

Navigator

Now, next and how for business

Vietnam



Together we thrive

Overview

Strong growth in Vietnam

Vietnamese businesses are on a high and it's easy to see why. The economy hit a 10-year peak of 7.1% growth in 2018 and the HSBC forecast for 2019 is only slightly softer at 6.9%. The factors that are dampening the market are mainly external, while internally, middle-class income and consumption is growing, and the manufacturing and services sectors are surging.

State of play

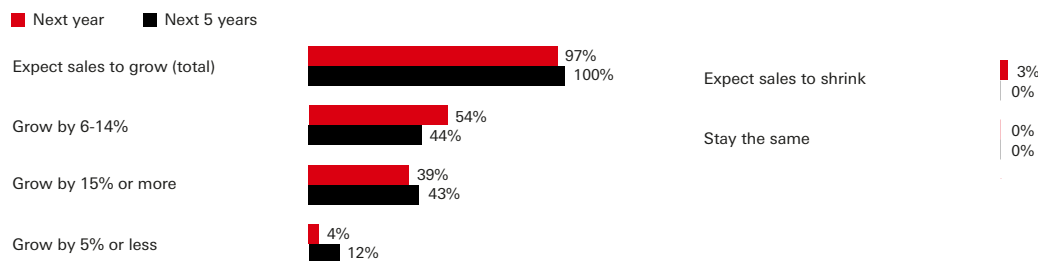
Powerful positive thinking

Companies in Vietnam are resoundingly confident about their future. The overwhelming majority of businesses (97%) believe their sales will grow in the next year, and over five years this outlook rises to 100%. The only other markets that are as optimistic as Vietnam are Indonesia, Bangladesh and India – with over 95% of businesses anticipating growth.

39% of Vietnamese businesses are considered high-growth firms – meaning they are expecting growth of 15% or more in the next year. This is almost double the number of high-growth firms measured globally (22%).

Vietnamese firms expect their growth to be driven by high-quality suppliers and raw materials (42%) and the emergence of transformative technologies in their sector (33%). They're also putting an increased focus on the long-term sustainability of their business.

Expectations for future business growth



What you need to know



Over the next year, nearly all (97%) Vietnamese businesses expect their sales to grow, greatly exceeding the global (79%) and Asia-Pacific (77%) averages.



Firms strongly believe international trade can drive innovation, provide new business opportunities and improve efficiency.



100% of the Vietnamese businesses surveyed anticipate growth over the next five years.

What your business can do



Keep refreshing your strategy. Businesses in Vietnam are looking to improve the quality of their products and services and invest in new skills in their workforce.



Evaluate the impact transformative technologies will have on your supply chain. In the next three years, 32% of Vietnamese businesses are increasing their use of digital technology.



Focus your supply chain strategy on accelerating speed to market and moving closer to the end-consumer.

Trade outlook

Vietnamese firms bolster existing partners

Vietnamese businesses are most focused on neighbouring markets for exports and imports, with 45% naming APAC as a key trading partner and 41% identifying the region as a strong market in the next five years. 35% see Europe as a key trading partner and 33% are looking to expand there in the next three to five years. North America follows – identified as a key partner by 14% of Vietnamese businesses, with room to grow.

Within APAC, the key individual markets cited by Vietnamese respondents are China and Japan and these are strongly cited as markets to expand to within the next five years. Vietnamese companies cite France as their top trading partner in Europe and in North America, it's the US. Meanwhile, Vietnam's attraction as a new expansion market is mainly due to the favourable partnership opportunities prevalent in the market as well as the ease of access to new suppliers.

Businesses in Vietnam see trade as a force for good. Over the next five years, Vietnamese businesses expect international trade to drive innovation (Vietnam: 98%, global: 80%), provide new business opportunities (Vietnam: 96%, global: 79%) and improve efficiency (Vietnam: 95%, global: 78%).

Benefits of international trade



What you need to know

1

APAC is a key region for Vietnamese firms. Their key markets are China (21%), Japan (20%), South Korea (12%) and Thailand (9%).

2

Most Vietnamese businesses cite the presence of a culture of innovation as the main attraction to trading within APAC, closely followed by partnership prospects.

3

45% of international businesses in Vietnam have not reduced their international trade efforts in the past two years.

What your business can do



Invest in upskilling your workforce. A shortage of skilled labour is identified as the main reason that overseas firms hesitate to trade with Vietnam.



