

UOB Business Outlook Study 2024 (SMEs & Large Enterprises)



Vietnam Report



Foreword

In 2023, while uncertainties such as geopolitical tensions persist and global economic activity moderated on the back of slower demand, changing macroeconomic factors still brought about opportunities for businesses to adapt to the changing market dynamics.

Closer to home, ASEAN economies have remained resilient and continue to evolve in the global economy with strong foundations driven by growing consumer markets, a young and dynamic workforce, increased interconnectivity and foreign direct investments.

We are well-positioned to operate in this sweet spot of more than 650 million people in partnering businesses to leverage growth levers to strengthen supply chain management, accelerate digitalisation and progress towards net zero.

The UOB Business Outlook Study 2024 (SME and Large Enterprises) surveys over 4,000 companies across industries and 7 markets (525 companies in Vietnam across industries), to capture current business sentiments and to understand how we can continue to support their needs, to develop resilience and build growth.

Insights from this Study cover three key areas:

1. The trends that are shaping the growth of businesses, in the areas of Sustainability, Digitalisation, Supply Chain Management, 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

In a region that holds rich potential for business opportunities, SMEs need strategic partners with the ambition and capability to unlock the region's potential and build the future of ASEAN. This is especially critical for companies that are looking to expand their business networks and grow beyond domestic markets.

As the One Bank for ASEAN, we are committed to realise the potential of businesses and facilitate economic flows within and with ASEAN for long-term growth. We connect businesses to opportunities in the region with our industry insights and strong sector expertise. Together with our extensive regional footprint, as well as deep local market knowledge, we enable businesses to navigate market complexities and seize growth opportunities in ASEAN and the rest of the world.

We look forward to connecting you to new growth opportunities across the region and beyond.

Eric Lian

Head, Group Commercial Banking
Group Wholesale Banking

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Background & Methodology

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 Sustainability, Digitalisation, FinTech Adoption, Overseas Expansion and Supply Chain Management this study can help Vietnam businesses better understand the current environment they are operating in and plan for future opportunities and challenges.

▶ WHAT

 15-minute online survey


 Data collection:
End-Dec 2023 – mid-Jan 2024

 Total of **525** interviews

▶ WHERE

 Vietnam

▶ WHO

 Businesses with revenue less than VND 5.5 trillion

 Covers SMEs across key industry verticals

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

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

Industry verticals: Consumer Goods; MFG & Engineering; Tech, Media & Telecoms; Construction & Infrastructure; Community & Personal; Business Services; Wholesale Trade; Professional Services; Real Estate & Hospitality; Industrials, Oil & Gas

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

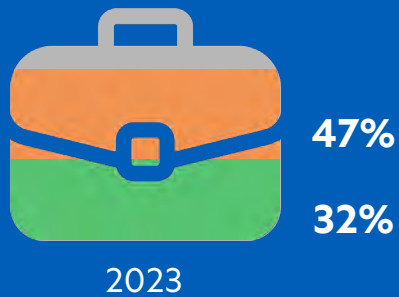


Business sentiment and outlook



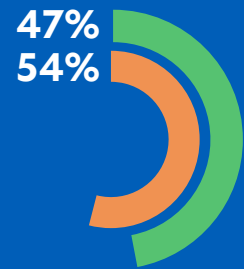
Nearly 1 in 2 businesses in Vietnam believe the current business environment is very positive.

▶ Current environment in Vietnam



- Very positive
- Somewhat positive

Most positive sectors



Business environment has declined in 2023 vs 2022

- 2022
- 2023

Most positive cities



Q. How do you perceive the current business environment in Vietnam?
Base: Total 2023 (525), 2022 (505)

But businesses have been impacted by high inflation and uncertainty over commodity prices.

▶ Factors impacting businesses in 2023

Nearly 4 in 10 businesses in Vietnam are impacted by high levels of inflation.

Over 3 in 10 businesses in Vietnam are impacted by uncertainty over commodity prices and recovery from economic slowdown.



39%
High levels of inflation



34%
Uncertainty over commodity prices



34%
Recovering from overall economic slowdown



31%
Rising operational cost

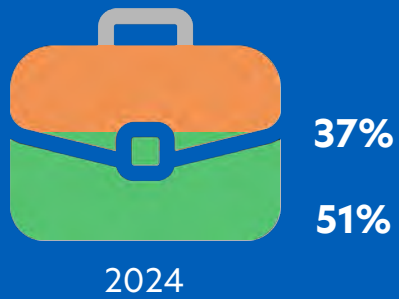


24%
Rising interest rates

Q. Which of the factors below had the biggest impact on your business in 2023? Select up to 5.
Base: Total, 2023 (525)

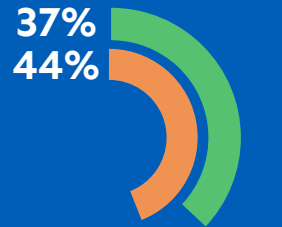
Nearly 4 in 10 businesses in Vietnam expect a vastly improved business performance in 2024. Diversification of supply chains will be a top priority.

▶ Future outlook 2024



- Vastly improving
- Somewhat improving

Most improved sectors



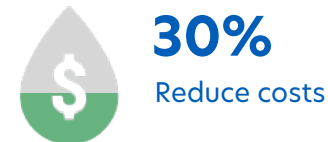
Business outlook for 2024 declined vs. 2023

- Vastly improving, 2023
- Vastly improving, 2024

Most improved cities



▶ Business priorities for the next 1-3 years



Future priorities reflect the current market reality of high inflation and uncertainty over commodity prices. Businesses plan a prudent mix of short-term measures like reducing cost and long-term measures like diversifying supply chains and finding new business partnership for collaboration.

Q. Looking forward, how do you see your company's business performance doing in 2024 as compared with 2023?
Base: Total 2023 (525), 2022 (505)

Q. What are your top business priorities for the next 1-3 years?
Base: Total 2023 (525)

Upgrading equipment and diversifying sales channels are key priorities for businesses to drive growth. Businesses are looking to automate and leverage new technologies or AI tools to enhance customer interactions.

