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OF VIETNAMESE BUSINESS
INSIGHT SURVEY QUARTER II/2023



ENTERPRISE DEVELOPMENT INSTITUTE

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LIST OF ACRONYMS

ASEAN	Association of Southeast Asian Nations
Entp	Enterprise
FIE	Foreign-Invested Enterprise
SOE	State-Owned Enterprise
SMEs	Small and Medium-sized Enterprise
EU	European Union
FTA	Free Trade Agreement
D-G	Decree - Government
BO	Enterprise Operations
VBIS	Vietnam Business Insight Survey
VCCI	Vietnam Chamber of Commerce and Industry
EXIM	Import and export

PREAMBLE

1. Context

In 2023, it marks the 12th year since the issuance of Resolution No. 09-NQ/TW on December 9, 2011, by the Politburo. This resolution pertains to the construction and promotion of the role of the Vietnamese enterprise community during the period of intensifying industrialization, modernization, and international integration. The resolution was introduced as a significant source of encouragement and motivation, instilling greater confidence and strength within the Vietnamese enterprise community to stand firm, overcome challenges and obstacles, and contribute to the socio-economic development of the nation.

Building upon the achievements of the previous year, in 2023, the project to implement activities in accordance with Resolution 09-NQ/TW on building and promoting the role of the entrepreneur team continues to be carried out by the Enterprise Development Institute. The objective is to consistently gather feedback from the Vietnamese enterprise community nationwide. This feedback is collected daily and hourly, and, in collaboration with enterprise and the government, aims to translate policies into practical actions and provide specific support for the development of the enterprise community.

Conducting periodic and regular surveys helps government policy-making agencies obtain up-to-date and comprehensive information on the health of enterprises, as well as enterprises' expectations regarding the implementation of government support policies. This process contributes to improving the enterprise environment and creating the best possible conditions for enterprise development.

Through this survey, we identify the challenges that enterprise face, assess the overall health of the enterprise community, and evaluate policies related to enterprise. Based on this information, we can make recommendations to government agencies to support the development or implementation of appropriate and timely support policies for the enterprise community and workers.

2. Necessity for Research

The global economy in the first six months of 2023 has not been as favorable as expected due to the emergence of various unpredictable and

conflicting factors, which have slowed down the recovery process and posed a risk of global economic downturn. Domestically, the economy in the early months of the year is characterized by a mix of positive and negative indicators, such as a growth rate of 3.72%, a fifth consecutive year of negative growth in attracting FDI (Foreign Direct Investment), a decline in both exports and imports, even in major and vital partner markets, and relatively controlled inflation compared to the world, among others.

In such a complex context, the development of the Vietnamese enterprise community in the first 6 months of this year has continuously faced challenges. The number of enterprises entering the market has decreased by 2.8% compared to the same period in 2022, marking the deepest decline in the period from 2016 to 2023. This decline is primarily due to a reduction in the number of enterprise returning to operation. Additionally, the scale of newly registered enterprise in terms of capital and labor has also decreased significantly. The number of enterprise exiting the market in the first and second quarters officially exceeded 100,000 enterprises, marking the fifth consecutive year of positive growth in this indicator. The manufacturing activities of Vietnamese enterprise have been affected due to reduced demand, and the risk of economic recession still exists in major economies.

The "Vietnam Business Insight Survey for the First 6 Months of 2023" is a report conducted by the Vietnam Chamber of Commerce and Industry (VCCI) to assess the current operations situation of the Vietnamese enterprise community. It serves as a basis for ongoing reporting to the government to support the recovery and development of enterprise operations in the coming period.

3. Implementation Objectives

This is a sample survey to collect information on the overall enterprise activities of enterprises and the challenges they face in their production and enterprise operations. The data collected will be shared with the relevant government authorities to help improve the enterprise environment.

In line with the overarching goals set forth in Resolution 09-NQ/TW, the planned activities for 2023 aim to achieve the following specific objectives:

- Evaluate the operations of the enterprise community in the first 6 months of 2023 (through assessing the production and enterprise conditions of

enterprises, the level of completion of production and enterprise plans for the survey period and subsequent periods, etc.).

- Record the assessments of enterprises regarding government policies, which will contribute to providing essential information for state management agencies to support policy planning, economic and social planning, and implementation.