Look to new markets. Vietnamese companies are looking at opportunities in Australia and Cambodia in the next five years.



Prepare to partner with global traders. Partnership opportunities are a leading reason to invest into and out of Vietnam.

Protectionism and geopolitics

Protectionism carries no sting for businesses

Over the last three years, businesses in Vietnam have become increasingly aware of a rise in protectionism across the global economy. This year, 87% of businesses believe governments are becoming more protective of domestic businesses, compared to 78% last year and 67% the year before.

However, like many companies around the world, Vietnamese firms feel they are gaining more than they are losing in the wake of protectionist policies. Almost three-quarters (72%) agree that it's a net positive, compared to 57% globally and 56% in APAC. And only one in 10 companies in Vietnam feel that they're losing more than they gain, making them more bullish than global businesses (16%) and their peers in APAC (17%).

In addition to feeling that protectionism is on the rise, Vietnamese businesses are also feeling the effects of geopolitics more acutely. More than three quarters (78%) of the Vietnamese businesses surveyed say that they feel the impact of geopolitics strongly. This is higher than the global (64%) or APAC averages (61%).

Ways in which businesses are coping with protectionism



What you need to know

- 1 More than three-quarters (78%) of Vietnamese businesses feel the impact of geopolitics strongly, higher than the global and APAC averages (64% and 61%).
- 2 72% of firms in Vietnam believe they have gained more than they have lost from rising protectionism.
- 3 Negative impacts to business as a result of protectionist policies include reduced competitiveness and rising tariffs.

What your business can do



Seek out joint ventures. This is the top strategy for Vietnamese firms coping with increasing protectionism and geopolitical uncertainty.



Consider taking more business online to counter geopolitical risk.



Secure your supply chains. Sourcing locally is a key strategy to combat protectionism and securing supply of raw materials and energy is important in responding to geopolitical risk.

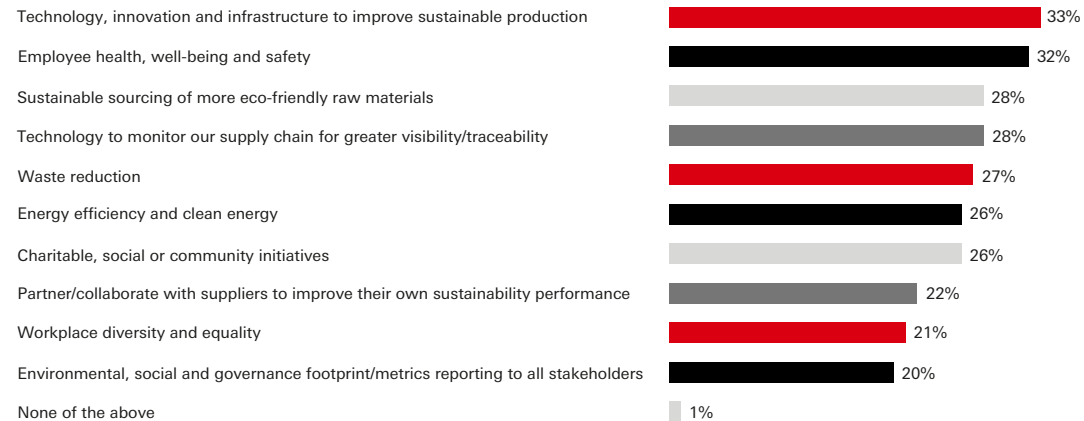
The sustainable future

Sustainability drives sales

Vietnamese companies are increasingly recognising the importance of sustainability to the long-term viability of their business and as a way to attract and retain talent. Over a quarter of Vietnamese companies (28%) believe that sustainability will be a key driver of future sales growth – much higher than globally (17%) and in APAC (19%).

Four in five (81%) Vietnamese firms also believe they have a role to play in delivering the UN's Sustainable Development Goals, ahead of the global (63%) and APAC (67%) averages.

Sustainable investment priorities over the next five years



What you need to know



Vietnamese businesses are feeling the pressure to become more sustainable in the next five years mainly from competitors (49%), followed by regulators (34%), consumers (28%) and investors (27%).



Vietnamese businesses are implementing sustainable practices as a way to achieve long-term viability (28%) and to attract and retain the best talent (25%).



