

# The impact of COVID-19 on Businesses

Vietnam

Prepared by Indochina Research for CCIFV



# KEY FINDINGS

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- ▲ 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 could represent at least 30% this year.
- ▲ Among the problems arising from the crisis, international mobility and cash flow are the most mentioned. Large firms are mostly 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

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- ▲ 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

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## Methodology

Online survey by CCIFV



## Survey tool

Google Form



## Participants :

Sample of  $n = 116$

When duplicates were found,  
the most recent answer was considered



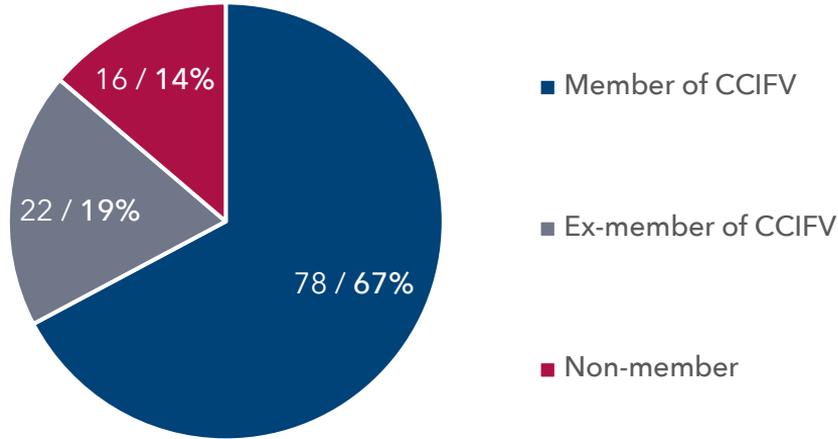
## Time of survey

March 25<sup>th</sup> to April 3<sup>rd</sup> 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.

# Profile of Participating Companies

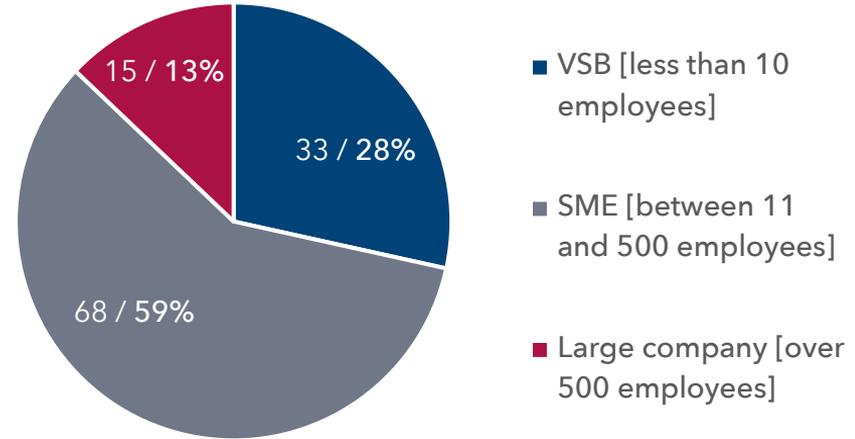
## By CCIFV Member status



Most respondents (67%) are actual CCIFV Members.

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

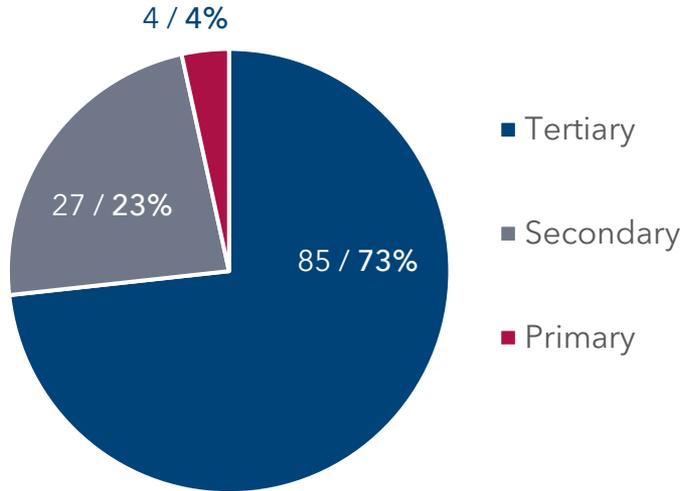
## By company size



The majority of participants are working for SME's (59%) or VSB (28%).