▶ Plans to achieve business priorities



▶ Upgrade equipment or facility to improve productivity

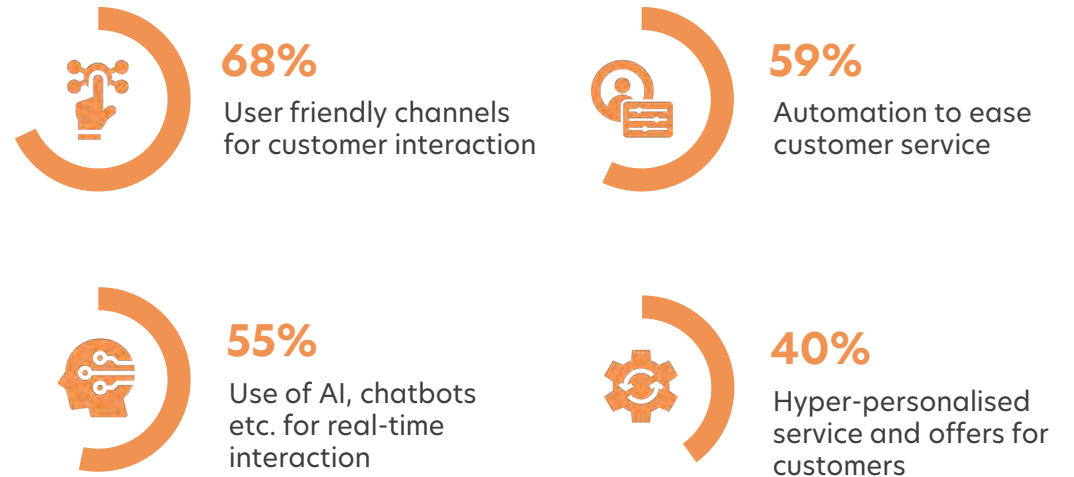
Higher focus sectors



Higher focus cities



▶ Key capabilities to improve



▶ User friendly channels for customer interaction

Higher focus sectors

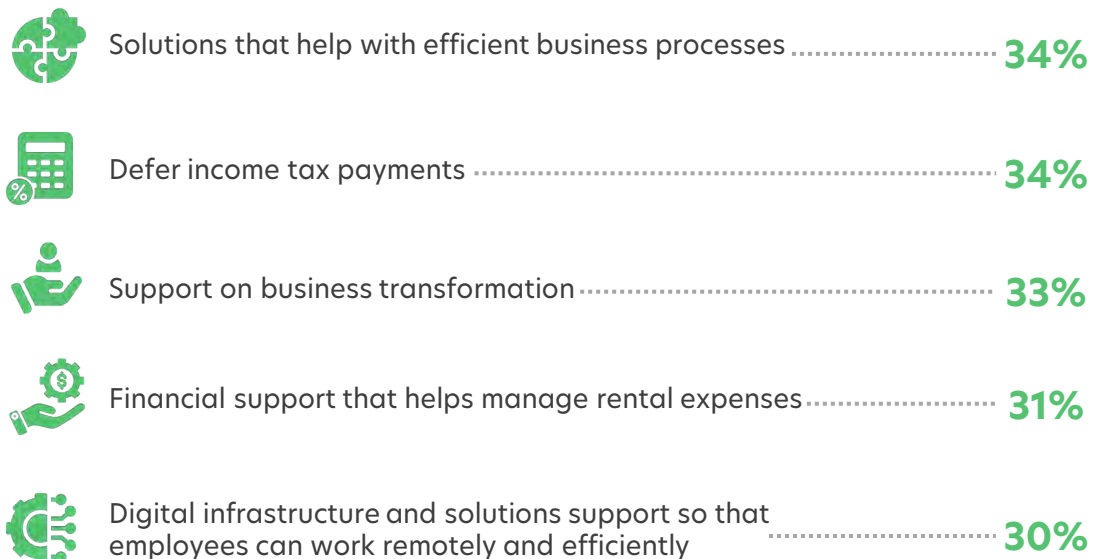


Higher focus cities



Solutions that help with business processes are the need of the hour for businesses, particularly in Business Services and Manufacturing & Engineering sectors.

► Support for future business success



► Top support areas

Solutions that help with efficient business processes

Most needed sectors



Defer income tax payments

Most needed sectors



Q. What type of support would help your company towards business success in 2024 and beyond? This support could be from government, industry bodies etc.

Base: Total, 2023 (525)

► What can banks and Financial Institutions do?



Providing solutions to support efficient business processes is critical for future business success.

Short-term measures like lower rates and waiver or lowering of transaction fees should be coupled with long-term measures such as collateral-free loans for business transformation, to help address inflation concerns.

Q. Going forward, what support can banks and financial institutions offer to help companies with their business growth through 2024 and beyond?

Base: Total, 2023 (525)



Overseas expansion



A desire to grow revenue and improve profitability is fuelling interest in overseas expansion in nearly 6 in 10 businesses in Vietnam.

▶ Level of interest in overseas expansion

Interested (Very or slightly) **89%**

Very interested



Slightly interested



Neutral or Not interested



▶ Most expansion interest

Most interested sectors



Most interested cities



▶ Motivation for overseas expansion



60%

Grow revenue



57%

Improve
profitability



49%

Build reputation as an
international business



33%

Leverage my
company's regional
or global network



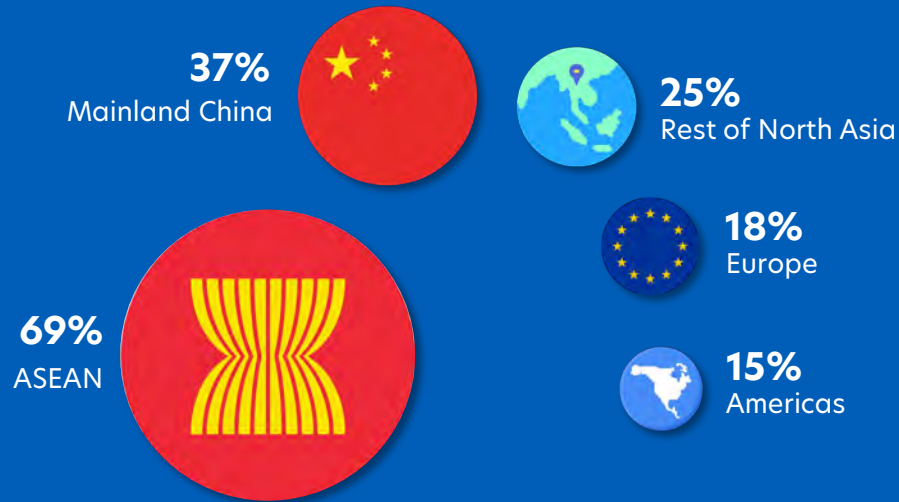
30%

Reduce business risk
by diversifying into
other markets

Cross-border digital trade platforms are a popular means of overseas expansion with over 9 in 10 businesses showing interest in using them.

ASEAN and Mainland China are key markets for future expansion. Within ASEAN, Thailand and Singapore are top destinations.