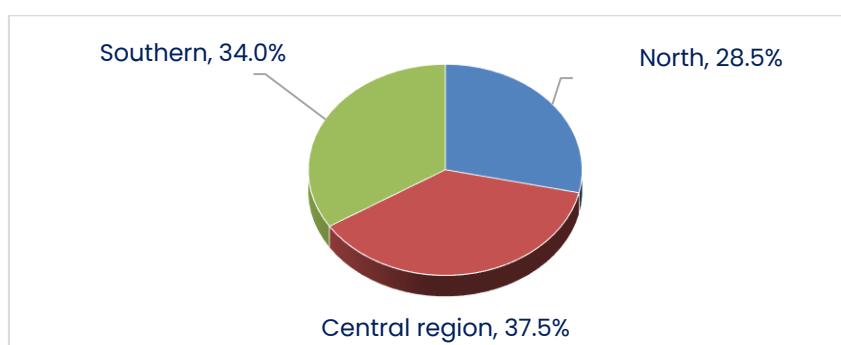
I. OVERVIEW OF ENTERPRISES PARTICIPATING IN THE SURVEY

1.1. Distribution of Enterprises by Geographic Region

Based on data from 400 survey questionnaires collected in 39 provinces/cities across the country, the number of enterprises participating in the survey is relatively evenly distributed among the three regions. However, the highest concentration is in the Central region, accounting for 37.5%, followed by the Southern region with 34%, and the lowest in the Northern region with 28.5%. Although, according to the report of the General Statistics Office, the Northern and Southern regions are the areas with the highest concentration of active enterprises in Vietnam. Nevertheless, the difference in the proportion between reality and the survey sample is not significant, so the reliability and representativeness of the survey sample can be considered acceptable.

Figure 1: Distribution of Enterprises by Geographic Region

Unit: %



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

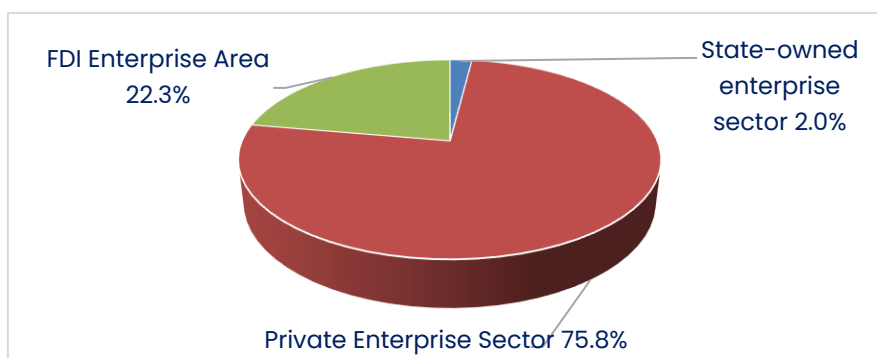
1.2. Distribution of Enterprises by Ownership Type

In terms of ownership type, as much as 75.8% of the surveyed enterprises come from the private sector, 22.3% are enterprises with foreign direct investment (FDI), and only 2% are state-owned enterprises. When considering the correlation among these three sectors, the survey sample reasonably reflects the reality that the majority of enterprises in Vietnam are currently non-state-owned enterprises,

although the proportion in the survey sample is still lower than the figures reported in the White Paper of Vietnamese Enterprises 2022. Conversely, the proportion of surveyed FDI enterprises appears to be higher than the actual figures recorded in the economy.