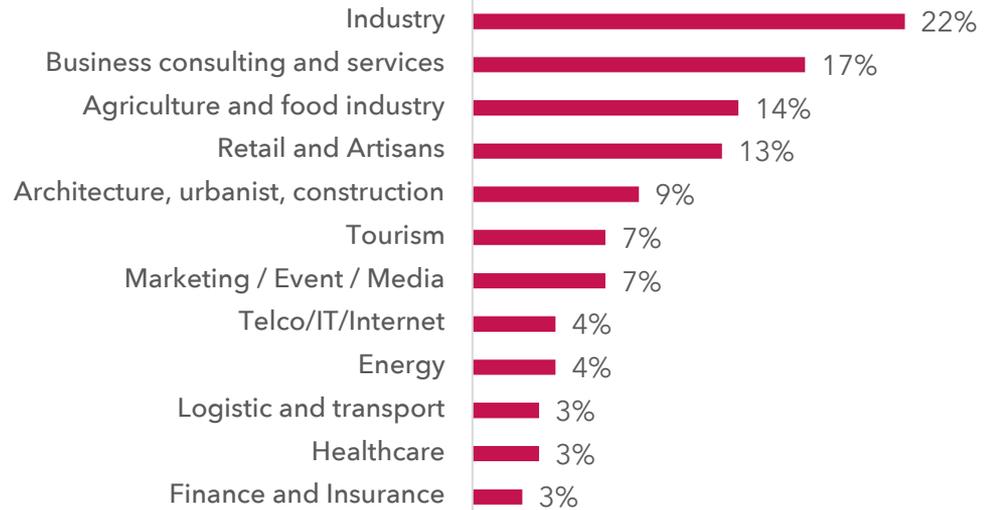
Large companies with 500 more employees are represented by 15 participants.