▶ Top locations seeking to enter



▶ Top locations by sectors

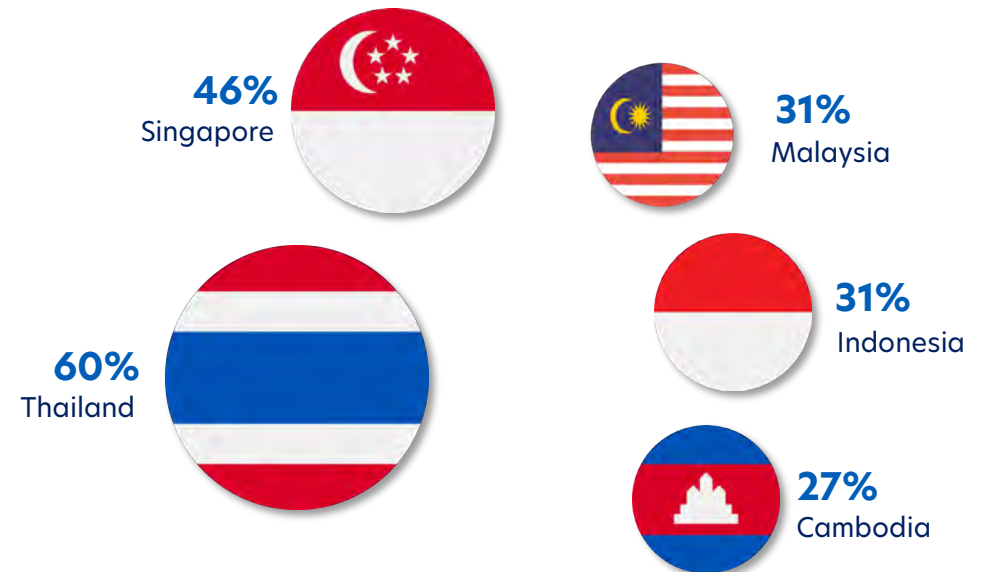
Venture into ASEAN



Venture into Mainland China



▶ Top ASEAN locations seeking to enter



▶ Top ASEAN locations by sectors

Venture into Thailand



Venture into Singapore

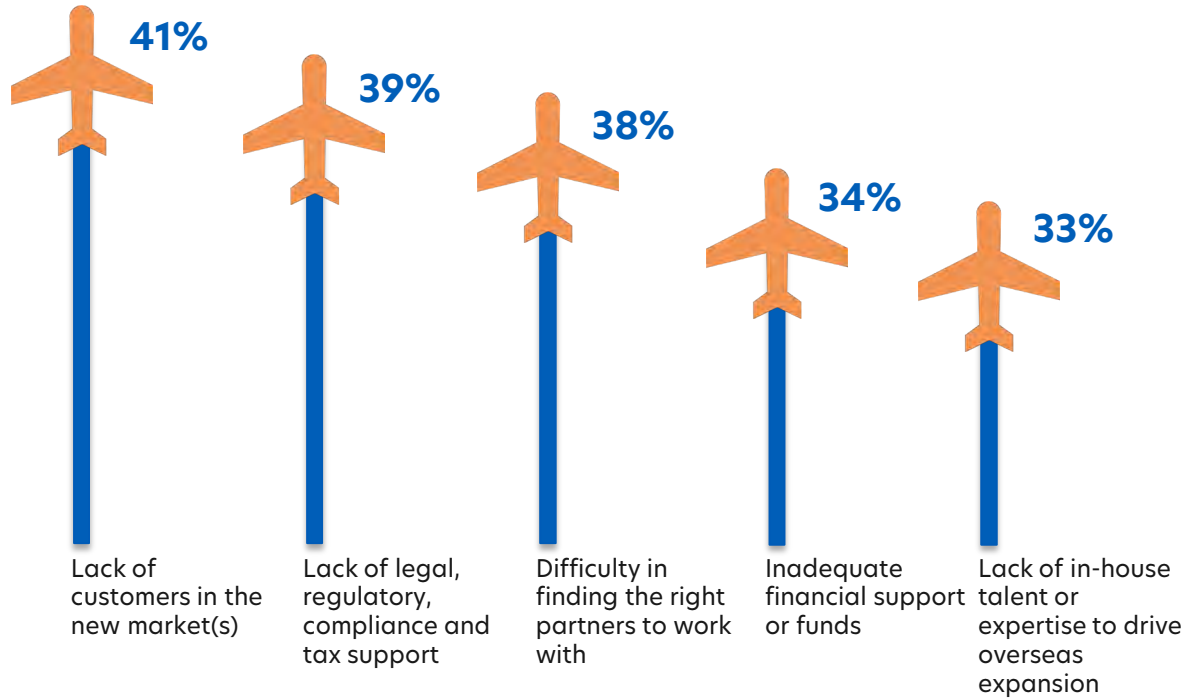


Q. Please select the most important countries (up to 3) in ASEAN that your company is intending to venture into within the next 3 years (by 2026).
Base: Interested in expanding within ASEAN 2023 (321)

Q. Which of these markets is your company intending to venture into within the next 3 years (by 2026)?
Base: Interested in overseas expansion (465)

Overseas expansion is challenging due to lack of customers in the new markets, inadequate legal, regulatory, compliance & tax support, and difficulty in finding the right local partners to work with.

▶ Top barriers for overseas expansions



▶ Top challenges by sectors

Lack of customers in the new markets

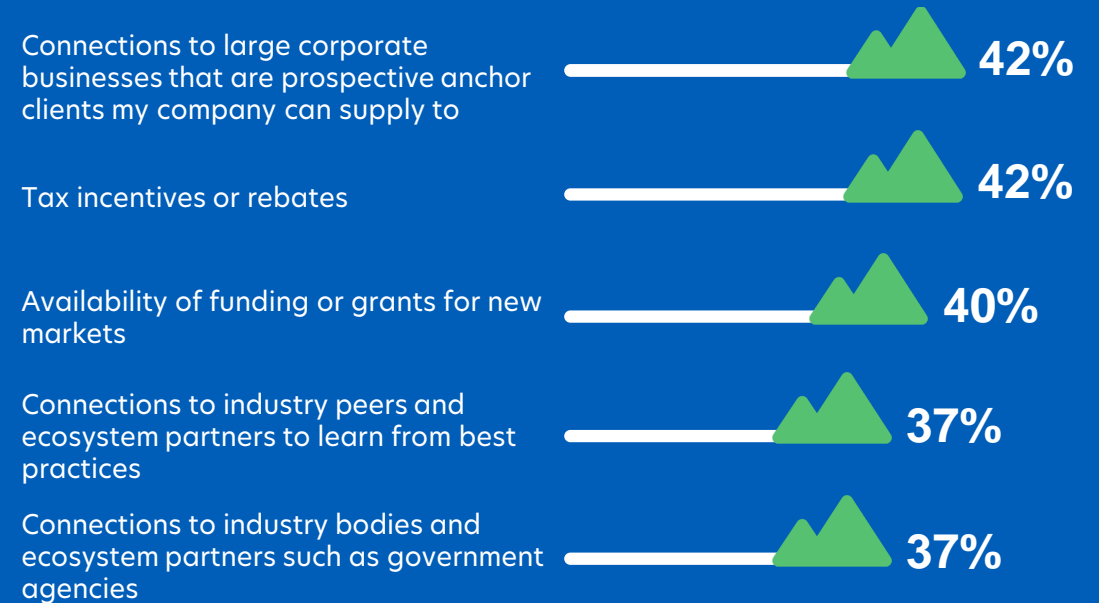


Lack of legal, regulatory, compliance and tax support



Q. What are the key barriers in your effort for overseas expansion?
Base Total (525)

▶ Expected support measures



Financial support is the key to encouraging businesses to expand overseas. Businesses can also benefit from connections to large corporates as anchor clients and connections to industry peers to learn from best practices.