Figure 2: Distribution of Enterprises by Ownership Type

Unit: %



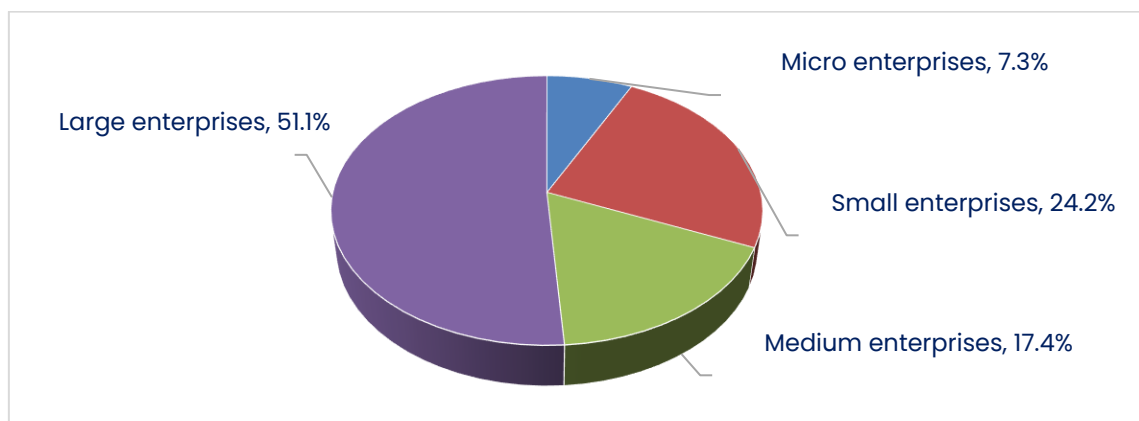
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

1.3. Distribution of Enterprises by Scale

To ensure the survey results are representative and comparable for each group of enterprises, the proportion of enterprises is also covered across all enterprise scales, with the highest proportion being large enterprises (51.1%), followed by small enterprises (24.2%), medium-sized enterprises (17.4%), and finally micro-enterprises (7.3%). However, in reality, the number of micro, small, and medium-sized enterprises in Vietnam is higher than the figures in the survey sample, accounting for over 97%. However, it cannot be denied that large enterprises are the group that has better access to survey and consultation activities.

Figure 3: Distribution of Enterprises by Scale

Unit: %

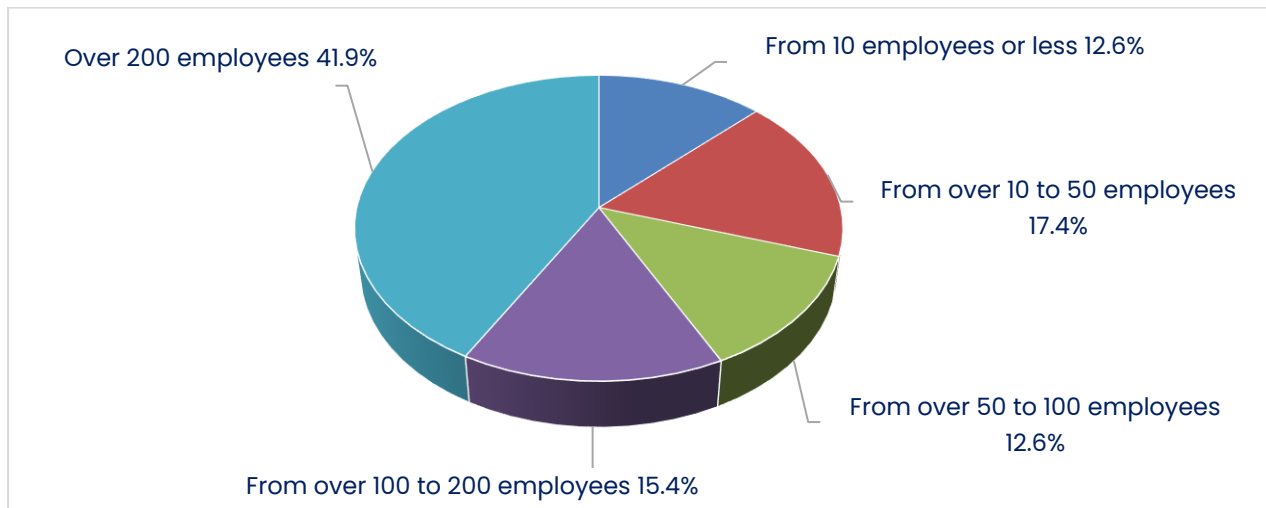


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

In terms of the number of employees, the majority (57.3%) are enterprises with over 100 employees, with 41.9% of enterprises having over 200 employees. This directly correlates with the high participation of large enterprises in the survey. Similarly, enterprises with fewer than 100 employees account for 42.6%, equivalent to small, medium, and micro-sized enterprises.

