

Focus on: Vietnam

International Business Report 2010 – Country focus series

The recovery

Vietnam weathered the economic storm better than some of its neighbours, thanks to swiftly implemented expansionary fiscal and monetary policies which boosted public consumption and domestically financed investment. Unemployment and reduced flows of remittances initially dampened growth in private consumption, but this picked up in the second half of 2009.

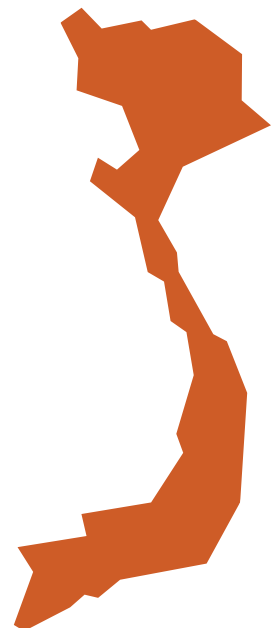
The key indicators¹ are highlighted below:

- the Vietnamese economy posted 5.8 per cent year-on-year growth in the first quarter of 2010, boosted by strong growth in industry and construction (5.7 per cent) and services (6.6 per cent)
- trade continues to recover; merchandise exports grew by 9.4 per cent in the three months to December, an increase of 7.2 per cent year-on-year
- meanwhile, imports of merchandise grew by 12.1 per cent in Q4 from the previous quarter, up from the 8.9 per cent increase observed in Q3
- inflation was up eight per cent year-on-year in February 2010, and 3.4 per cent compared to December 2009.

Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Vietnam, the experiences and attitudes of its privately held businesses and how they have been affected by the economic crisis along with how they are dealing with the recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Vietnam are considerably more optimistic as regards the outlook for the economy over the next 12 months this year, and almost four-fifths expected to see an upturn in the global economy by the end of 2010. Business expectations for revenue are even more optimistic than last year, but less optimistic for profitability and the cost of finance remains a major constraint on potential expansion.



¹ Source: World Trade Organization and General Statistics Office in Vietnam.

Looking ahead

Early forecasts suggested that growth in GDP would accelerate from the 5.3 per cent observed in 2009 to around 6.5 per cent in 2010, although still well below levels observed in the boom years before the economic crisis struck.

However, the recent devaluation of the dong, hot on the heels of the November 2009 devaluation, suggests that fiscal and monetary policy will have to be pulled back to counter a widening trade deficit and rampant inflation. Consequently, real GDP growth may only reach 4.4 per cent this year, accelerating to 5.5 per cent and six per cent in 2011 and 2012 respectively.

As the economy exits recession, all businesses will need to face new challenges and take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for businesses

Vietnam compared to the Asia Pacific average	2008 Vietnam	2009 Vietnam	2010 Vietnam	2010 Asia Pacific
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	+87%	+31%	+72%	+33%
Change in employment levels				
Balance of businesses expecting an increase over those expecting a reduction	+83%	+60%	+60%	+33%
Constraints on expansion				
Cost of finance	53%	66%	54%	33%
Shortage of orders/reduced demand	44%	64%	51%	44%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.



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International Business Report results

The Grant Thornton IBR 2010 reveals that privately held businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in Vietnam are considerably more optimistic about prospects for 2010; their optimism/pessimism balance² has more than doubled, rising from +31 per cent in 2009 to +72 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

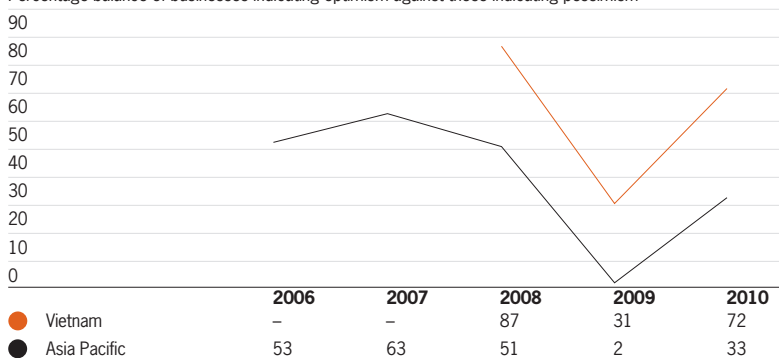
Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