Q. What support does your business require to expand overseas? This support could be from government, banks, industry bodies etc.
Base: Interested in overseas expansion (470)

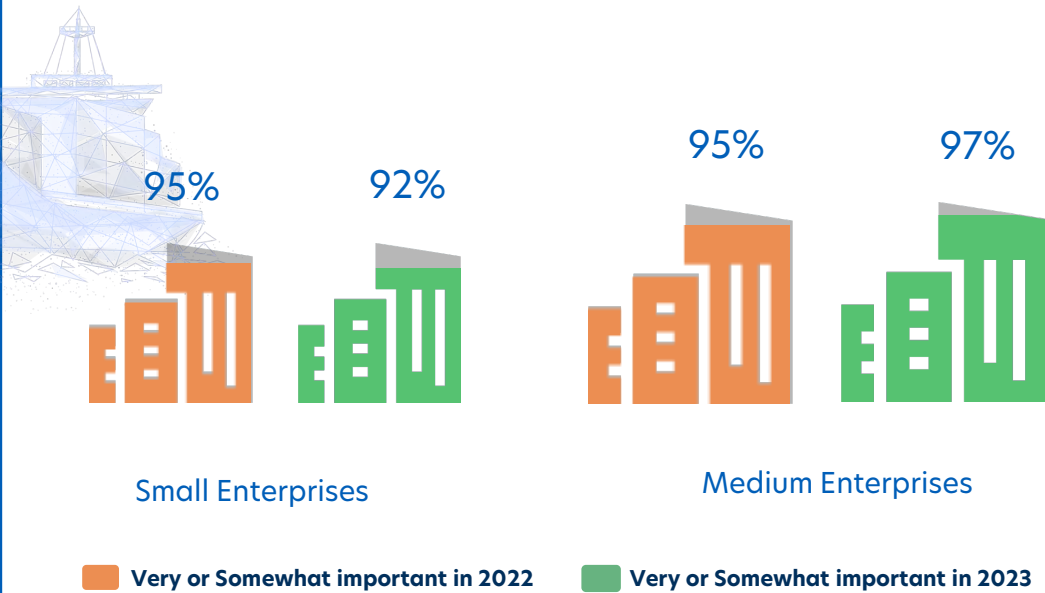


Supply Chain Management (SCM)



SCM continues to be important for businesses, but less so for Small Enterprises than it was a year ago.

► Importance of SCM



► Most important by sectors and cities

Most important sectors

97%
 Industrials, Oil & Gas

96%
 Manufacturing & Engineering

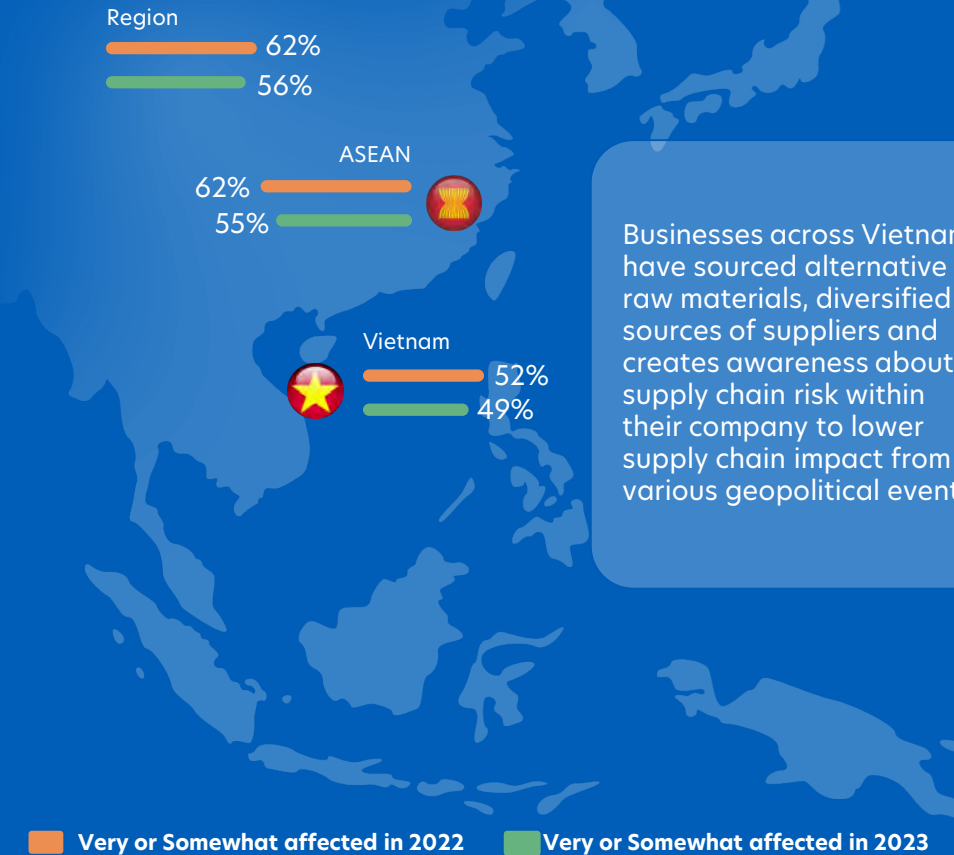
Most important cities

95%
 Hanoi

95%
 Rest of Vietnam

Fewer businesses in Vietnam are now impacted by geopolitical tensions compared to 2022.

► Impact of geopolitical tensions on supply chain



Businesses across Vietnam have sourced alternative raw materials, diversified sources of suppliers and creates awareness about supply chain risk within their company to lower supply chain impact from various geopolitical events.

Q. How important is supply chain management to your business?
 Base: Total 2023 (525), Small Enterprises (310), Medium Enterprises (215)

Q. To what extent has your company's supply chain been affected by geopolitical tensions such as US-China trade tensions, Russia-Ukraine conflict, Israel-Hamas conflict etc.?
 Base: Total 2023 (525), 2022 (505)

Rising supply costs and difficulty in procuring supplies are key challenges. Businesses are adapting by exploring alternative raw materials and diversifying their sources of suppliers.



▶ Top challenges in SCM



▶ Top challenges by sectors



Q. What are the current challenges faced by the business in supply chain management?
Base: Total 2023 (525)

▶ Actions to stabilise supply chain










▶ Top actions by sectors



Q. What steps, if any, have you taken or are planning to take to ensure a stable supply chain in the future?
Base: Total 2023 (525)

Businesses seek tax incentives, connections with technology partners and easy access to funding or grants.