Figure 4: Distribution of enterprises by number of employees

Unit: %

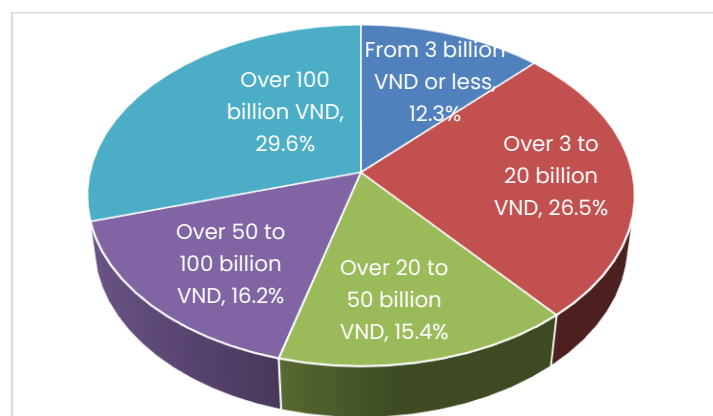


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

In terms of total capital, the highest proportion is represented by enterprises with capital exceeding 100 billion VND, accounting for 29.6%, followed by enterprises with capital ranging from 3 to 20 billion VND (26.5%). The remaining portion is relatively evenly distributed among different capital levels: over 50 to 100 billion VND (16.2%), over 20 to 50 billion VND (15.4%), and under 3 billion VND (12.3%).

Figure 5: Distribution of enterprises by total capital source

Unit: %

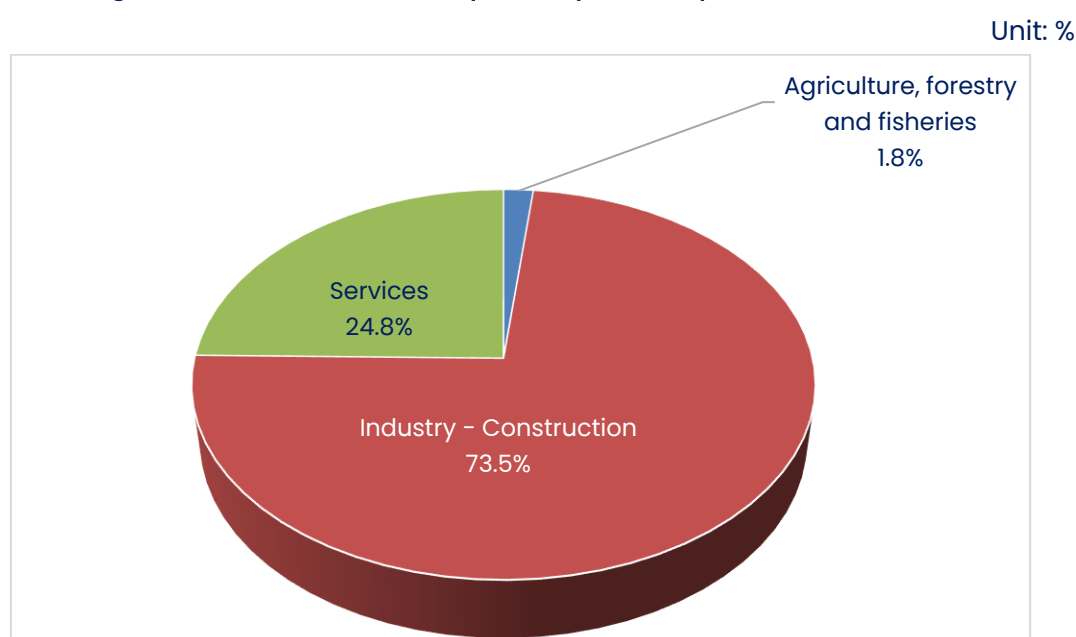


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

1.4. Distribution of Enterprises by Business Sector

In terms of business sectors, surveyed enterprises primarily operate in the Industrial and Construction sector, accounting for 73.5%. Service sector enterprises represent a lower proportion at 24.8%, while only 1.8% of enterprises fall under the Agriculture, Forestry, and Fisheries sector. This survey structure deviates somewhat from the actual distribution of operating enterprises (wherein 67.1% of enterprises belong to the Service sector). However, it is relatively consistent with the evaluation purpose of this report, as the focus is on production activities concentrated within Industrial and Construction enterprises.