Optimism/pessimism

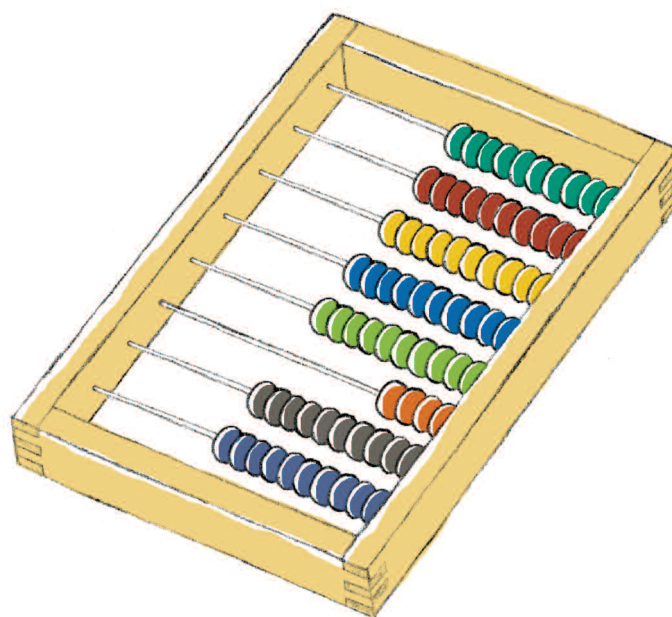
- businesses in Vietnam are considerably more optimistic about their economy this year (+72 per cent) compared with 2009 (+31 per cent)
- this is more than double the Asia Pacific³ average of +33 per cent
- optimism amongst businesses in the Asia Pacific region has risen by 31 percentage points this year, from just +2 per cent in 2009 to +33 per cent.

Figure 2: Outlook for the economy over the next 12 months: 2006-2010

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



² the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

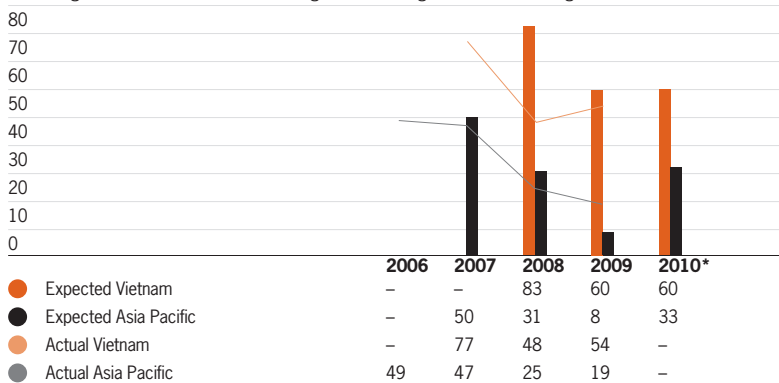
³ for the purposes of IBR, the term 'Asia Pacific' refers to those Asia Pacific economies covered by our survey – Australia, mainland China, Hong Kong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam.

Employment

- as in 2009, a balance of +60 per cent of businesses in Vietnam expect employment to grow in 2010, compared with +33 per cent of businesses across the Asia Pacific region
- this continues the trend observed in previous years, with businesses in Vietnam being more optimistic about employment expectations than the average across the Asia Pacific region
- actual employment growth reported by businesses in Vietnam for 2009 (+54 per cent) was slightly lower than expected 12 months previously (+60 per cent).

Figure 3: Employment history: 2006-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



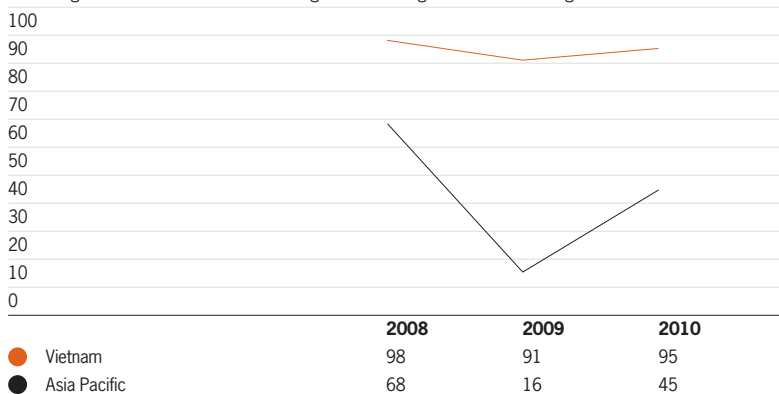
*actual 2010 data will be documented in IBR 2011
Source: Grant Thornton IBR 2010

Revenue expectations

- expectations for revenue prospects have risen by four percentage points to +95 per cent this year, from +91 per cent in 2009
- this is considerably more optimistic than the Asia Pacific average of +45 per cent
- the Asia Pacific average has also risen by 29 per cent from +16 per cent last year to +45 per cent this year.