Executive salary and compensation, anti-bribery and corruption and anti-competitive behaviour are all top priorities.

What your business can do



Pursue a more sustainable supply chain. Competitors are ramping up their investment in environmentally sustainable raw materials as well as in the traceability of their supply chains.



Invest more in technology, innovation and infrastructure to improve sustainable production. 33% of Vietnamese firms plan to use this as a strategy in the next five years.

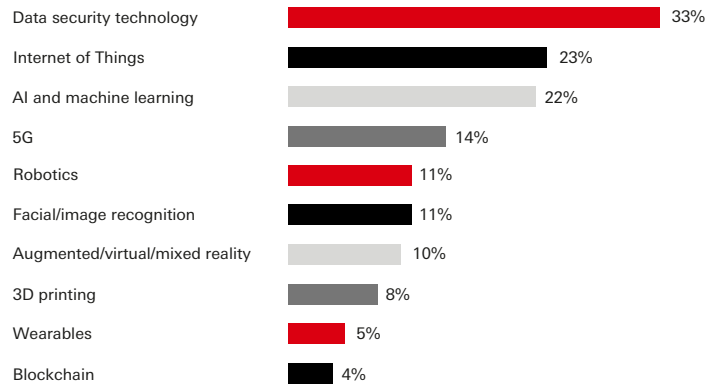
Breakthrough tech

Data security can improve compliance and sustainability

On par with their global counterparts, Vietnamese firms list data security, artificial intelligence (AI) and the Internet of Things (IoT) as the technologies that will have the greatest impact on their business over the next five years – although in different ways. Data security is expected to help improve compliance, sustainability and supply chain management. But AI will improve productivity, speed to market, the quality of products and services and reduce costs too.

For data security, both the US and Europe are seen as regions where technology is most advanced. But for AI, APAC is the hub, primarily Japan, cited by 34% of firms, alongside China (25%).

Technologies businesses think will be important over the next five years



What you need to know



At a regional level, the US and Europe are leading hubs for data security and APAC is identified as a hub for AI.



For Vietnamese firms who see it as impactful, data security is expected to improve business transparency and compliance (40%), improve sustainability (34%) and supply chain management (31%).



Almost a quarter of Vietnamese companies impacted by IoT believe it will improve speed to market (48%), customer experience (40%) and productivity (35%).

What your business can do



Use technology to boost sustainability. Companies are investing in technology to improve sustainability and their ability to monitor the supply chain.



Find the right technological investment to fit your needs. IoT and AI are important for Vietnamese manufacturers, for example.



Look at how transformative technologies can help you introduce new products and services and expand to new markets.

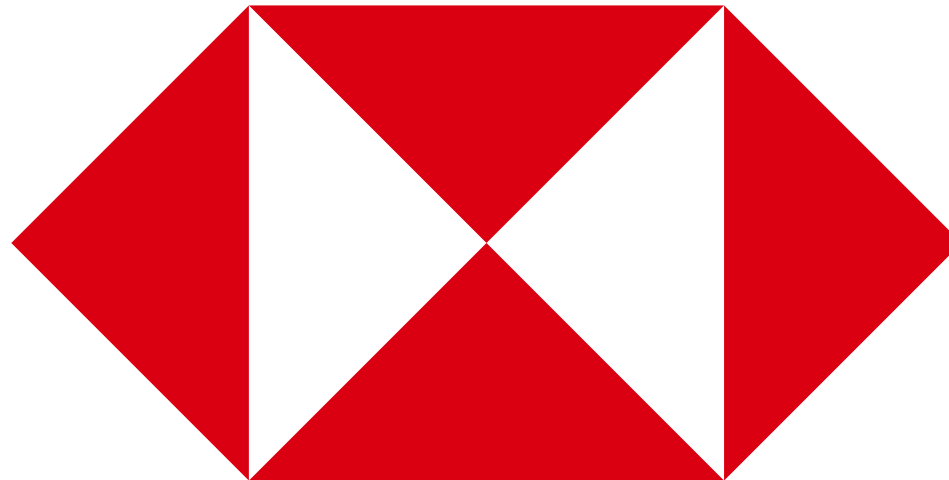
About HSBC Navigator Vietnam

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellness. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Vietnam. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2, 3, 5 & 6: all companies. n=200

Page 4: companies who think governments are becoming more protective. n=164



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