Figure 6: Distribution of enterprises by total capital source

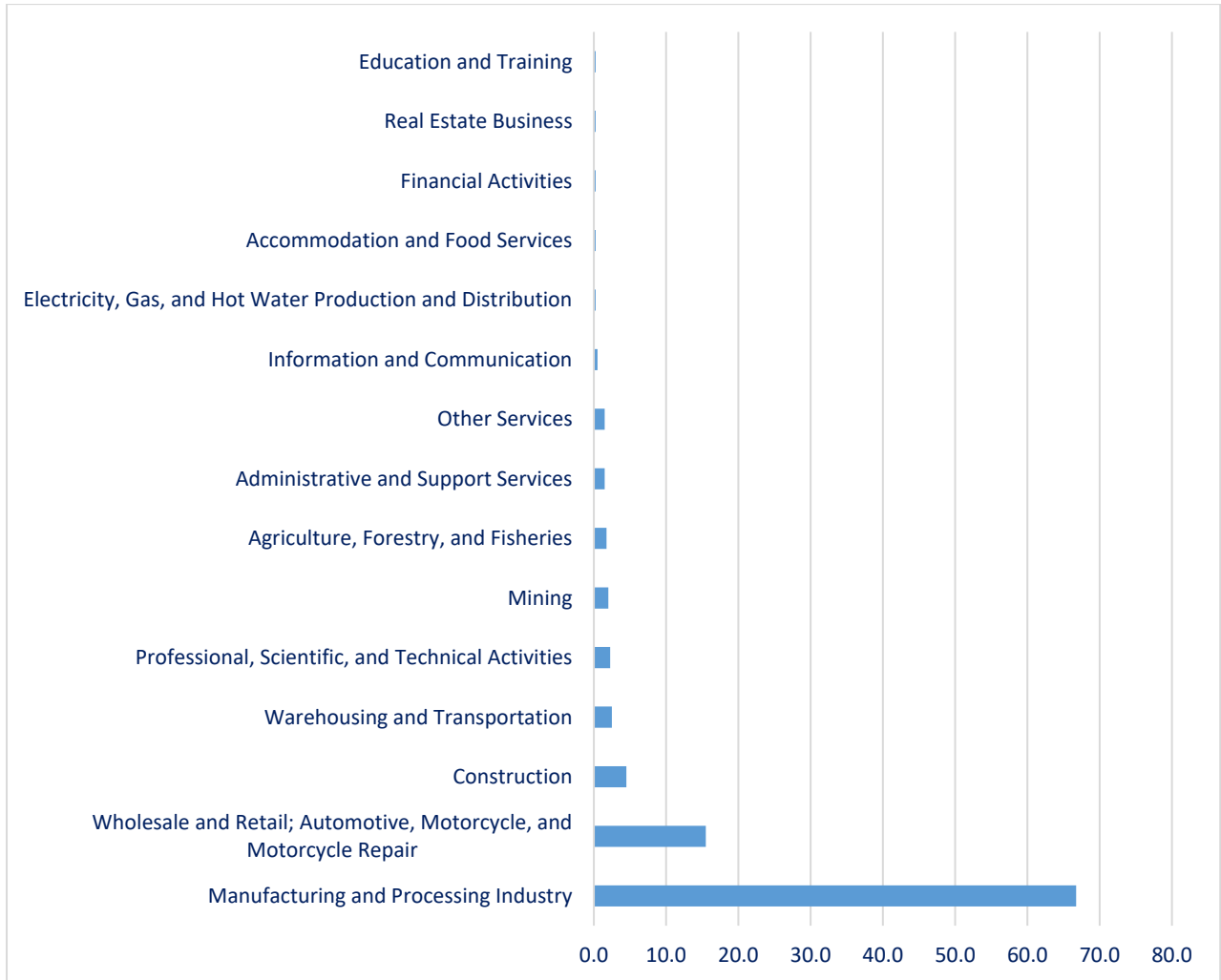


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

In the Industrial sector, enterprises participating in the survey primarily focus on the manufacturing and processing industry, accounting for 66.8%. In the Service sector, businesses in the Wholesale and Retail trade, and repair of motor vehicles, and motorcycles dominate with 15.5%. These two industries alone account for 4/5 of the total surveyed enterprises, which aligns with the fact that they are also the two most densely populated enterprises in the economy. The remaining enterprises are scattered across various sectors, including Construction (4.5%); Transport and warehousing (2.5%); Professional, scientific, and technical activities (2.3%); Mining (2.0%); and less than 2% in other sectors.