## 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.

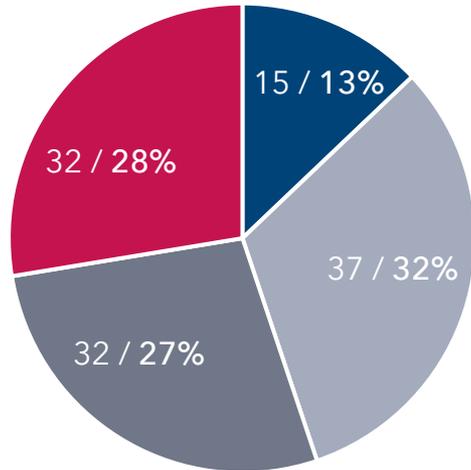
# By location

- ▲ 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

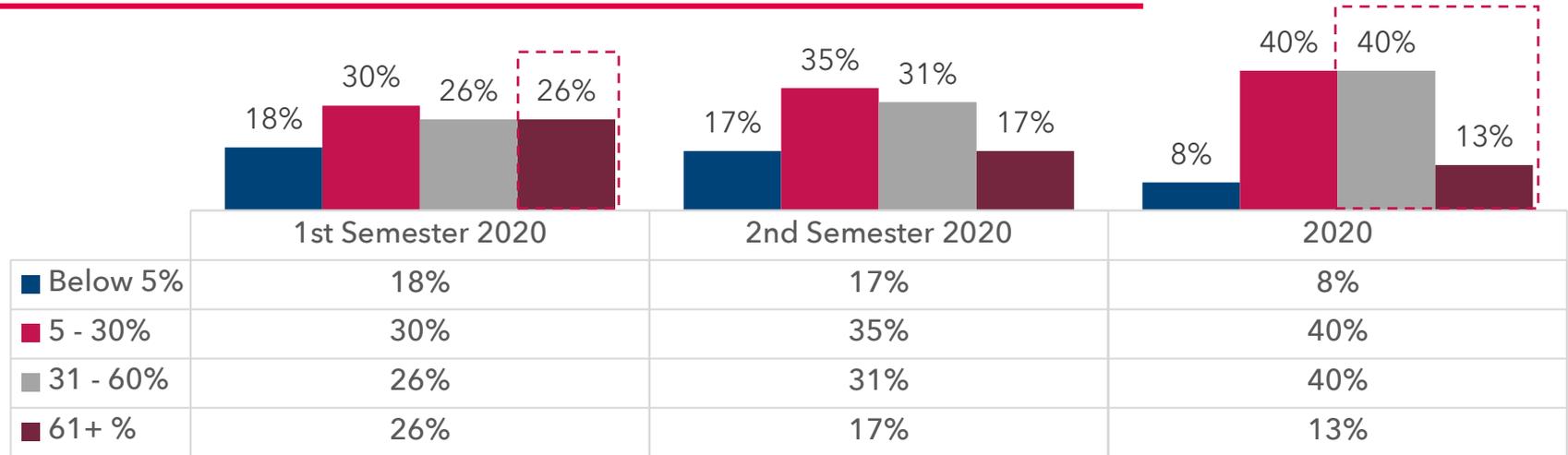
# A situation considered to last...



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

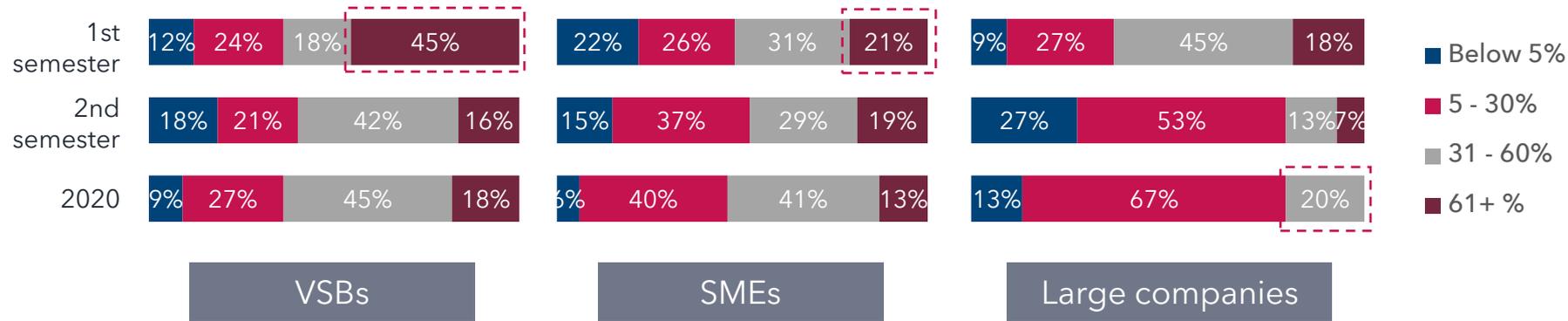
- ▲ Only 13% of the participating companies expect the activity to restart by early May. More think it will resume in the next 2 to 3 months (32%).
- ▲ From a more pessimistic viewpoint, 27% claim that they do not expect any activity before at least early July.
- ▲ 28% of respondents nourish uncertainty,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