► Preferred support for supply chain stability

	Top support areas		
	Total	Small Enterprises	Medium Enterprises
Tax incentives or rebates	51%		
Connections to the right technology and solution providers	47%		
Easier access to funding or grants	45%		
Opportunities to collaborate with industry bodies, government-linked or large businesses	43%		
Connections to industry peers and ecosystem partners to learn best practices	41%		

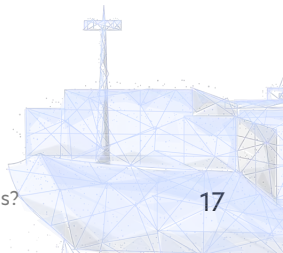
Q. What support in your opinion should be available to businesses to ensure supply chain stability? This support could be from government, banks, industry bodies etc.
Base: Total 2023 (525)

Trade credit insurance, Letter of Credit and import services are top trading needs that businesses have.

► Trading needs among businesses



Q. What trade services do you think your financial partner should provide to support your trading needs?
Base: Total 2023 (525)

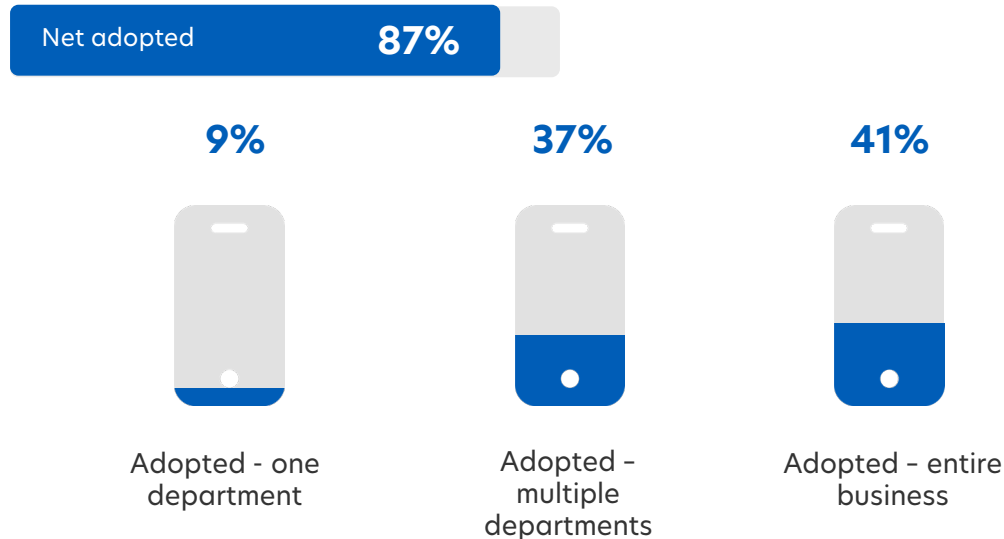




State of digital adoption

Nearly 9 in 10 businesses have adopted digitalisation. Most have digitalised multiple departments.

▶ Current state of digital adoption



▶ Most digitalised by sectors and cities

Most digitalised sectors



Most digitalised cities



Over 6 in 10 businesses have achieved considerable or great success with digitalisation.

▶ Success with digitalisation



Success in digitalisation is not just about extensive adoption across departments or entire business. Even businesses with more extensive digital adoption can be unsuccessful in digitalisation efforts due to lack of employee expertise, and incompatible existing platforms and solutions.

▶ Most success with digitalisation

Most successful sectors



Most successful cities



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

▶ Currently digitalised processes



48%

Electronic invoicing



42%

Human resource management



41%

Expense management



40%

Inventory management



37%

Customer Service

▶ Processes for future digitalisation



43%

Customer relationship management



38%

Marketing



37%

Human resource management



37%

Customer service



36%

Expense management

Q. Which of these processes did your company digitalise specifically to help your business perform better in 2023?
Base: Those currently trialling or adopted digitalisation in at least one department (511)

Q. What business process/es are you looking to digitalise in 2024 to drive business success?
Base: Total, 2023 (525)

▶ Digitalisation spending in 2024

Over 8 in 10 businesses in Vietnam are planning to spend more on their digitalisation efforts in 2024, with most budgeting an increase of 10% to 25%.

62%



Spend 10% to 25% more than 2023

19%



Spend 25% to 50% more than 2023

▶ Most digitalisation spending in 2024

Most spending sectors

88%
Wholesale Trade

87%
Tech, Media & Telecom

Most spending cities

87%
Rest of Vietnam

86%
Hanoi

Q. Do you foresee spending more on digital solutions and/or technology in 2024 compared with 2023?
Base: Total 2023 (525)

Increased business performance, improved productivity and higher customer outreach from digitalisation efforts are widely acknowledged.

Digitalisation impact experienced (Among adopters)

Digitalisation impact expected (Among non-adopters)



Top impact areas

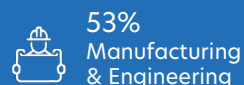
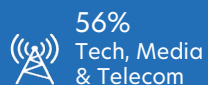
Drive business performance

Most impacted sectors



Higher productivity or efficiency

Most impacted sectors



Digitalisation has helped both labour-intensive and service-oriented sectors alike to improve performance, productivity, and increase customer outreach.

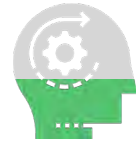
Security concerns, inadequate skillsets and increased risks of data breach are major constraints in digitalisation efforts.

▶ Top challenges for digitalisation



48%

Concerns over cybersecurity issues



43%

Lack of digital skillset among employees



35%

Increased risks of data breach or cybersecurity threats



34%

Incompatibility between old and new systems



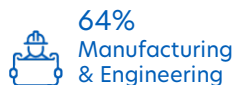
31%

Expensive to implement

▶ Top challenges by sectors

Concerns over cybersecurity issues

Most impacted sectors



Lack of digital skillset among employees

Most impacted sectors



▶ Top support needed for digitalisation

Tax incentives or rebates

50%

Connections to the right technology and solution providers

47%

Easier access to funding or grants

43%

Training programmes to reskill or upskill employees

43%

Access to knowledge and expertise in the area

41%

Financial support through tax incentives or rebates can help to tackle the high implementation cost of digitalisation. Connections to the right technology partners can address cybersecurity concerns. Training programmes are needed to address the lack of digital skillsets.

Q. What challenges have you faced or expect to face in your digital adoption journey?

Base: Total, 2023 (525)

Q. What support measures should be available to businesses in their digital adoption journey?

This support could be from government, banks, industry bodies etc.

Base: Total, 2023 (525)



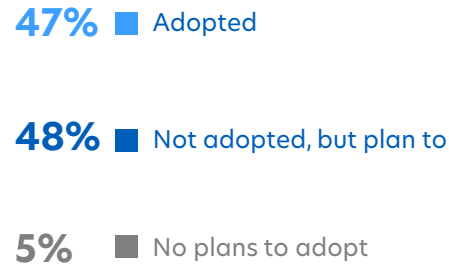
Fintech adoption



There is high FinTech adoption in Vietnam, particularly for solutions around payments, remittances, and finance & accounting technology.

