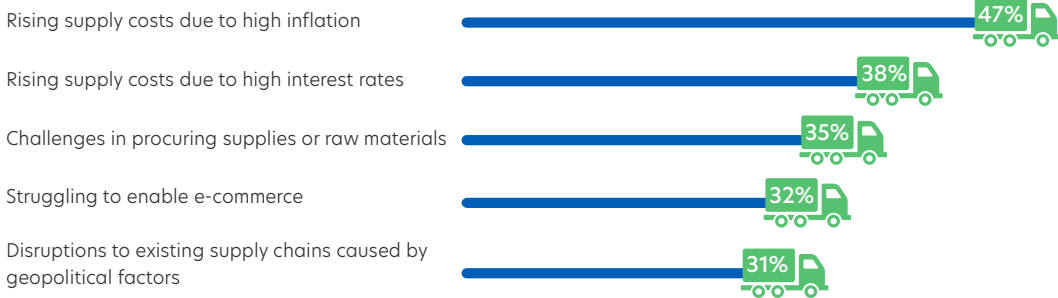
Most impacted cities



► Supply chain challenges faced

Rising supply costs due to inflation & interest rates and challenges in procuring supplies or raw materials are the top 3 supply chain challenges businesses faced.

Rising supply costs due to high inflation are especially challenging for businesses in Wholesale Trade and Professional Services sectors.



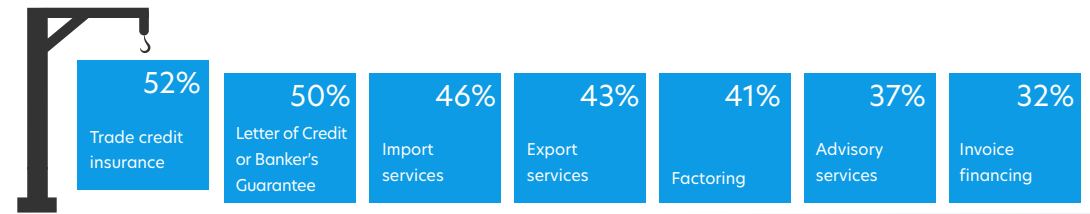
► Current practices in SCM

Businesses are taking three key actions to manage supply chain challenges - source for alternative raw materials to diversify risk, have more diverse sources of suppliers and from different markets, and create awareness about supply chain risk within the company.

Wholesale Trade and Manufacturing & Engineering businesses are most active in sourcing alternative raw materials to diversify risk.



► Key trading needs among businesses

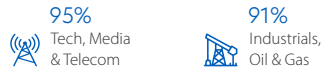


Trade credit Insurance, Letter of Credit or Banker's Guarantee and import services are the top three trading support services sought by businesses.

► Current state of digitalisation



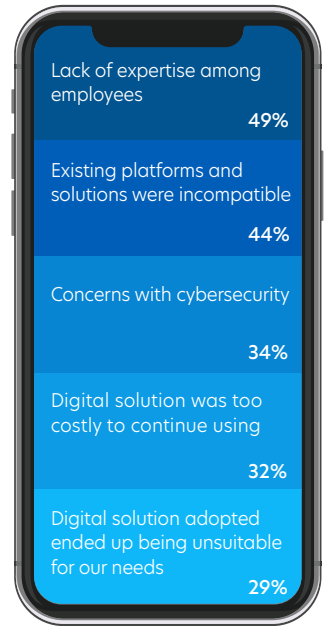
Most digitalised sectors



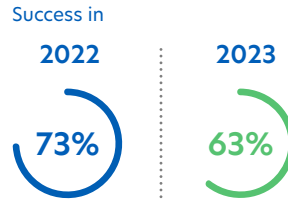
Most digitalised cities



Lack of expertise among employees, incompatible existing platforms and concerns with cybersecurity are key reasons why digitalisation efforts are less successful for some businesses.



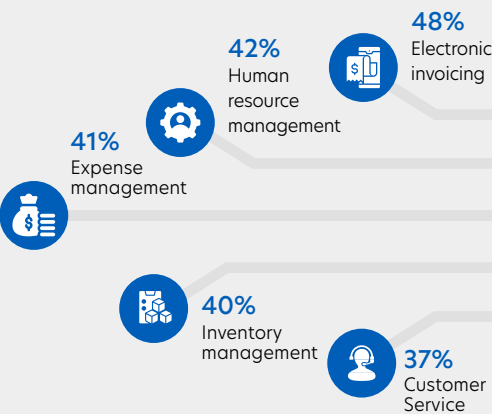
While over **3 in 5** businesses in Vietnam have seen success from their digitalisation efforts, the number of businesses that succeeded has declined from the previous year.



