

The impact of COVID-19 on Businesses

Vietnam

Prepared by Indochina Research for CCIFV



Indochina Research

KEY FINDINGS

- ▲ The results of the survey come from a wide variety of companies (n=116) established in Vietnam, working mostly in the tertiary (73%) and secondary sectors (23%) .
- ▲ All respondents anticipate a loss in revenue. For half of them, the loss is estimated of at least 30% this year.
- ▲ Among the problems arising from the crisis, international mobility and cash flow are the most mentioned. Large firms are more impacted by procurement limitations.
- ▲ All respondents have implemented a number of measures to protect their employees and adjust their activity. Remote work (74%), cancelling business trips (70%) and enforcing prevention measures (50%) are the main ones.
- ▲ If staff dismissal measures are only now taken by few companies (17%), almost half are already considering some potential layoff. The higher intentions of layoff are in the service sector (tourism, retail and business service).

KEY FINDINGS

- ▲ Companies are facing **high risks of order delays or cancellations (68%)**, cashflow requirement (60%) and for one-third their survival is at stake.
- ▲ About half of the respondents consider **cashflow to be a threat to their company in the coming 3 months** and 10% are facing it in the very short term (1 month).
- ▲ The anticipated need of cash flow : **€10 million by the end of June**, growing to €20 million by the end of 2020.
- ▲ Most companies (75%) had **yet to approach the authorities for support** at the time of the survey.
- ▲ The measures considered of **highest interest are the delay or cancellation of PIT, VAT, SI and CIT**. Cancellation of PIT would indeed benefit both employers and employees by supporting the economy with increased consumption once the activity restarts.

METHODOLOGY



Methodology

Online survey by CCIFV



Survey tool

Google Form



Participants :

Sample of $n = 116$

When duplicates were found,
the most recent answer was considered



Time of survey

March 25th to April 3rd 2020

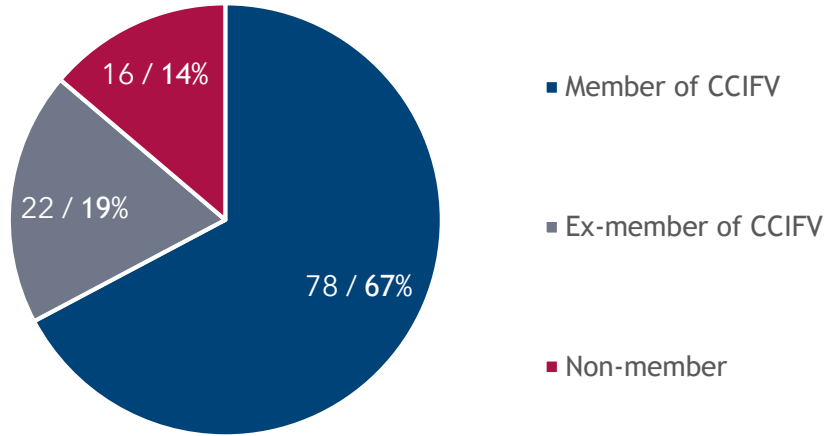
The report was prepared by Indochina Research based on the questionnaire developed and hosted by the CCIFV.

A non-disclosure agreement was signed to ensure the confidentiality of personal data.

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Profile of Participating Companies

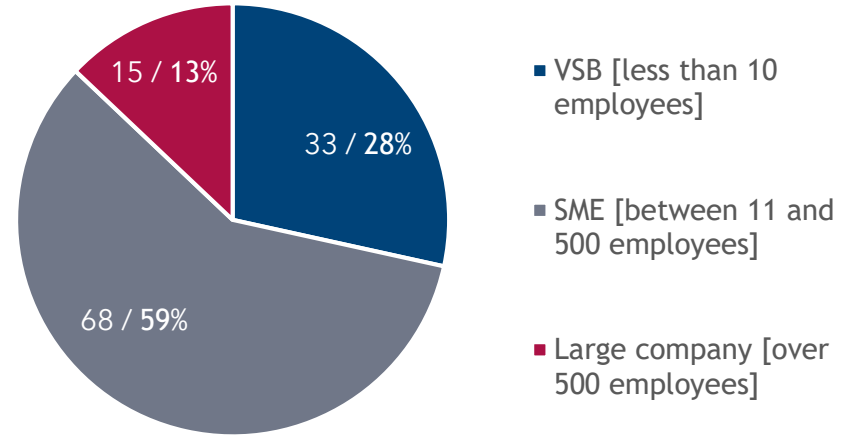
By CCIFV Member status



Most respondents (67%) are actual CCIFV Members.

22 participant (19%) are ex-members and 16 are non-members (14%).