Figure 4: Revenue expectations: 2008-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



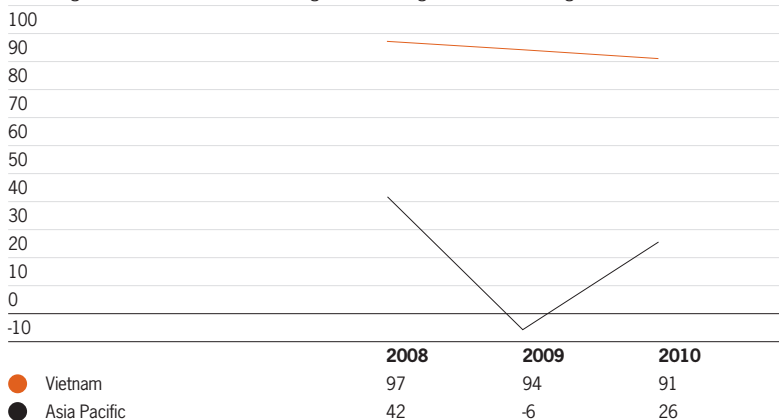
Source: Grant Thornton IBR 2010

Profitability expectations

- the balance of businesses expecting to increase profits in Vietnam has dropped this year by three percentage points to +91 per cent in 2010 (+94 per cent in 2009)
- this is still considerably higher than the Asia Pacific average (+26 per cent)
- the Asia Pacific average has risen by 32 percentage points to +26 per cent.

Figure 5: Profitability expectations: 2008-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



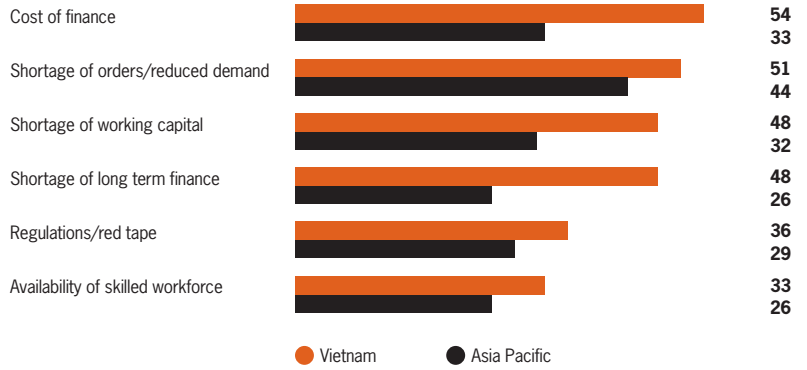
Source: Grant Thornton IBR 2010

Constraints

- cost of finance (54 per cent) is cited as the most pressing constraint on expansion by businesses in Vietnam this year, above the Asia Pacific average (33 per cent)
- a shortage of orders/reduced demand is cited as the greatest constraint by businesses in the Asia Pacific region as a whole (44 per cent) and the second greatest constraint in Vietnam (51 per cent)
- all of the constraints are of greater concern for businesses in Vietnam, compared to the Asia Pacific average.