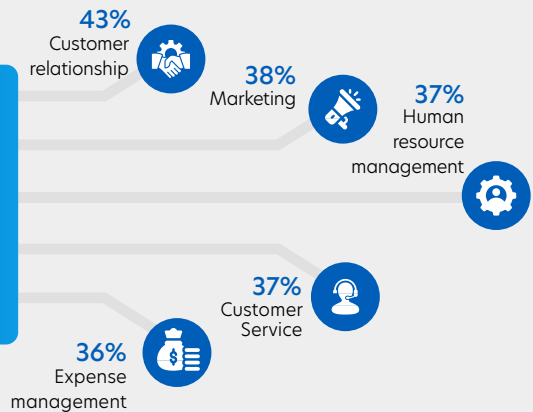
► Business functions digitalised

In future, businesses plan to prioritise functions like customer relationship, marketing and human resource management.

Currently digitalised



Planned for future digitalisation

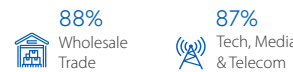


Digitalisation efforts will continue at a similar pace within internal business functions but are expected to expedite in customer-facing functions.

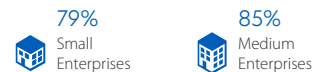
► Expected spending on digitalisation in 2024



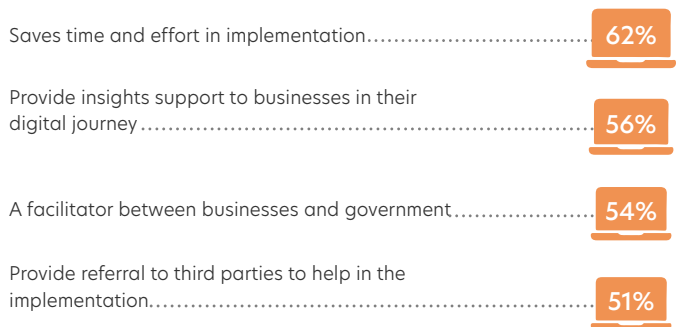
Higher spending sectors



Differences by turnover



► Banks and Financial Institutions (FIs) have a key role in digitalisation



► Current state of sustainability

94% of businesses consider sustainability important. However, only 45% have implemented sustainable practices in 2023.

Higher implementation sectors

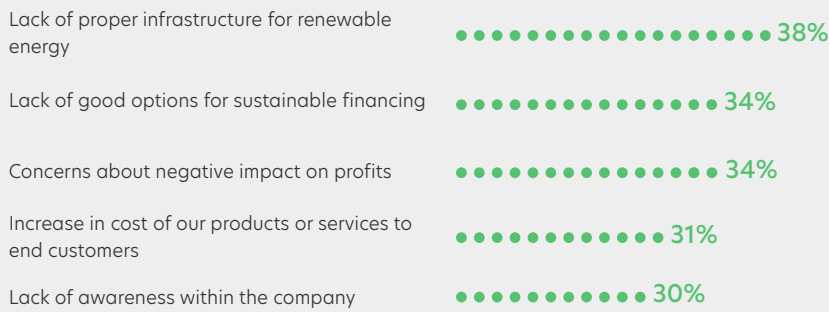


Higher implementation cities



► Top barriers to sustainability

Inadequate infrastructure for renewable energy, lack of sustainable financing options and concerns over negative impact on profits are the key obstacles in sustainability implementation in Vietnam.