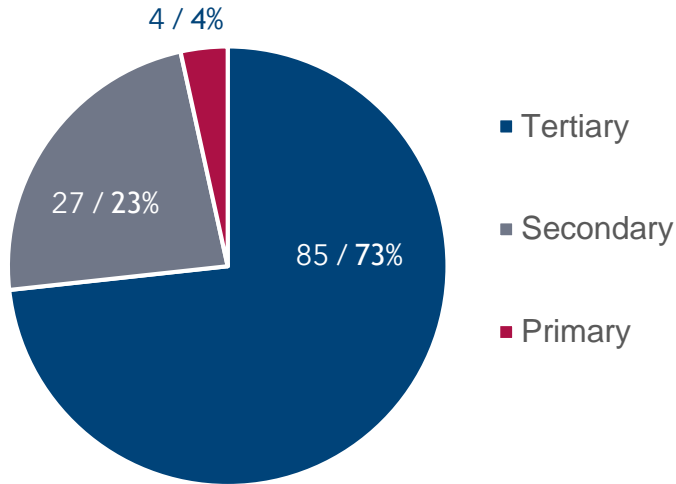
By company size



The majority of participants are working for SMEs (59%) or VSBs (28%).

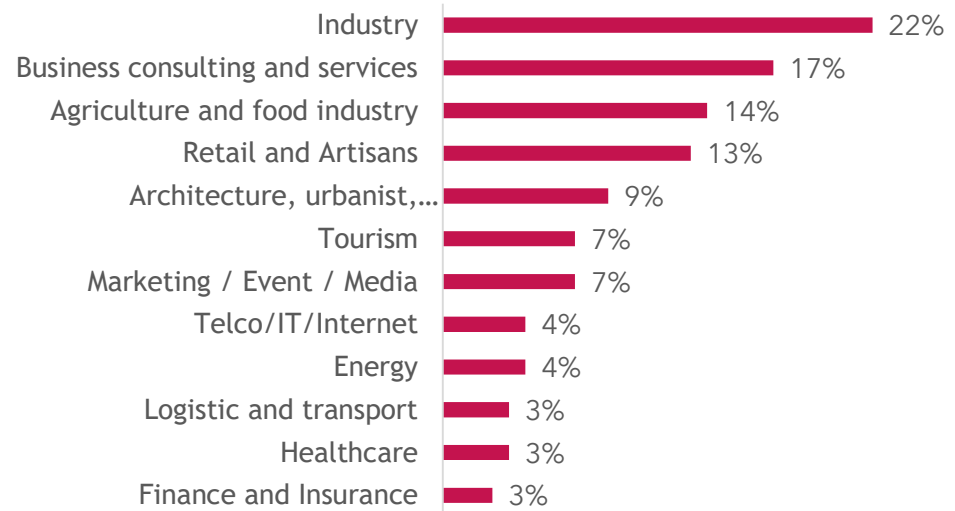
Large companies with 500 more employees are represented by 15 participants.

By sectors



Most participants are operating in the Tertiary (service) and Secondary sectors.

By specific activities



Most sectors of activity are represented in the sample, more are from the Industry (22%), Business Consulting and Services (17%), and Agriculture and Food Industry (14%) sectors.

By location



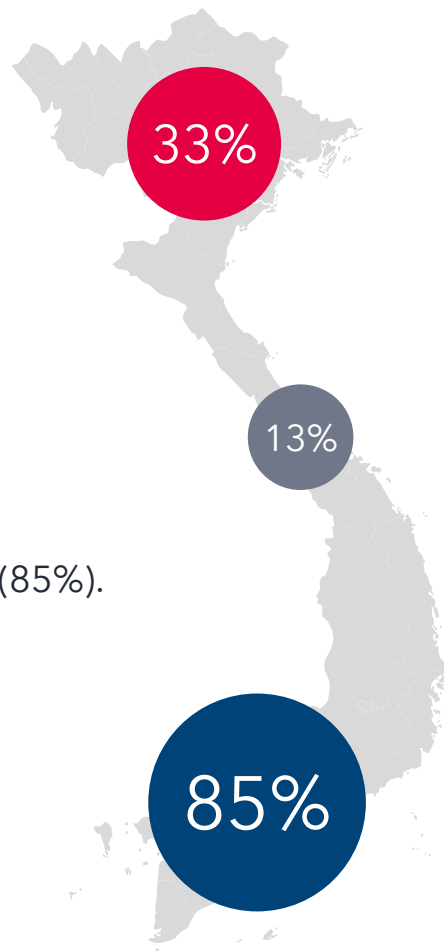
1/3 are located in Hanoi or have offices there.