# Estimated impact on sales



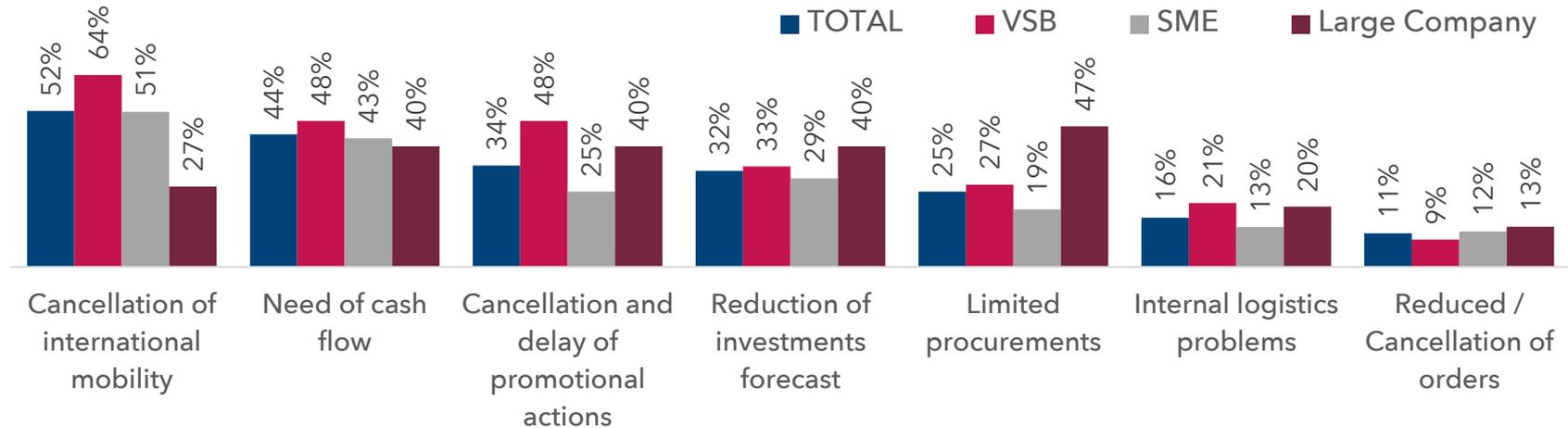
-  One out of four (26%) anticipate a decrease of revenue of more than 60% in the 1<sup>st</sup> semester.
-  In overall, 53% of participants evaluate their annual revenue to be impacted by at least 30% in 2020.

# Estimated impact by company size



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

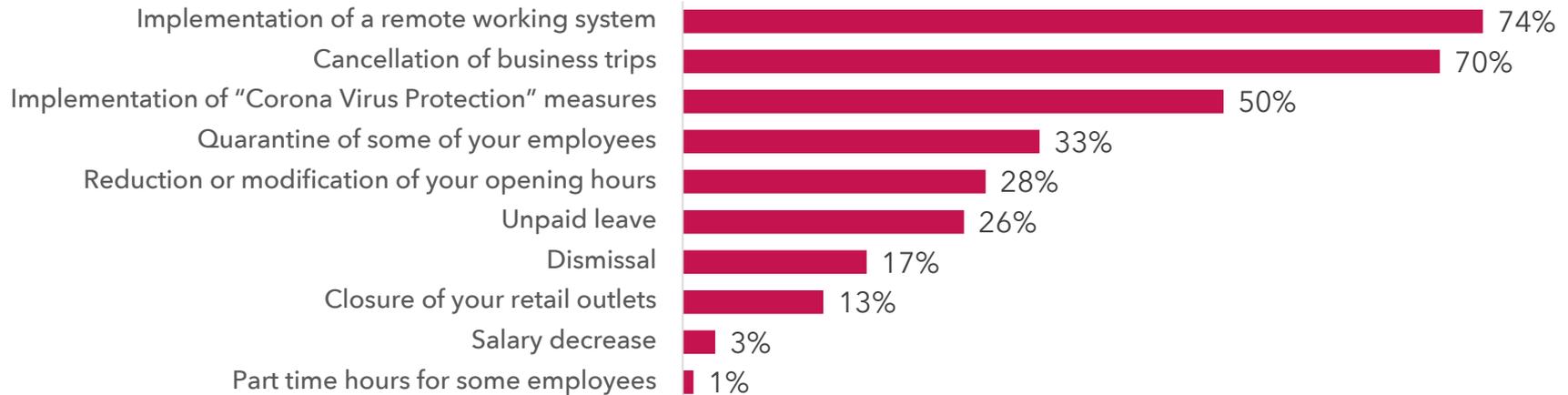
# Problems impacting the business



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 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

