

Vietnam

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent, whilst businesses in Vietnam are very optimistic about 2008 (+87 per cent).

Optimism amongst businesses in East Asia² is in line with the global average, although levels of optimism do vary throughout the East Asian economies. Overall optimism has fallen from 2007. This year +39 per cent of all East Asian businesses are positive about their economy compared to a balance of +54 per cent in 2007. However, East Asia continues to present a very mixed picture with optimism/pessimism balances ranging from +95 per cent in the Philippines to -49 per cent in Japan.

The Vietnamese economy

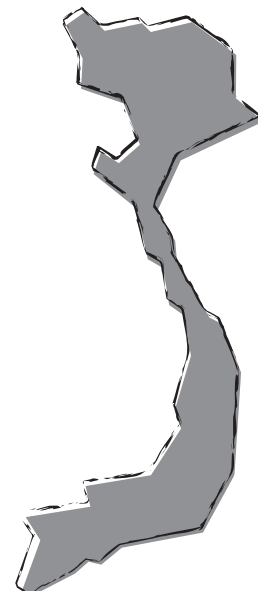
The economy maintained robust growth at 8.5 per cent in 2007, above the 7.8 per cent average of 2002–2006. Accession to the World Trade Organization in January 2007 added impetus both to growth and to market oriented reforms, resulting in strong domestic demand, spurring on imports to produce a current account deficit of eight per cent of GDP. Investment grew by 16 per cent to reach 40.4 per cent of GDP, one of the highest rates in Asia, of which 40 per cent was from private sources as the economy continues its transition to a market-based system.

High consumption levels, supported by wage increases and strong remittances flows, saw the nominal retail value of goods and services climb by 23.3 per cent. Industry was the main contributor to GDP growth, in which manufacturing itself grew by 12.8 per cent. Services grew by 8.7 per cent, driven by a buoyant tourism sector. Inflation climbed as high as 12.6 per cent in December, but unemployment fell by 0.2 per cent to 4.6 per cent.



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¹ the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

² for the purposes of IBR, the term 'East Asia' refers to those East Asian economies covered by our survey – mainland China, Hong Kong, Japan, Malaysia, the Philippines, Singapore, Taiwan, Thailand and Vietnam.

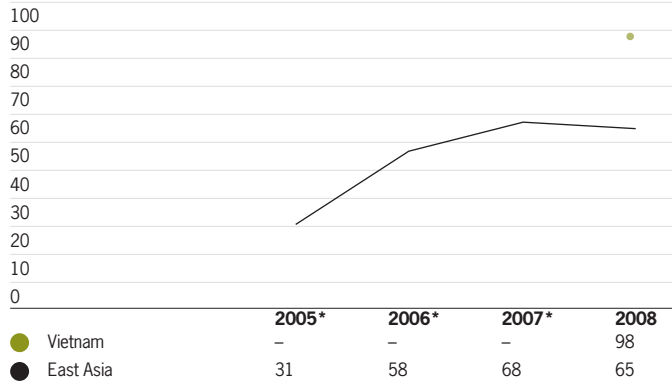
Business expectations/revenue

- Optimism levels amongst PHBs in Vietnam regarding revenue prospects are the highest of all countries surveyed (+98 per cent). This is much higher than the East Asian average (+65 per cent).
- Levels of optimism regarding profitability in Vietnam are also the highest of all countries surveyed (+97 per cent).
- Levels of optimism regarding exports in Vietnam (+30 per cent) are much higher than the East Asia average (+6 per cent).

Employment

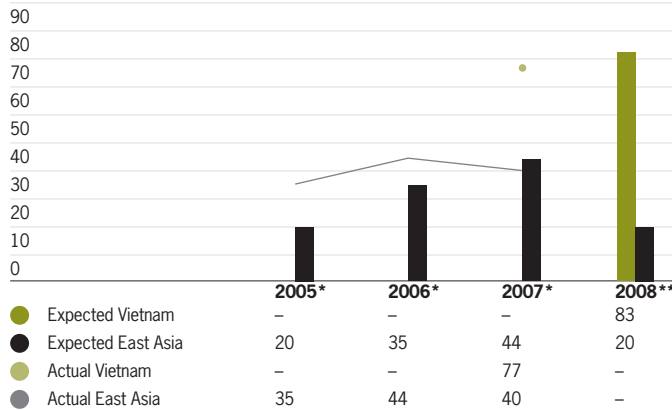
- A balance of +83 per cent of PHBs in Vietnam expect employment to grow in 2008.
- In East Asia as a whole, the balance of PHBs expecting employment to grow fell in the last year from +44 per cent in 2007 to +20 per cent in 2008.
- Actual reported employment growth in Vietnam (+77 per cent) was much higher than the East Asia average (+40 per cent) in 2007.