Only a minority has offices in the Centre of Vietnam (13%)

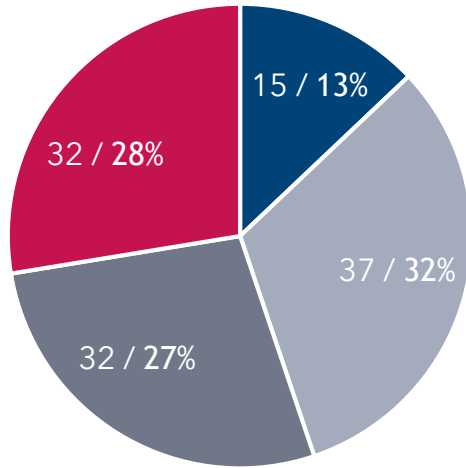


A large majority of participants have offices in HCM city (85%).



Impacts and Operational measures taken to address the situation

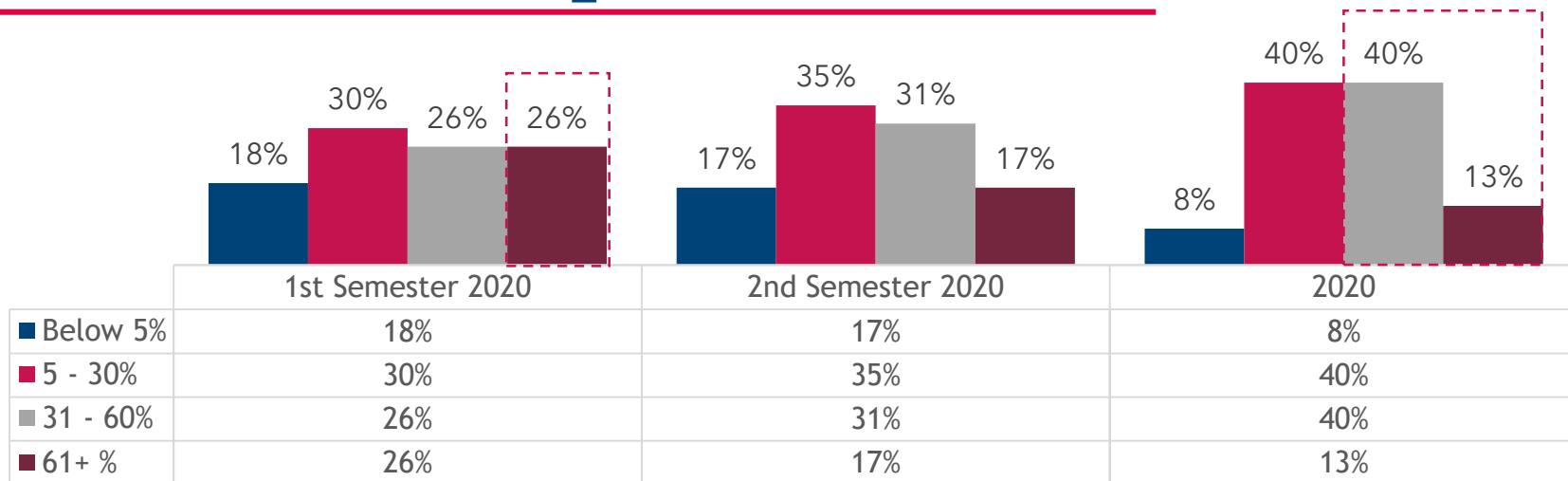
A situation considered to last...



- Next 1 month
- Next 2 or 3 months
- Later than 3 months
- Uncertainty

- Only 13% of the participating companies expect the activity to restart by early May. More think it will resume in the next 2 to 3 months (32%).
- From a more pessimistic viewpoint, 27% claim that they do not expect any activity before at least early July.
- 28% of respondents nourish uncertainty, sharing that they have no visibility just yet.