► Status of FinTech adoption

Net Adopted or Plan to adopt **95%**

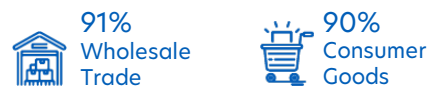


► Adopted or plan to adopt by sectors

Most adopted/planned sectors



Least adopted/planned sectors



► Top FinTech solutions adopted or planned

Payments and remittances



Finance and accounting technology



Investment technology



Insurance



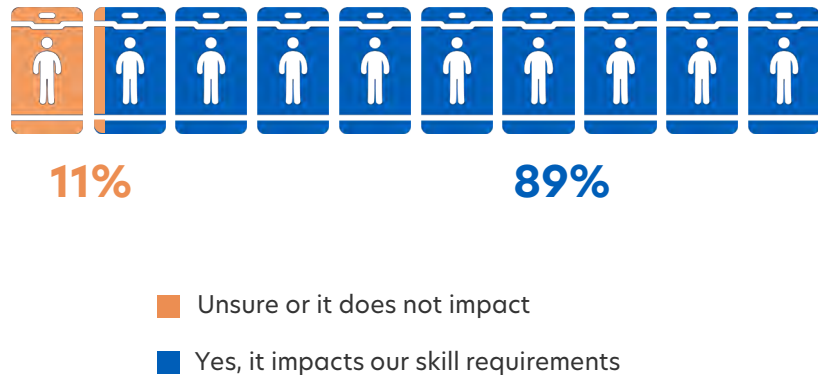
Blockchain and Web3



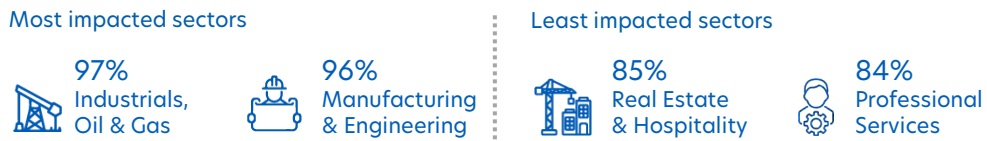
Wholesale Trade sector adopts FinTech most for payments and remittances. Community & Personal Services adopt it most for finance and accounting solutions. Tech, Media & Telecom sector uses investment technology solutions the most.

Most businesses believe that FinTech impacts their skill requirements. But only about 7 in 10 have invested in training or hiring new staff.

▶ Impact of FinTech on skill requirements



▶ Impact of Fintech adoption by sectors



Q. Do you believe that FinTech adoption has an impact on the skill requirements for your workforce?
Base: Adopted or planning to adopt FinTech (500)

▶ What are businesses doing about it



There is a need to bridge the investment gap in training or hiring new staff to harness the value of FinTech solutions, particularly among sectors like Consumer Goods and Real Estate & Hospitality that are lagging.

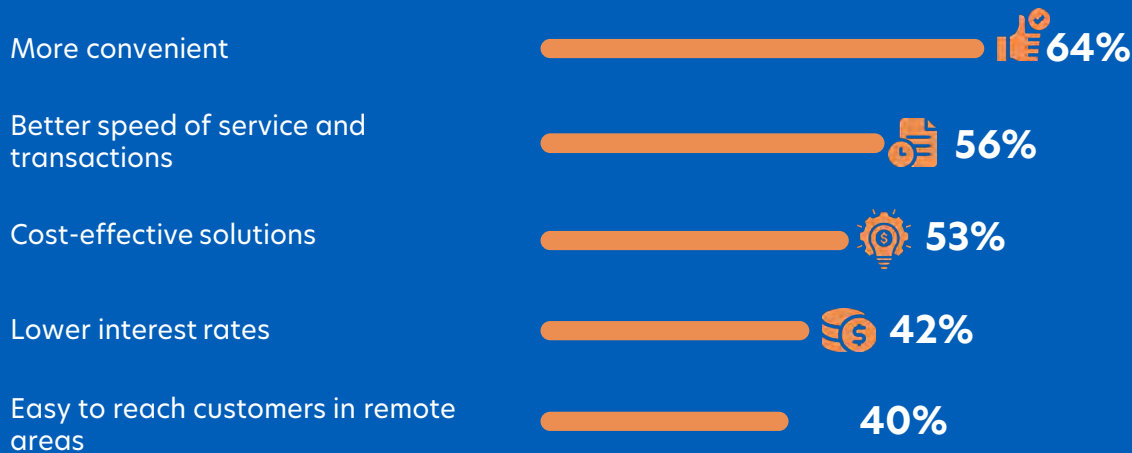
▶ Invested in training or hiring



Q. Has your company either considered or invested in training/hiring new staff to manage or create the value that FinTech solutions can bring?
Base: Adopted or planning to adopt FinTech (500)

FinTech solutions are seen to be convenient, quick and cost-effective. But concerns around security and lack of knowledge hamper wider adoption.

▶ Top differentiators for FinTech solutions

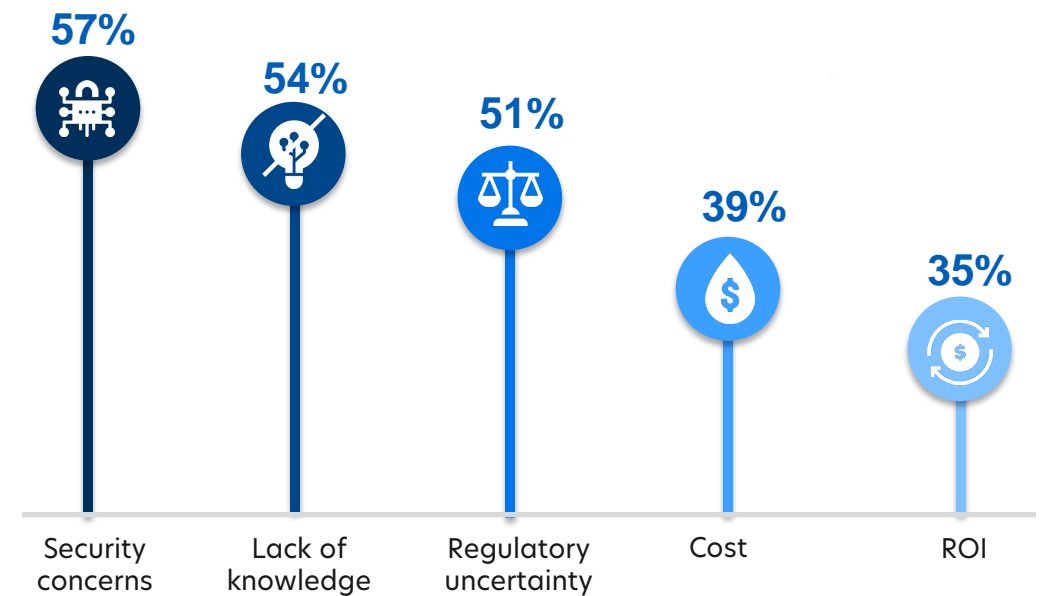


▶ Top differentiators by sectors



Q. In what way do you think FinTech companies are better than conventional banks?
Base: Adopted or planning to adopt FinTech (500)

▶ Top challenges of FinTech solutions



More Medium Enterprises have adopted FinTech solutions compared to Small Enterprises. Consequently, they encounter more challenges particularly around lack of knowledge, regulatory uncertainty and cost.