Figure 1: Revenue expectations for Vietnam and the East Asian average 2005-2008
Percentage balance of businesses indicating optimism against those indicating pessimism

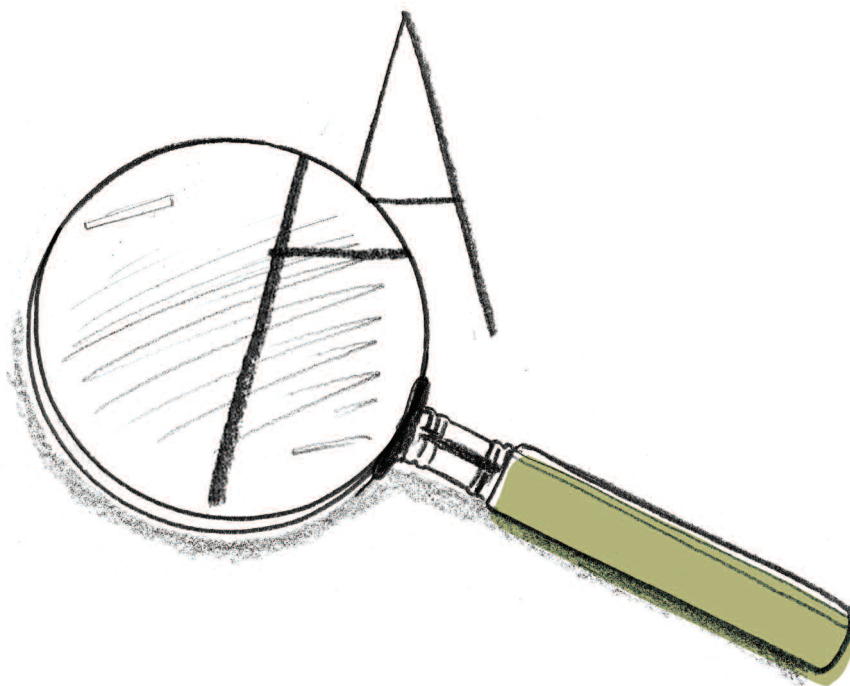


*no data available for Vietnam
Source: Grant Thornton IBR 2008

Figure 2: Employment history of Vietnam and the East Asian average 2005-2008
Percentage balance of businesses indicating optimism against those indicating pessimism



*no data available for Vietnam
**2008 data will be documented in IBR 2009
Source: Grant Thornton IBR 2008



Constraints

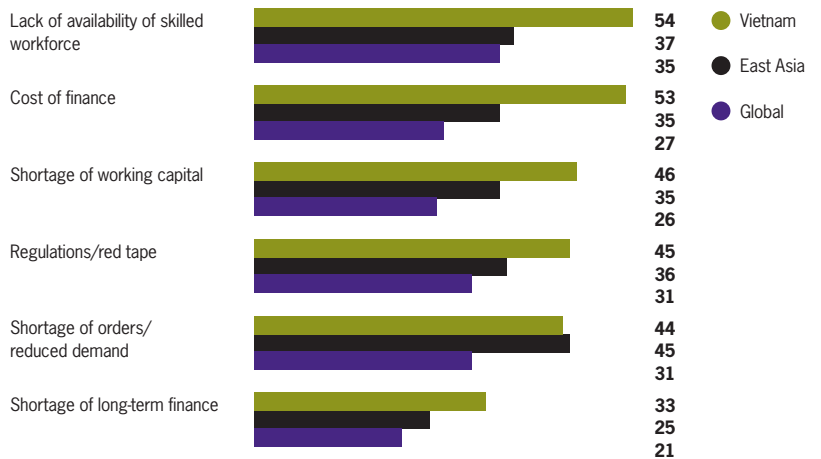
- The availability of a skilled workforce is the constraint restricting expansion cited most by businesses in Vietnam (54 per cent), as is true of businesses globally.
- The cost of finance is cited by 53 per cent of PHBs in Vietnam, compared to just 27 per cent of businesses globally.
- 46 per cent of PHBs in Vietnam cite the shortage of working capital, compared to just 26 per cent of businesses globally.

Emerging markets

- The most important factor for PHBs in Vietnam when determining whether to invest internationally is the market's regulatory environment (88 per cent).
- 30 per cent of PHBs in Vietnam export. This is below the East Asian average (39 per cent).
- 47 per cent of PHBs in Vietnam import, which is above the global average (39 per cent).
- 74 per cent of PHBs in Vietnam see their main source of competition coming from national sources.