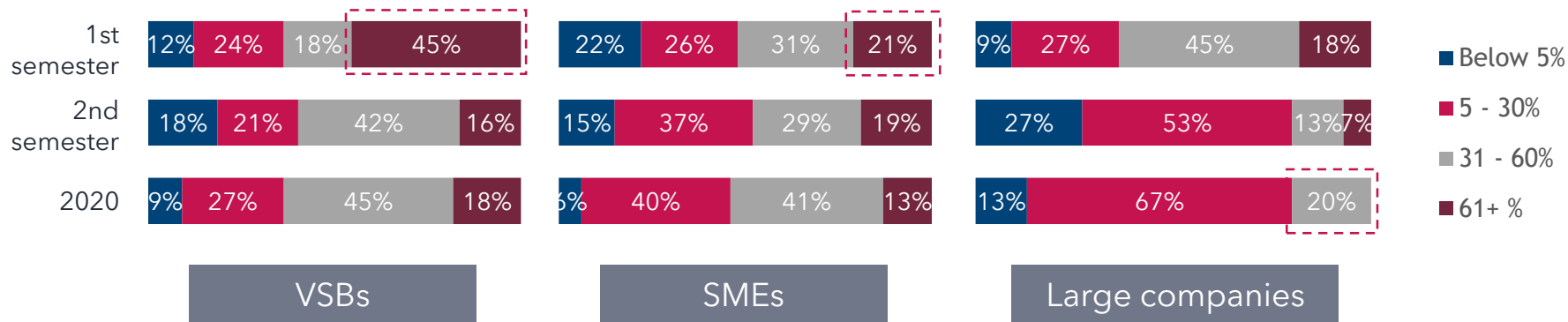
Estimated impact on sales



One out of four (26%) anticipate a decrease of revenue of more than 60% in the 1st semester.

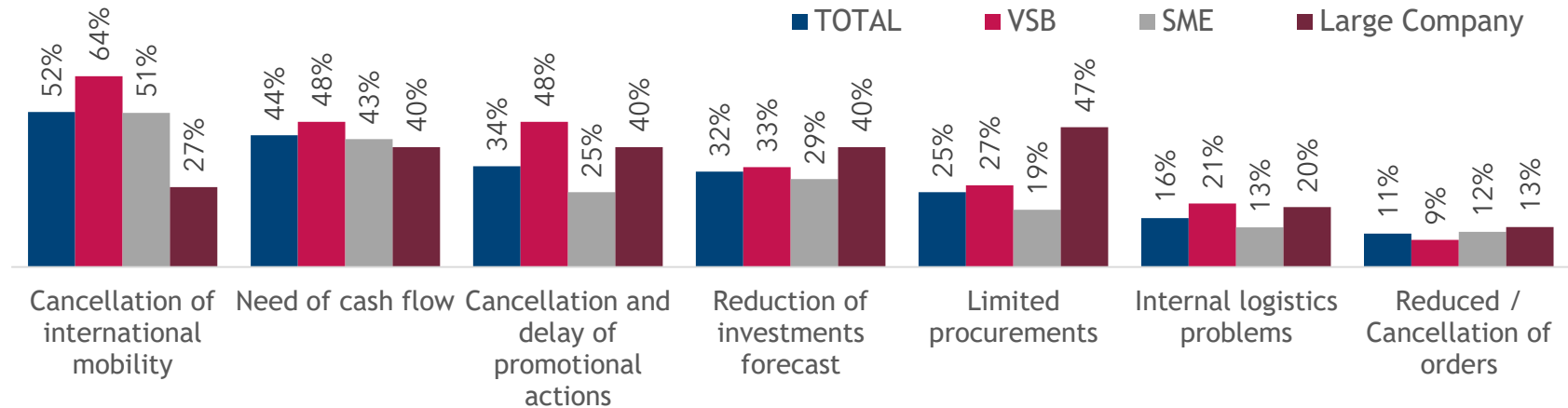
In overall, 53% of participants evaluate their annual revenue to be impacted by at least 30% in 2020.

Estimated impact by company size



- Almost half of VSBs (45%) and 21% of SMEs anticipate a revenue decrease of more than 60% in the 1st semester.
- Large companies tend to be more resilient to the crisis, still 20% foresee a lack of revenue between 30% and 60% in 2020.