Figure 7: Distribution of enterprises by level 2 business sector

Unit: %



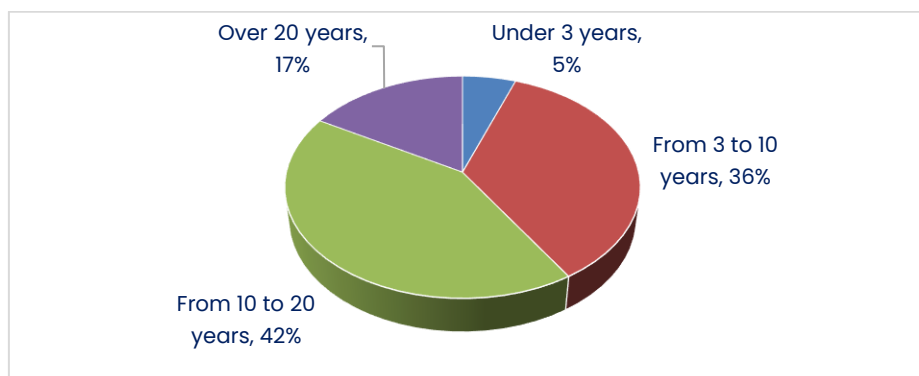
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

1.5. Distribution of enterprises by number of years in operation

Among the surveyed enterprises, the majority are those established before 2013, with nearly half of them (42.3%) having been in operation for over 10 years, and 16.6% having operated for over 20 years. These are experienced enterprises in the economy, often sharp in assessing and forecasting the situation. The number of enterprises in the early stages of business, with less than 3 years of operation, accounts for only 5.5%. These are relatively young and less resilient businesses susceptible to external influences. And therefore, they require attention and support. The rest are enterprises with 3–10 years of operation, having passed the startup phase and gradually entering a stable operating state, accounting for 35.5% of the total surveyed enterprises.

Figure 8: Distribution of enterprises by number of years in operation

Unit: %



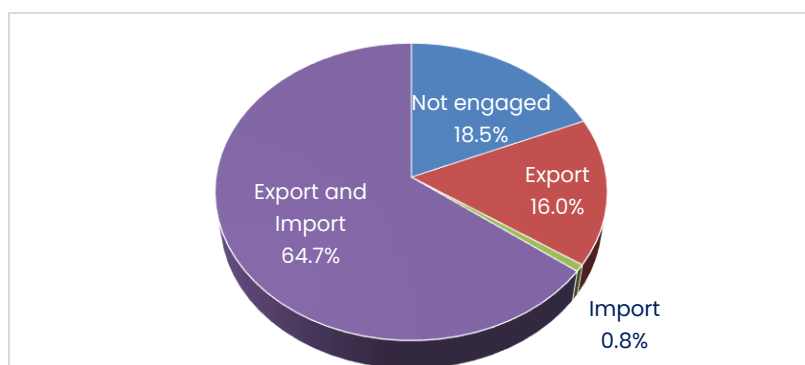
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

1.6. Distribution of enterprises by international integration level

In terms of international integration in production and business, as reflected through enterprises' international trade activities, the majority of enterprises engage in both export and import activities, accounting for 64.7%.

Figure 9: Percentage of enterprises participating in export-import activities

Unit: %



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Furthermore, 16% of the surveyed enterprises only engage in export activities, and 0.8% of them solely participate in import activities. There are still 18.5% of surveyed enterprises that are only operating in the domestic market, with no import or export activities.

II. VIETNAM BUSINESS INSIGHT SURVEY – FOR THE FIRST 6 MONTHS OF 2023

The Vietnam Business Insight Survey (VBIS) is an initiative of the Vietnam Federation of Commerce and Industry supported by The Asia Foundation (TAF), and has been developed since 2010. VBIS is a collection of assessments of the business production and business situation, as well as the perceptions of

enterprises periodically, either quarterly or every 6 months. The VBIS observed (VBIS_O) is an index built based on the assessment of enterprises in this survey period compared to the previous period. The VBIS expected (VBIS_E) is an index constructed based on the perception of enterprises about the future compared to this survey period. The VBIS index is synthesized from important component indices such as Total Revenue, New Order Quantity, Inventory Product, Equipment and Machinery Utilization Efficiency, and the Number of Employees. The component indices are calculated based on the difference between the proportion of enterprises evaluating better and the proportion of enterprises evaluating worse in each index. If the index is greater than 50, it indicates that the business situation is trending positively, and vice versa.