Figure 3: Largest constraints on growth for Vietnamese businesses compared to the East Asian and the global average

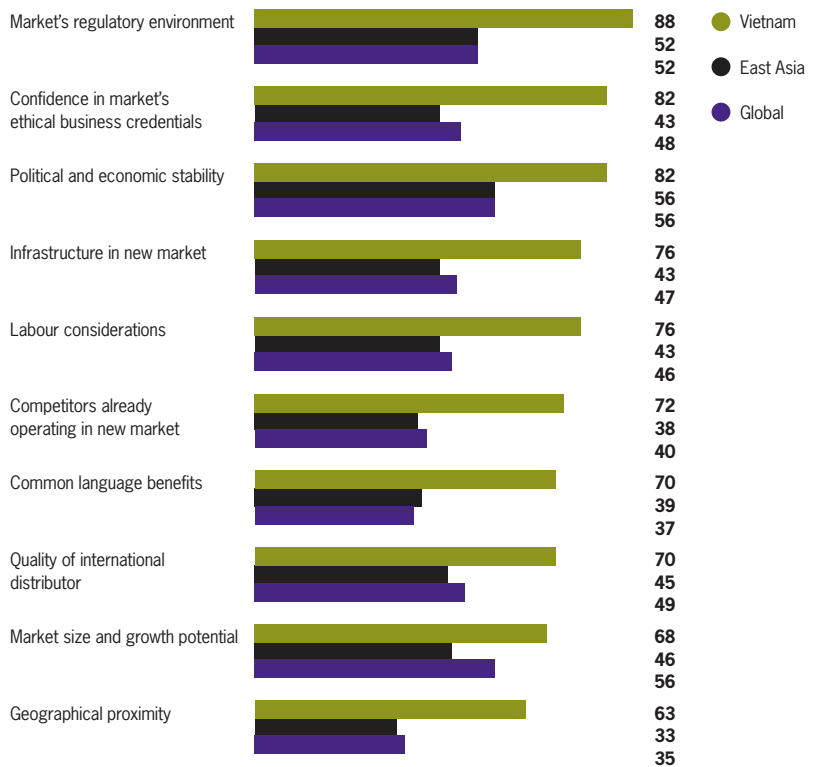
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



Source: Grant Thornton IBR 2008

Figure 4: Importance of factors determining foreign investment

Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



Source: Grant Thornton IBR 2008

Competitiveness

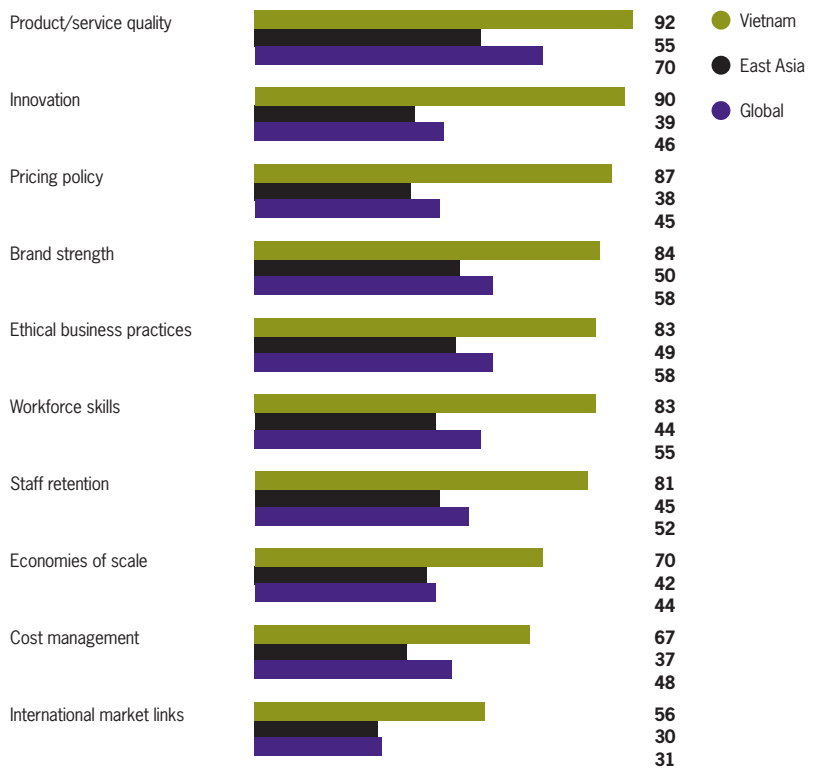
- Similarly to businesses globally and in East Asia, PHBs in Vietnam see their greatest source of competitive advantage as product/service quality (92 per cent).
- 90 per cent of PHBs in Vietnam regard innovation as a source of competitive advantage, compared to 46 per cent of businesses globally.
- 87 per cent of PHBs in Vietnam view pricing policy as a source of competitive advantage, compared to just 38 per cent of all PHBs in East Asia.