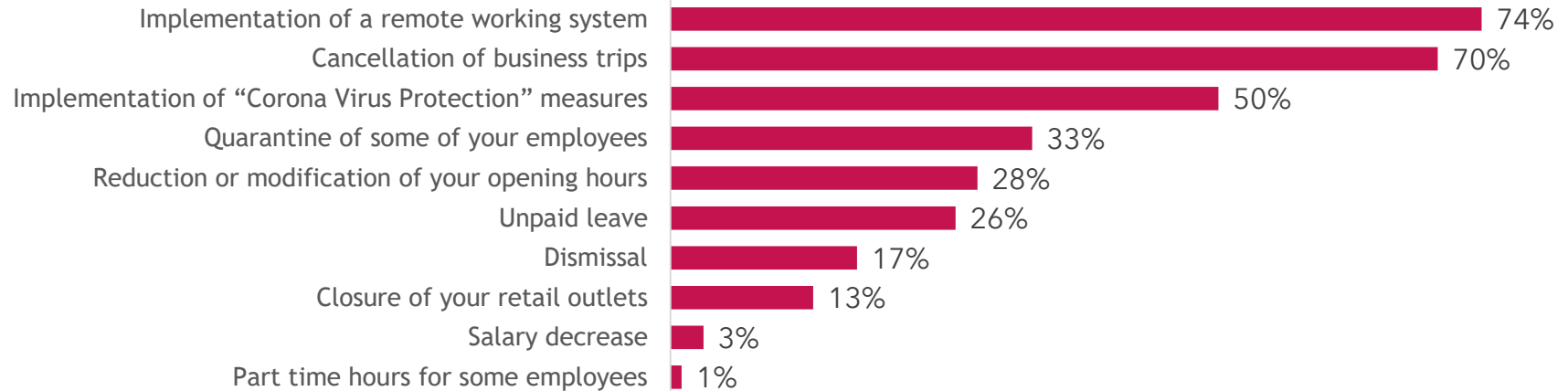
Problems impacting the business



For both VSBs and SMEs, the **cancellation of international mobility** is the most mentioned consequence (52% and 64%). Cash Flow problems will impact all types of businesses. Meanwhile, **large companies** consider the **procurement limitations** to be the issue impacting them the most (47%).

While **cancellation and delay of promotional actions** is not considered a great threat to SMEs, VSBs and Large companies place it as a second obstacles to tackle during the pandemic

Measures taken to address the crisis

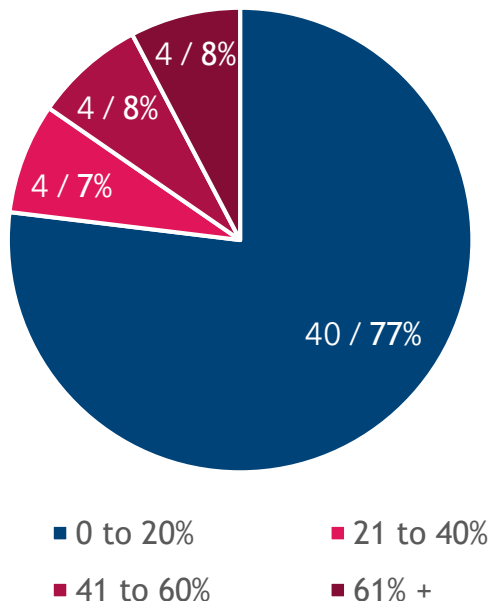


Given the danger of the coronavirus and to support the social-distancing policy required by the Government, **the implementation of remote working solutions is the most employed method by employers (74%)**. The cancellation of business trips is the 2nd most popular measure take (70%)

Companies seems to be limiting the impact on their staff. Drastic measures such as *Dismissal*, *Salary Decrease* or *Part time hours for some employees* are only implemented by a small portions of respondents at the time of the survey.

Dismissal measures are considered by about 1 out of 2 respondents

Considered layoff as % of workforce



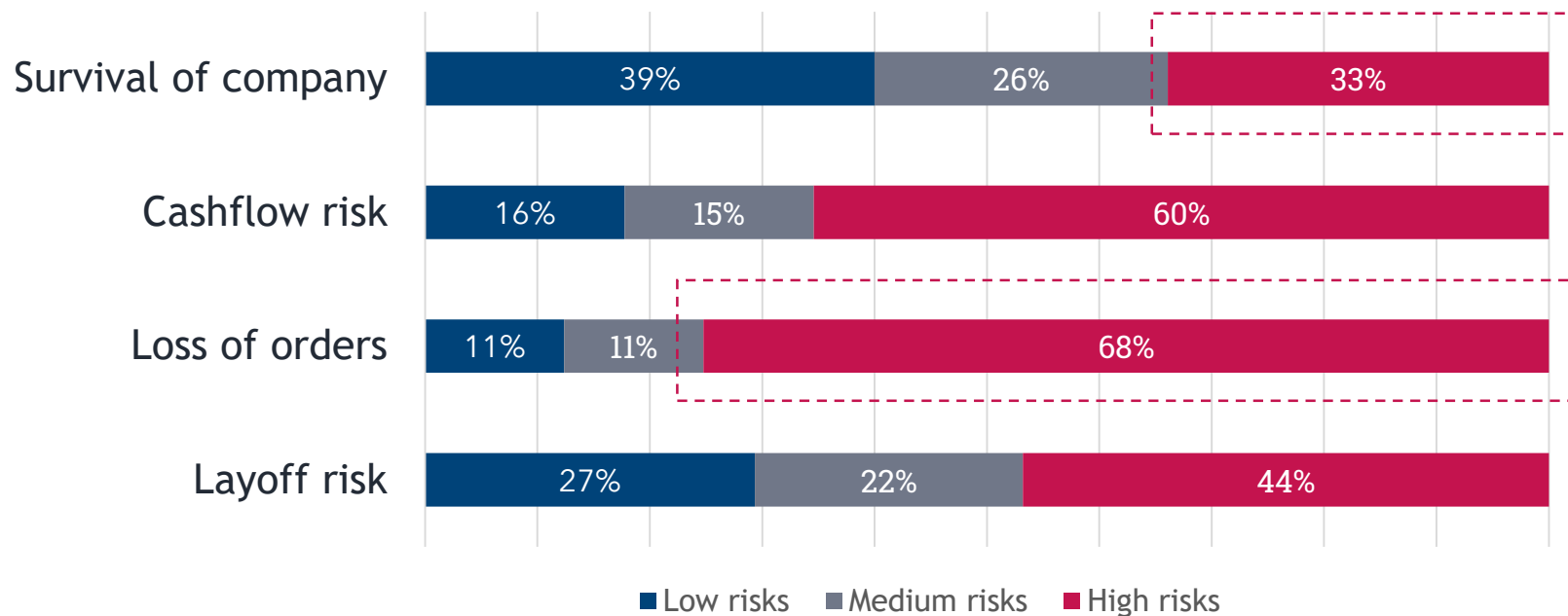
▲ 45% of participants are considering some possible workforce reduction.