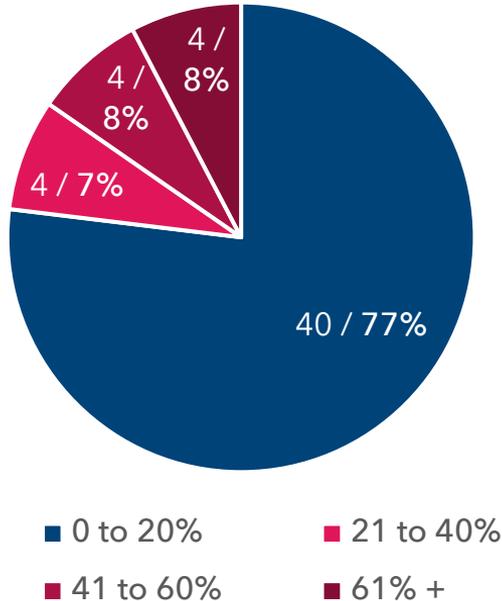


Given the danger of the Coronavirus and to support the social-distancing policy required by the Government, **the implementation of remote working solutions is the most employed method by employers (74%)**. The cancellation of business trips is the 2<sup>nd</sup> most popular measure take (70%)

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



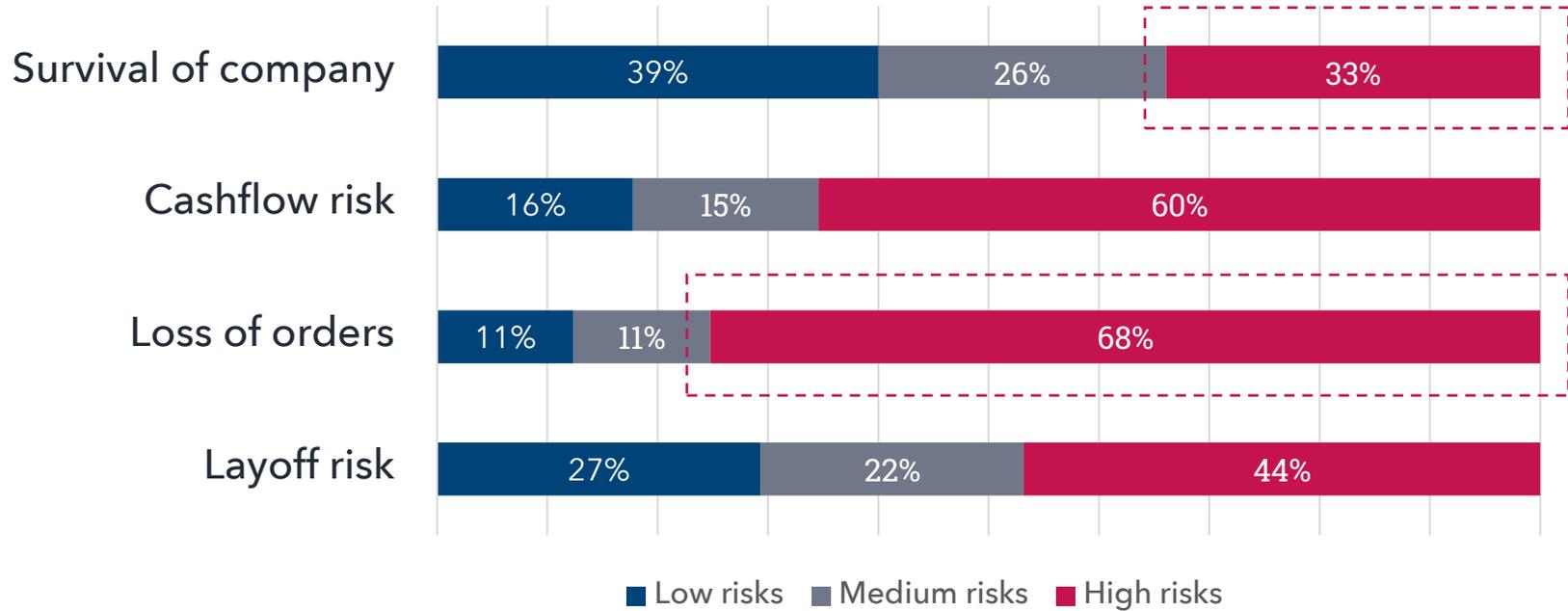
▲ 45% of participants are considering some possible workforce reduction.