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



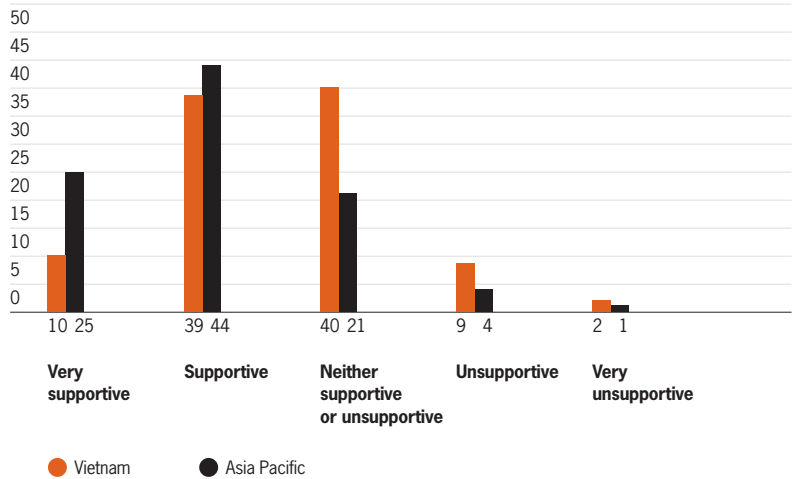
Source: Grant Thornton IBR 2010

Support of lender

- about one-half of businesses in Vietnam are happy with the level of support provided by lenders; 49 per cent class lenders as supportive or very supportive towards their business
- this compares with 69 per cent of businesses in the Asia Pacific region as a whole
- 11 per cent of businesses in Vietnam believe that lenders are unsupportive or very unsupportive of their business, compared to just five per cent across the Asia Pacific region.

Figure 7: Level of support provided by lenders

Percentage of businesses



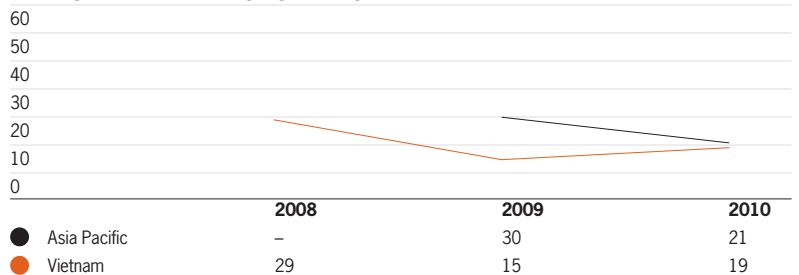
Source: Grant Thornton IBR 2010

Mergers & acquisitions

- the proportion of businesses in Vietnam planning to grow through acquisition this year has risen, from 15 per cent in 2009 to 19 per cent; this follows a fall of 14 per cent observed the previous year
- the Asia Pacific average has dropped this year, from 30 per cent in 2009 to 21 per cent.

Figure 8: Plans to grow through acquisition in the next three years

Percentage of businesses planning to grow through acquisition



Source: Grant Thornton IBR 2010

Exchange rate controls

- most businesses in Vietnam (39 per cent) believe that government exchange rates will somewhat impact their business operations
- similar proportions believe that the impact will be serious (30 per cent) as those that believe they have no impact (31 per cent).

Figure 9: The impact of government exchange rate controls, and resultant USD/VND liquidity issues, on business operations
Percentage of businesses

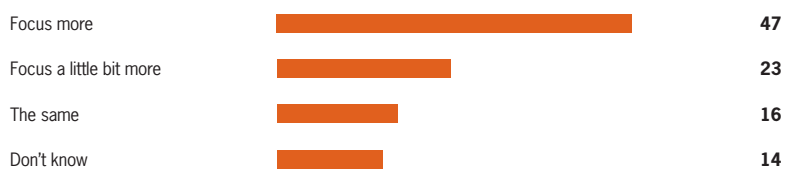


Source: Grant Thornton IBR 2010

The domestic market

- almost half of all businesses (47 per cent) have adopted a stronger focus towards the domestic market in Vietnam, compared to before the global financial crisis first arose
- one-fifth have focused a little bit more
- whilst 16 per cent cite that their focus on the domestic market is the same.

Figure 10: Has your business adopted a stronger focus towards the domestic market, as opposed to the international/export market, compared to before the global financial crisis first arose?
Percentage of businesses



Source: Grant Thornton IBR 2010

Environmental issues

- most businesses (39 per cent) believe that there has been no change in the importance of environmental issues to their business strategy
- 37 per cent cite that it is more important
- and one-fifth cite that it is much more important (22 per cent).

Figure 11: The change of importance of environmental issues to business strategy, in comparison with this time last year
Percentage of businesses



Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the ‘engine’ of the world’s economy. In Vietnam 150 PHBs were surveyed and these businesses ranged from small to large in size with total employees of between 20 and 599.

To find out more about IBR and to obtain copies of reports and summaries visit: www.internationalbusinessreport.com. The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

Participating economies

Argentina	Japan
Armeria	Malaysia
Australia	Mexico
Belgium	Netherlands
Botswana	New Zealand
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Kingdom
Ireland	United States
Italy	Vietnam



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