▲ Out of these 45%, 77% consider the lowest level of layoff, up to 20% of their staff.

▲ 16% (n=8) participants consider major reduction of 40% and more. All of them being VSB (n=3) or SME's (n=5).

▲ Among 4 companies considering a layoff of more than 61% of their workforce, 2 are in Tourism, 1 in Retail and 1 in Business services.

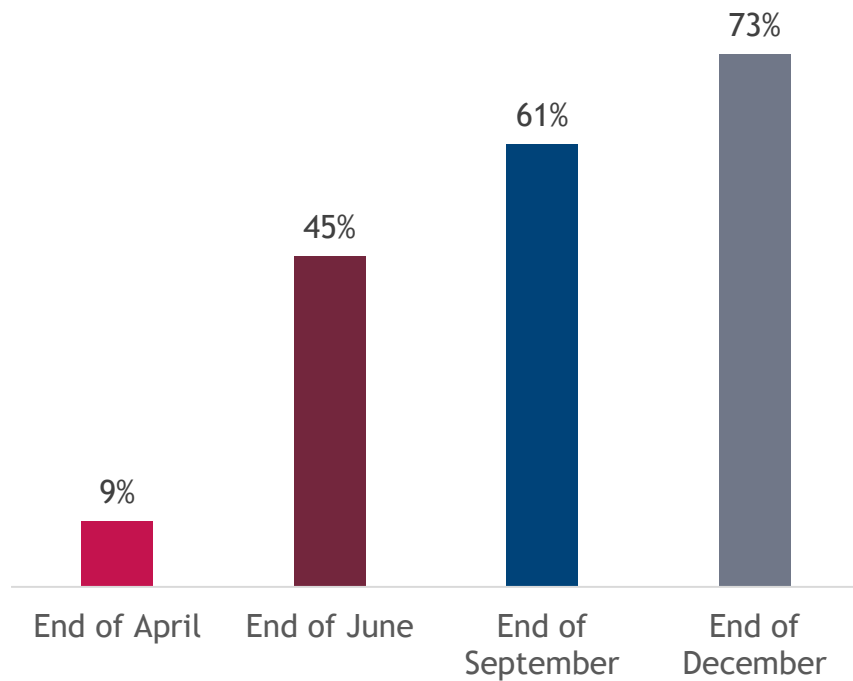
Risk assessment on the situation



With a decreasing activity, most participants (68%) are facing high risk of order cancellation or delay. This is also the main concern of companies working in the Energy sector.

1 out of 3 (33%) consider the survival of their company to be at stake.