▲ 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.

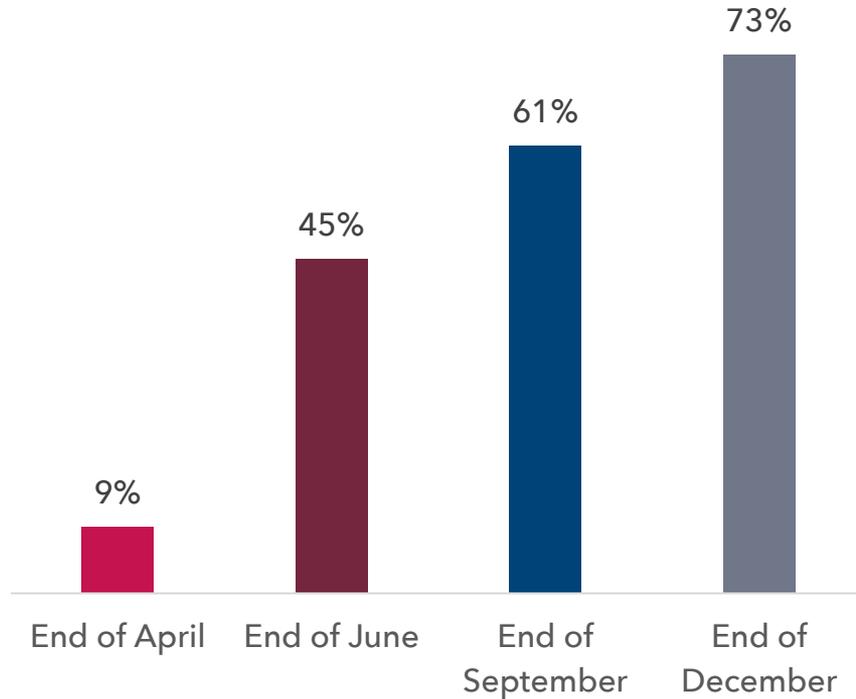
# Risk assessment on the situation



- 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

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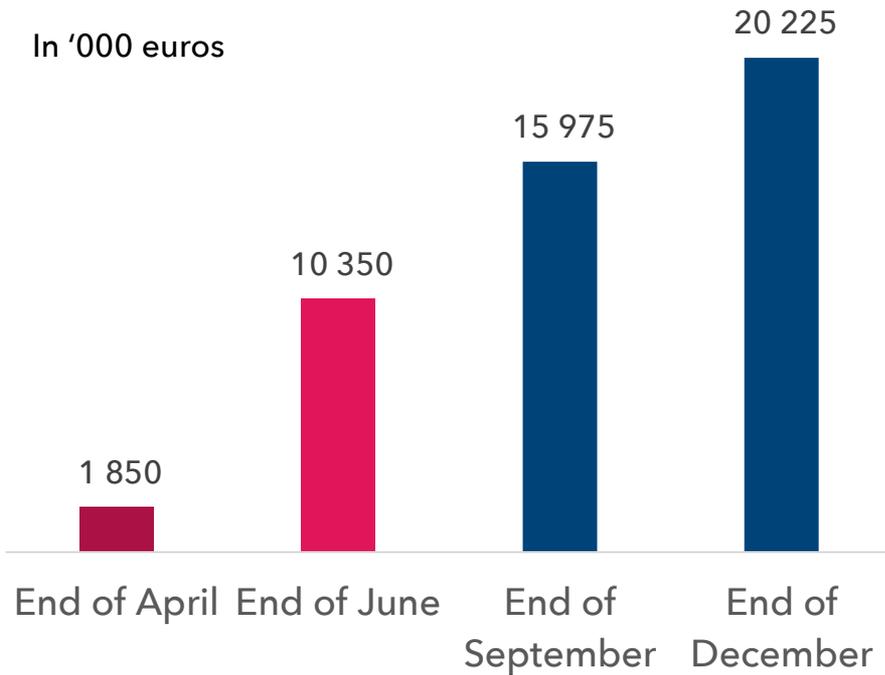