Q. What are some of the barriers you faced/expect to face in adopting FinTech solutions?
Base: Adopted or planning to adopt FinTech (500)

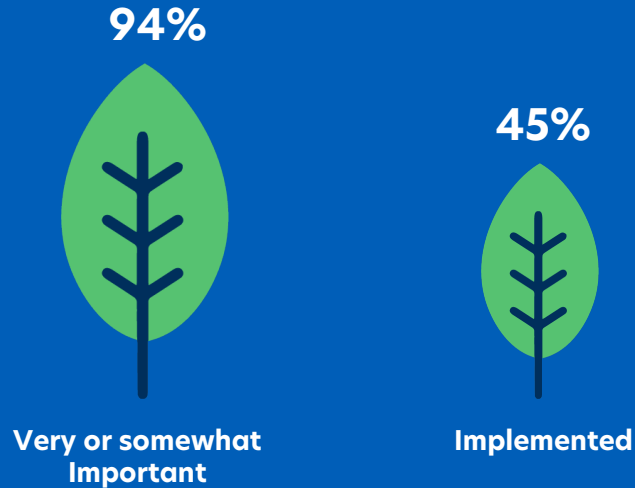


Sustainable business



There is a clear disconnect among businesses on the importance of sustainability versus its actual adoption.

▶ Current state of sustainability



▶ Least adopted by sectors and cities

Least adopted sectors

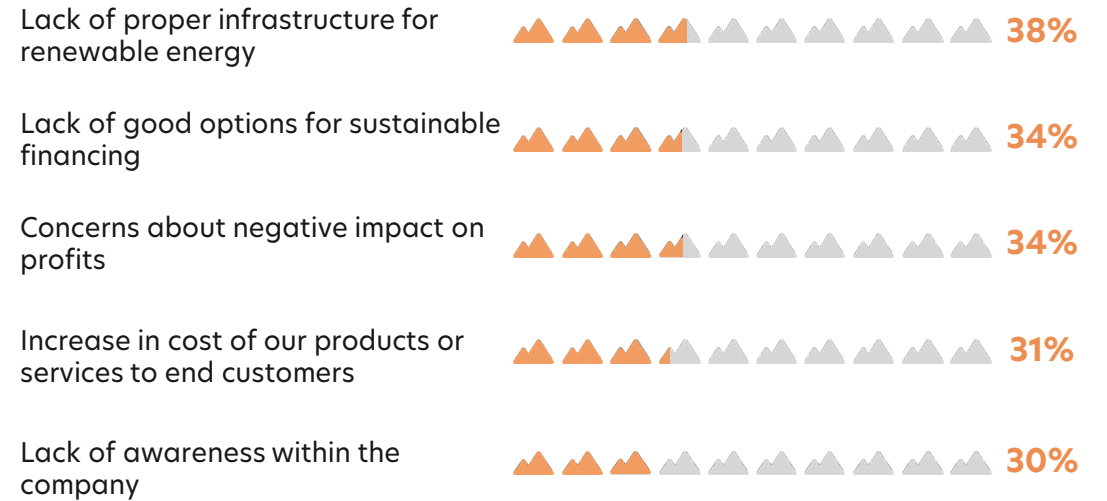


Least adopted cities



Lack of renewable energy infrastructure, sustainable financing options and profit concerns are holding back higher adoption.

▶ Key barriers to sustainability



Lack of proper infrastructure for renewable energy

Most concerned sectors

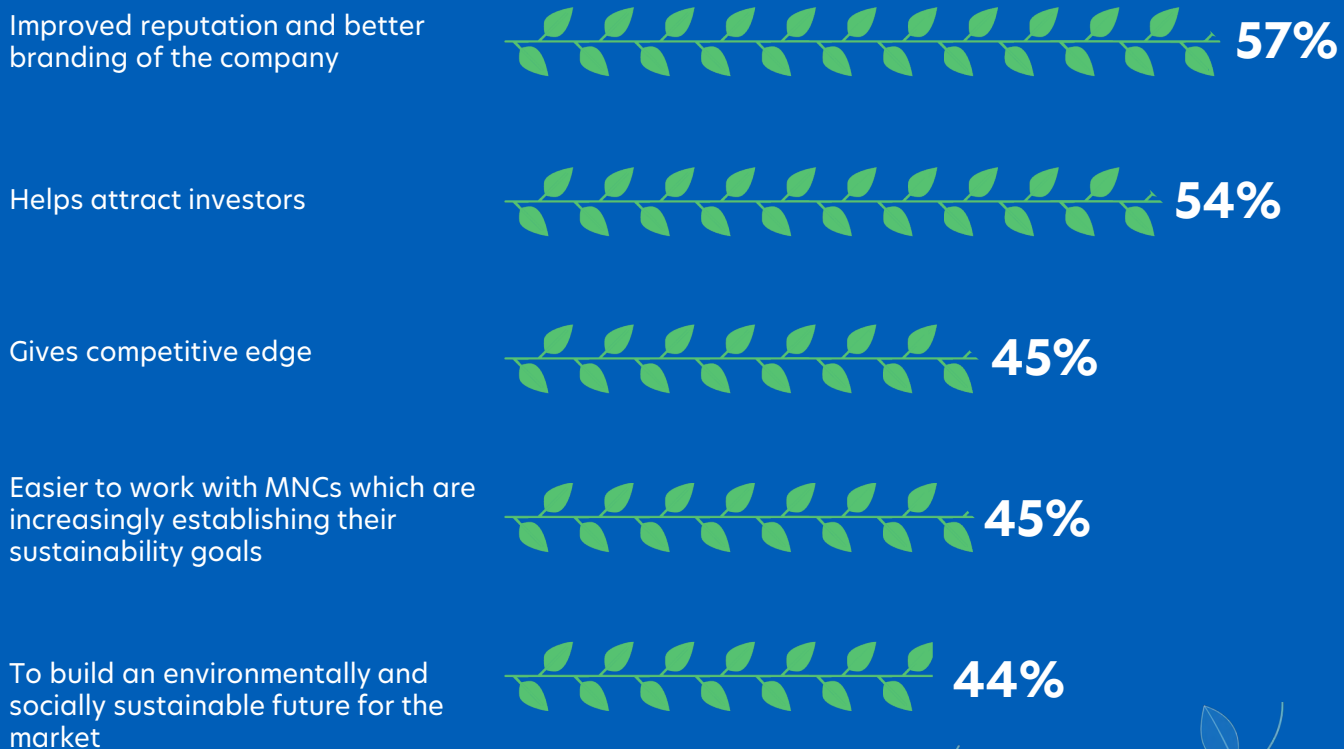


Most concerned cities



Sustainability helps build business reputation and attracts investors.