Cashflow a short-term threat

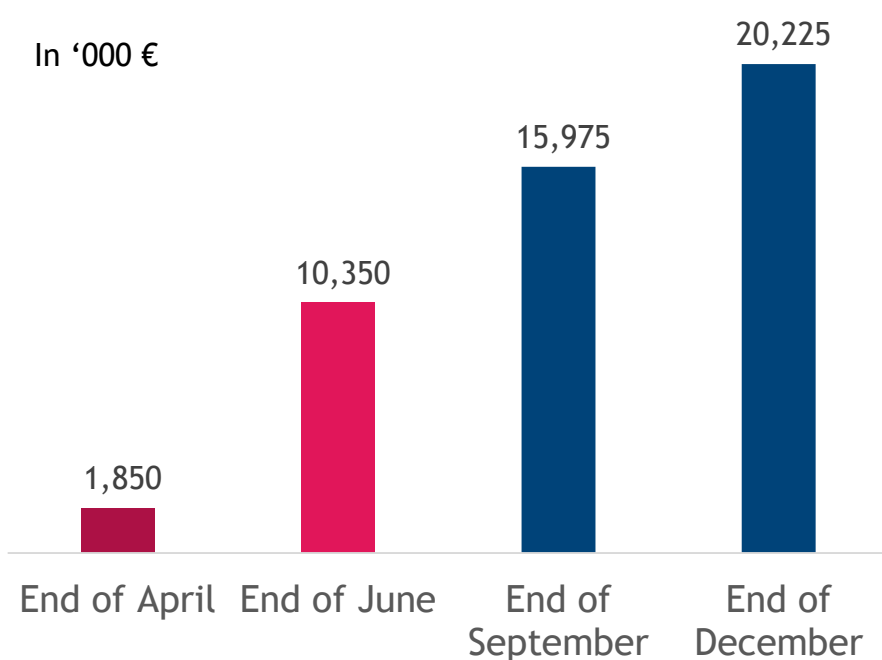


▲ **73%** consider cashflow as posing a short or medium term problem to their operations.

▲ About **1/2 companies** would face some cashflow problem **within 3 months only.**

▲ **1 of out ten** companies is in need of cashflow **by end of April '20.**

Cashflow needed in the short term



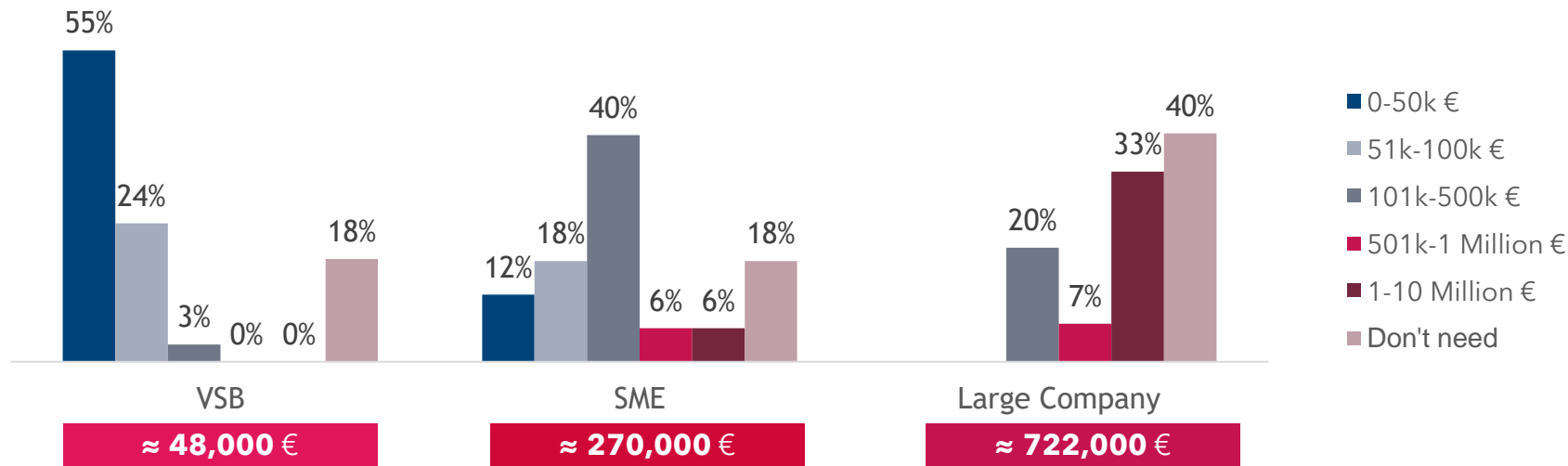
▲ € 10million

estimated to be needed by 53% of participants (n=52) in the next 3 months.

▲ € 20million

by end of the year 2020.