▲ **73%** consider cashflow as posing a short or medium term problem to their operations.

▲ 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



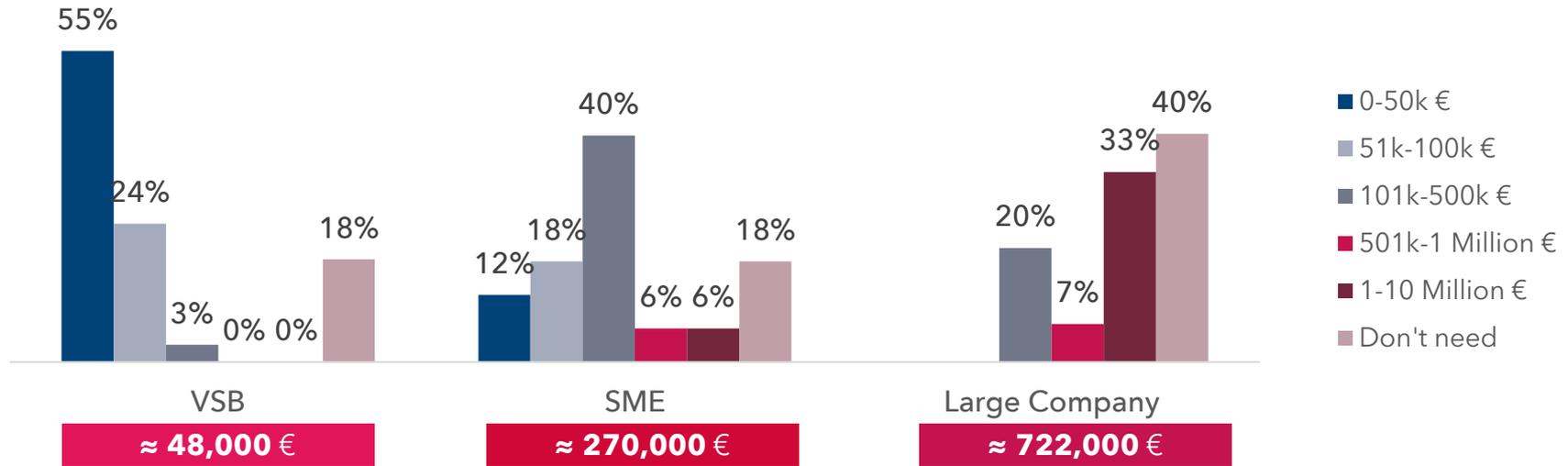
▲ € 10million

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

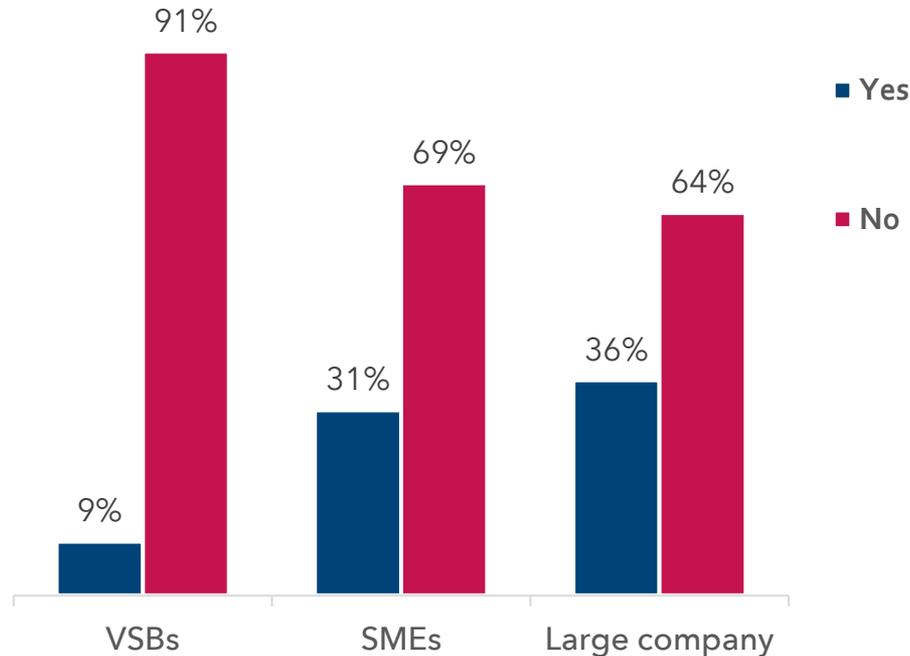


Note : Average calculated, based on the range interval, limited at 1 Million for the highest one.