▶ The motivators for sustainability adoption



▶ Motivators by sectors and cities

Improved reputation and better branding

Sectors most important in

69%
Manufacturing & Engineering

67%
Industrials, Oil & Gas

Cities most important in

64%
Rest of Vietnam

57%
Hanoi

Helps attract investors

Sectors most important in

63%
Community & Personal

60%
Wholesale Trade

Cities most important in

60%
HCMC

58%
Rest of Vietnam

Sustainable practices leading to efficient use of resources, employee welfare and clear corporate governance are prioritised by businesses.

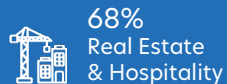
▶ Current vs future sustainable practices



▶ Most incorporated by sectors and cities

Establish clear corporate governance

Most incorporated sectors



Most incorporated cities



▶ Most planned by sectors and cities

Use energy efficient equipment and technologies

Most planned sectors



Most planned cities



Q. What sustainable practices (based on the ESG considerations) have you already incorporated within your business at present?

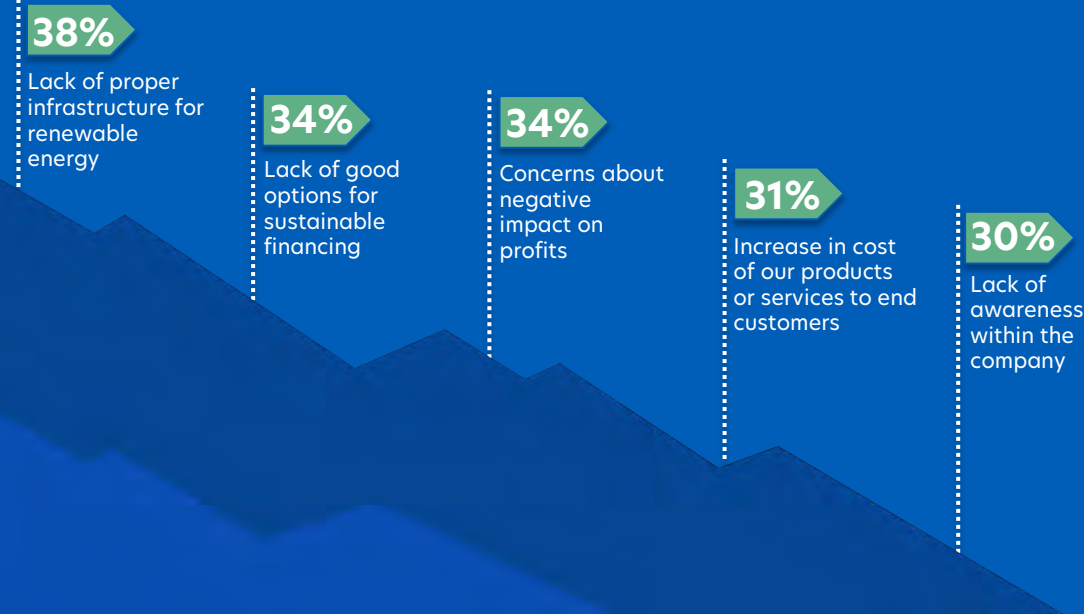
Base: Those who have implemented sustainability practices (235)

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 (290)

Businesses are most concerned about lack of renewable energy infrastructure and sustainable financing options when implementing sustainability practices.

▶ Top sustainability challenges



▶ Biggest barriers by sectors and cities

Lack of proper infrastructure for renewable energy:

Most concerned sectors

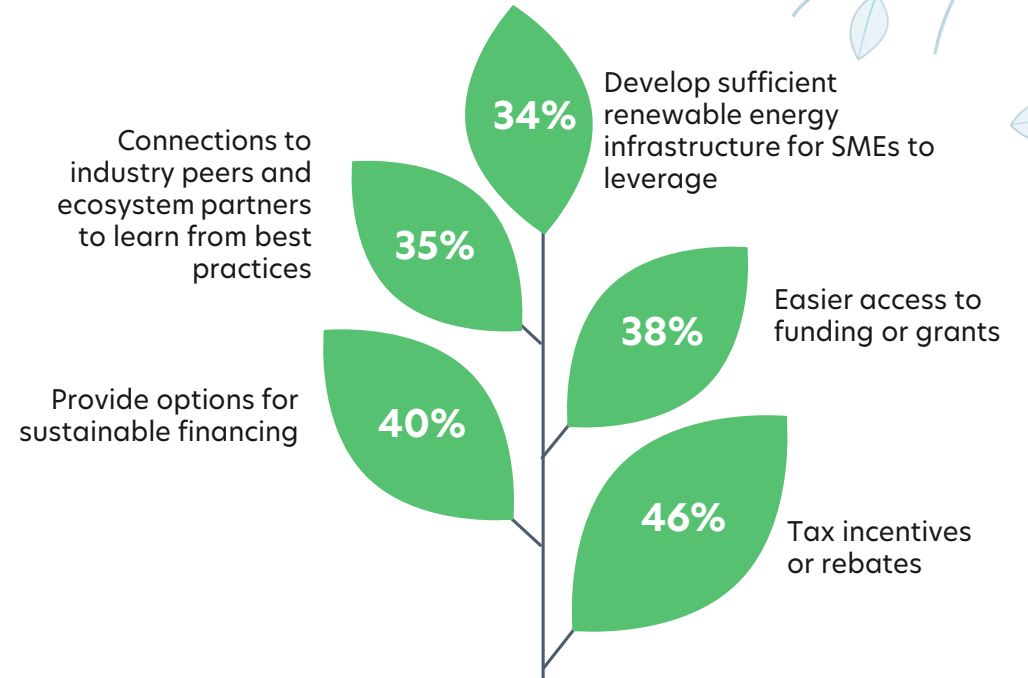


Most concerned cities



Q. What are the major barriers to implementing sustainability practices in your company?
Base: Total, 2023 (525)

▶ Top support areas for sustainability



Tax incentives can address concerns around lack of proper infrastructure for renewable energy. Providing options for sustainable financing and easier access to grants can help businesses eliminate concerns about negative impact on profits and lack of good options for sustainable financing.

Q. What support would you like in helping your business incorporate sustainable practices into your business?
This support could be from government, banks, industry bodies etc.
Base: Total, 2023 (525)



Right By You

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