Amount of cashflow needed by size

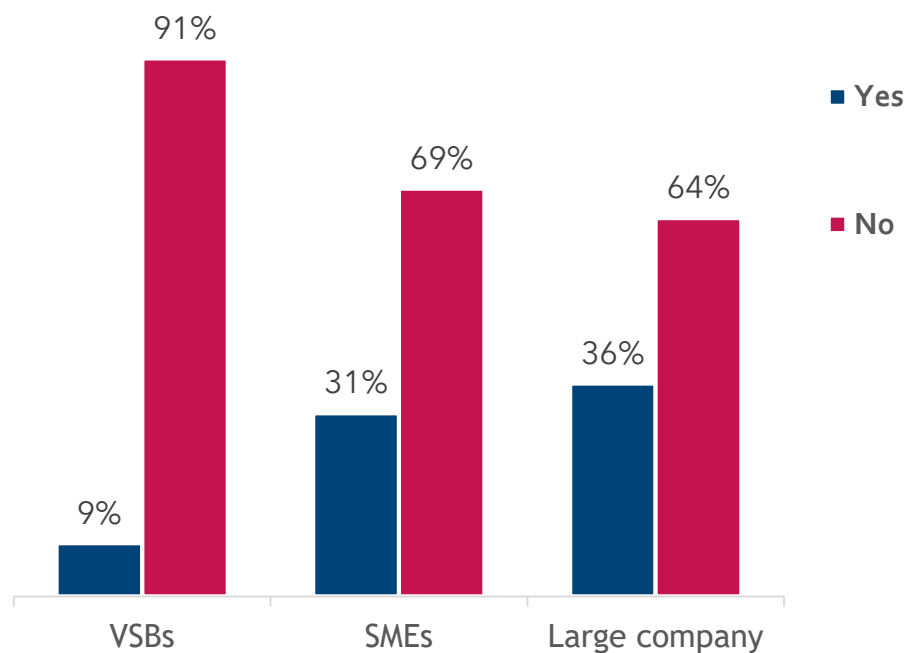


Note : Average calculated, based on the range interval, limited at 1 Million for the highest one.

- Only 18% of VSBs and SMEs declare not needing cashflow support yet
- While VSB's only need an average of 48,000€ to secure their cashflow, SME's would call for 5 times more, at 270,000 €. Large companies require almost 15 times more compared to VSBs, at 722,000 €.

Supports from the Government

Approaching the authorities

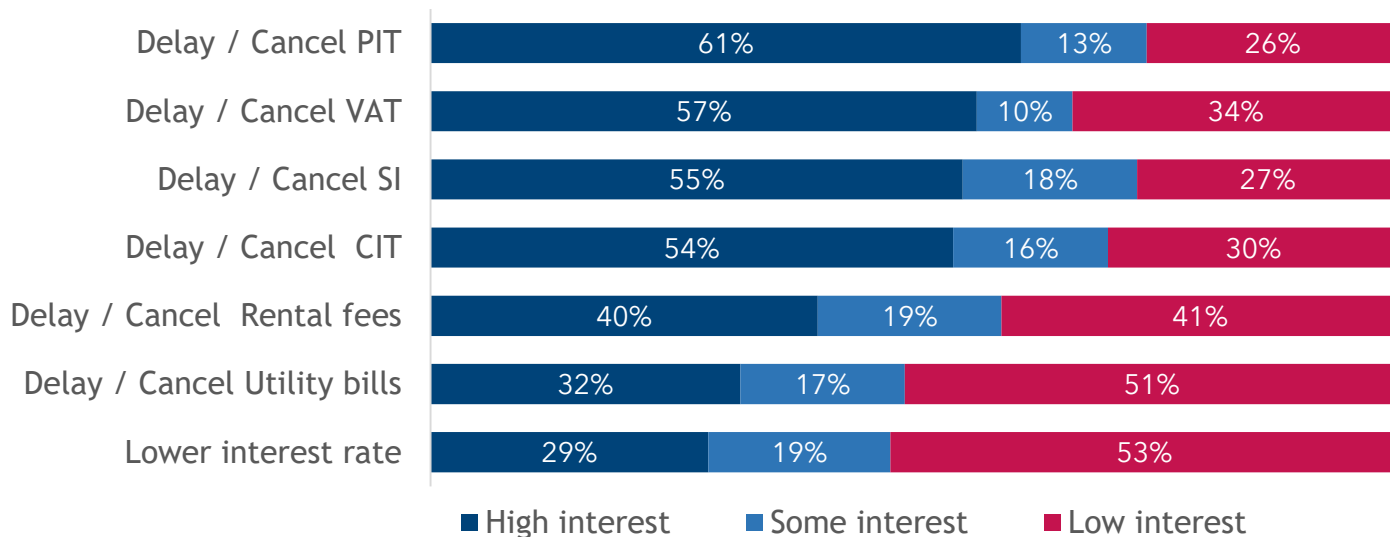


75% have not yet approached the authorities to ask for support.

91% of VSB's have not asked for government support yet.

Large companies and SMEs tend to be more active with 36% and 31% respectively, having already started some kind of procedure or searched for information.

Expected measures from authorities



Among the presented measures, the delay or cancellation of **Personal Income Tax (PIT)** is of highest interest for 6 out of 10 companies, followed by **VAT, Social Insurance (SI)** and **Corporate Income Tax (CIT)**.

Despite the need for cashflow, only 29% consider the lowering of interest rate to be of high interest to them.



Wish you stay safe
and resilient in this
challenging time!

Prepared by Indochina Research for CCIFV



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