- ▲ Only 18% of VSB and SME 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

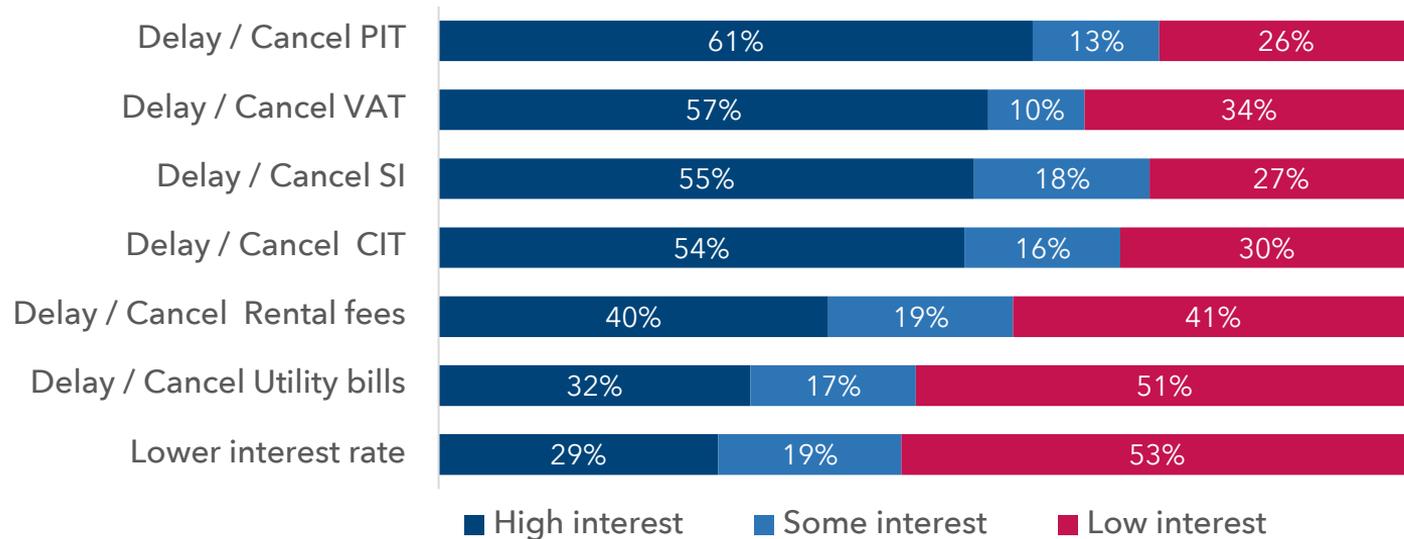


▲ 75% have not yet approached the authorities to ask for support.

▲ 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.



# Stay safe and resilient in this challenging time!

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 **ROSEMONT**  
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