Corporate social responsibility (CSR)

- Investor relations is viewed as the biggest driver towards more ethical practices by PHBs in Vietnam (87 per cent). This factor is cited by just 24 per cent of PHBs in East Asia.
- 72 per cent of PHBs in Vietnam donated to community causes/charities in the past year, compared to 49 per cent of all businesses in East Asia.
- Just 29 per cent of PHBs in Vietnam have incorporated their policies in to a written CSR document. This is less than half the East Asian average (61 per cent).

Figure 5: Main sources of competitive advantage for Vietnamese businesses compared to the East Asian and the global average

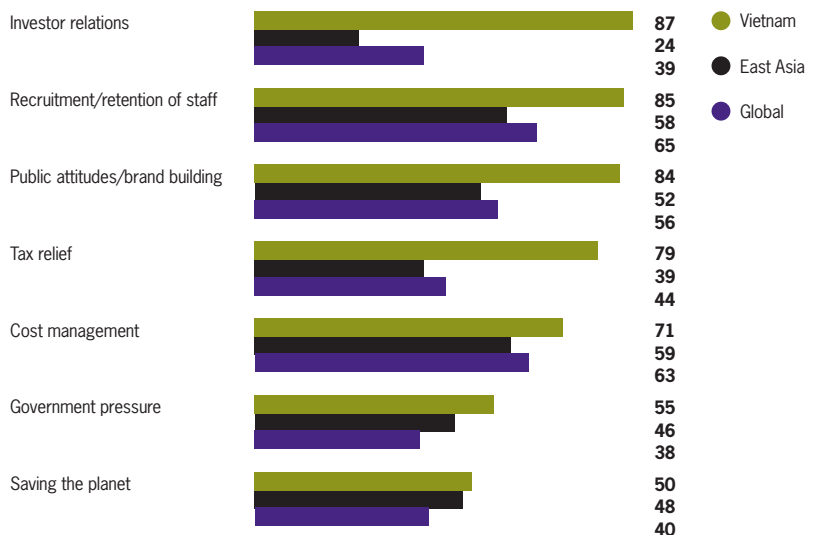
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Vietnamese businesses compared to the East Asian and the global average

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



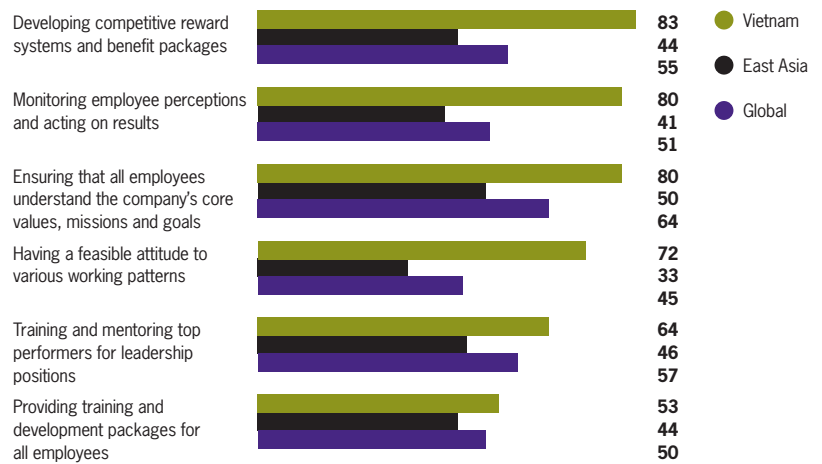
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of PHBs more focused on attracting and retaining key staff than one year ago is +84 per cent. This is well above the East Asian average (+58 per cent).
- 83 per cent of Vietnamese businesses developing competitive reward systems and benefit packages to aid recruitment and retention.
- Cited by 51 per cent of PHBs in Vietnam, the increased workload for remaining staff is viewed as the major problem staff retention issues have caused.
- Similarly to businesses globally, it is costing 69 per cent of PHBs in Vietnam significantly more to pay their staff than it was 12 months ago.

Figure 7: Usage of recruitment and retention tools for businesses in Vietnam compared to the East Asian and the global average

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Vietnamese economy

Economic growth is forecast to slow slightly to seven per cent in 2008 as the government attempts to rein in inflation by reducing credit growth and raising the base rate of interest, before picking up again to around eight per cent in 2009.

Inflation is forecast at 23.3 per cent in 2008 before dropping back to an average of 12 per cent in 2009. Owing to the large deficit on the merchandise trade account in 2008-2009, the current account will remain in negative territory, with the deficit standing at the equivalent of 9.2 per cent of GDP in 2008.

Investment growth is forecast to slow in 2008 and Vietnam's high investment rate is expected to decline to 34 per cent of GDP in 2008. Consumption growth may slow as well as higher food and fuel limit other discretionary spending.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six-year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

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



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