Sectors most concerned about lack of proper infrastructure for renewable energy

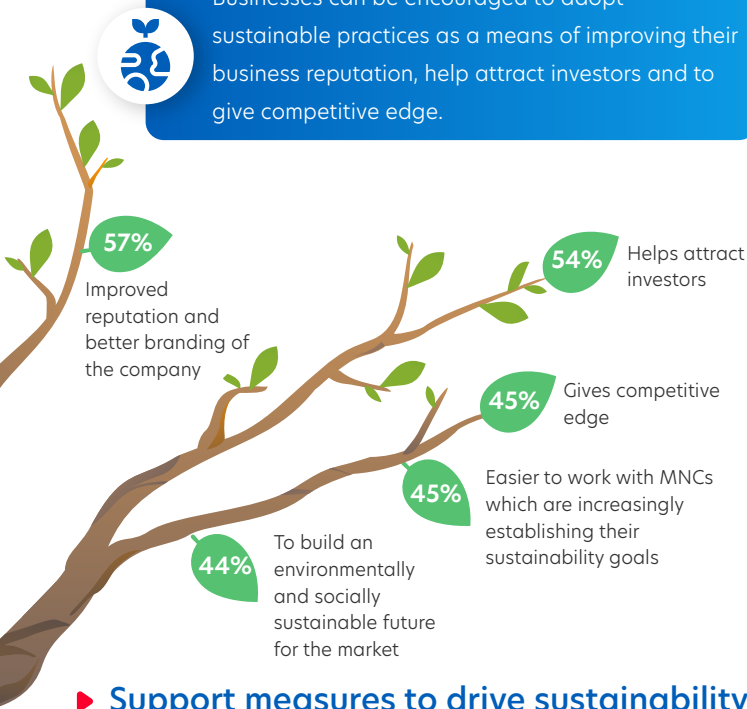


Cities most concerned about lack of proper infrastructure for renewable energy



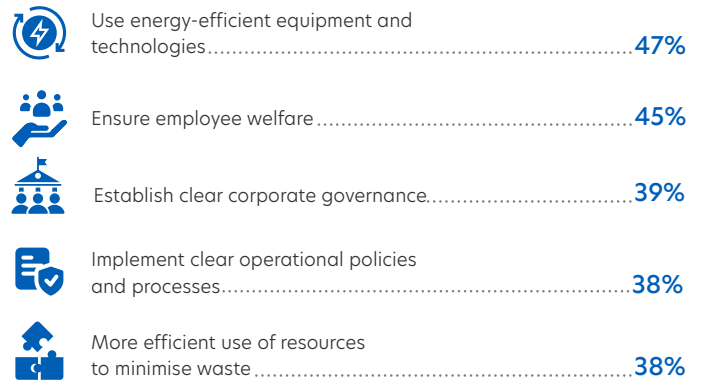
► Ways to encourage sustainable practices

Businesses can be encouraged to adopt sustainable practices as a means of improving their business reputation, help attract investors and to give competitive edge.



► Sustainability practices prioritised

Sustainable practices leading to use energy-efficient equipment, ensuring employee welfare and establishing clear corporate governance are prioritised for implementation.



Higher prioritisation of using energy-efficient equipment by sectors



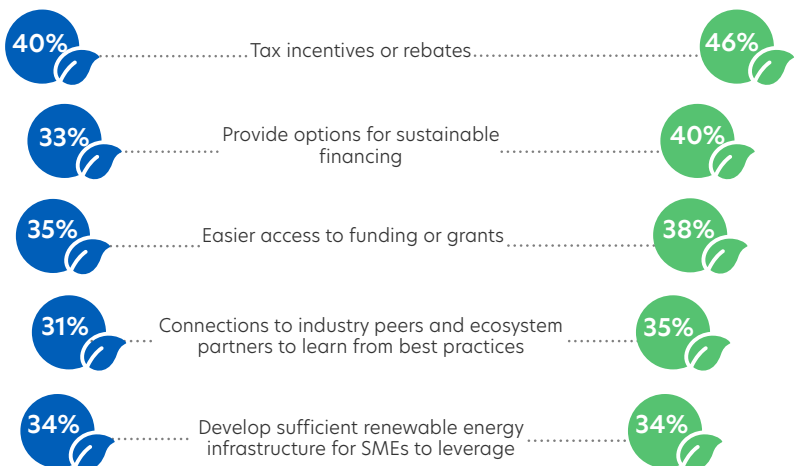
Higher prioritisation of ensuring employee welfare by sectors



► Support measures to drive sustainability adoption

Financial measures such as tax incentives and options for sustainable financing are the key to drive greater adoption. Businesses can also benefit from easier access to funding or grants.

A sectorial approach can also be adopted to offer relevant support measures to sectors that are in more need for it. For example, Wholesale Trade sector seek more tax incentives and access to funding while Tech, Media & Telecom businesses are looking for sustainable financing options.



■ 2022 ■ 2023