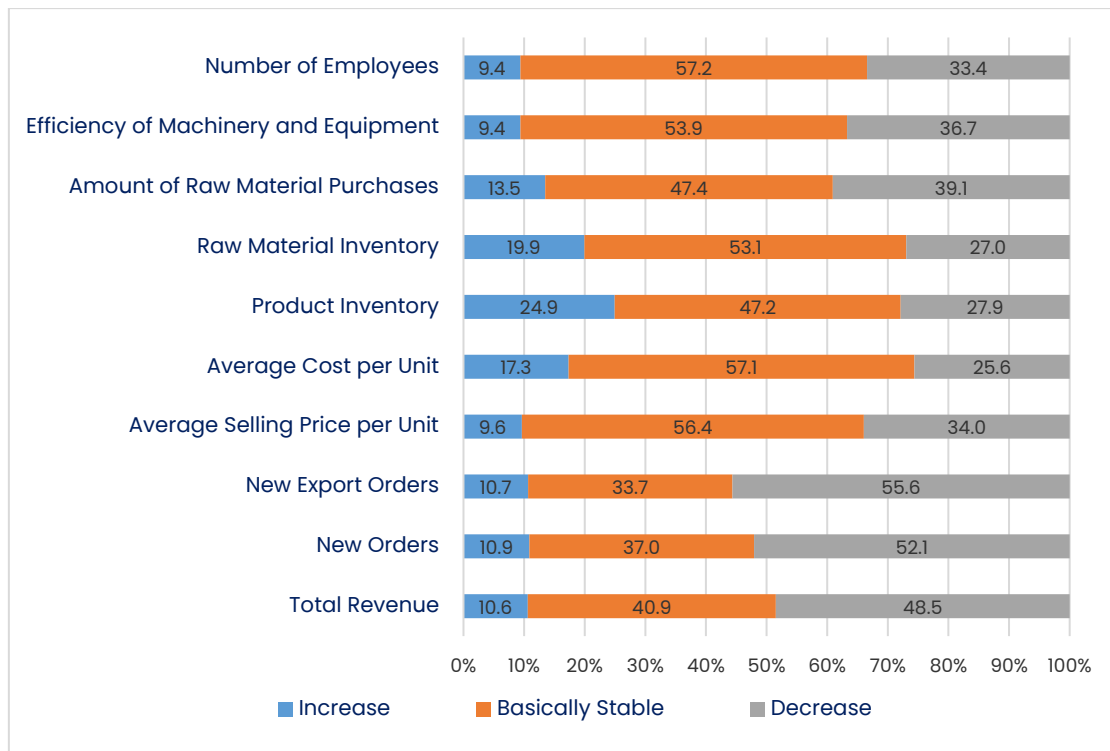
2.1. The Vietnam Business Insight Survey observed (VBISO) for the First 6 Months of 2023

Survey results for the first 6 months of 2023 show that "business activities" are tending to worsen compared to the end of the previous year. Although stability has been established in most aspects with the majority of enterprises rating from 45 to 57%, many signs indicate that the pressure remains significant. Evidence of this is that for all 10 out of 10 productions and business factors surveyed, a decrease is more prevalent than growth, with a higher proportion of enterprises reporting declines compared to those reporting growth.

In particular, the most serious situation is related to New Export Order Quantity. As much as 55.6% of enterprises have to bear the decline, while only 10.7% of enterprises report the opposite. This is a situation that has been similarly noted in the previous assessment period, caused by the general economic downturn globally amid persistently high and prolonged inflation and continued tight monetary policies in many countries, eroding consumer purchasing power. Although less severe than in the export sector, New Domestic Order Quantity still records a decline in 52.1% of enterprises, while the proportion of growth is only 10.9%, indicating a negative domestic market situation. Even if Vietnam is considered one of the countries with good control of inflation and macroeconomic stability, external risks still have a significant impact on business confidence and domestic consumption psychology. The combination of these two factors has led to a decrease in the Total Revenue for the first 6 months of 2023 for 48.5% of enterprises, while it only increased for 10.6% of enterprises.

Figure 10: Current status of production and business situation of enterprises in the first 6 months of 2023 compared to the last 6 months of 2022

Unit: %



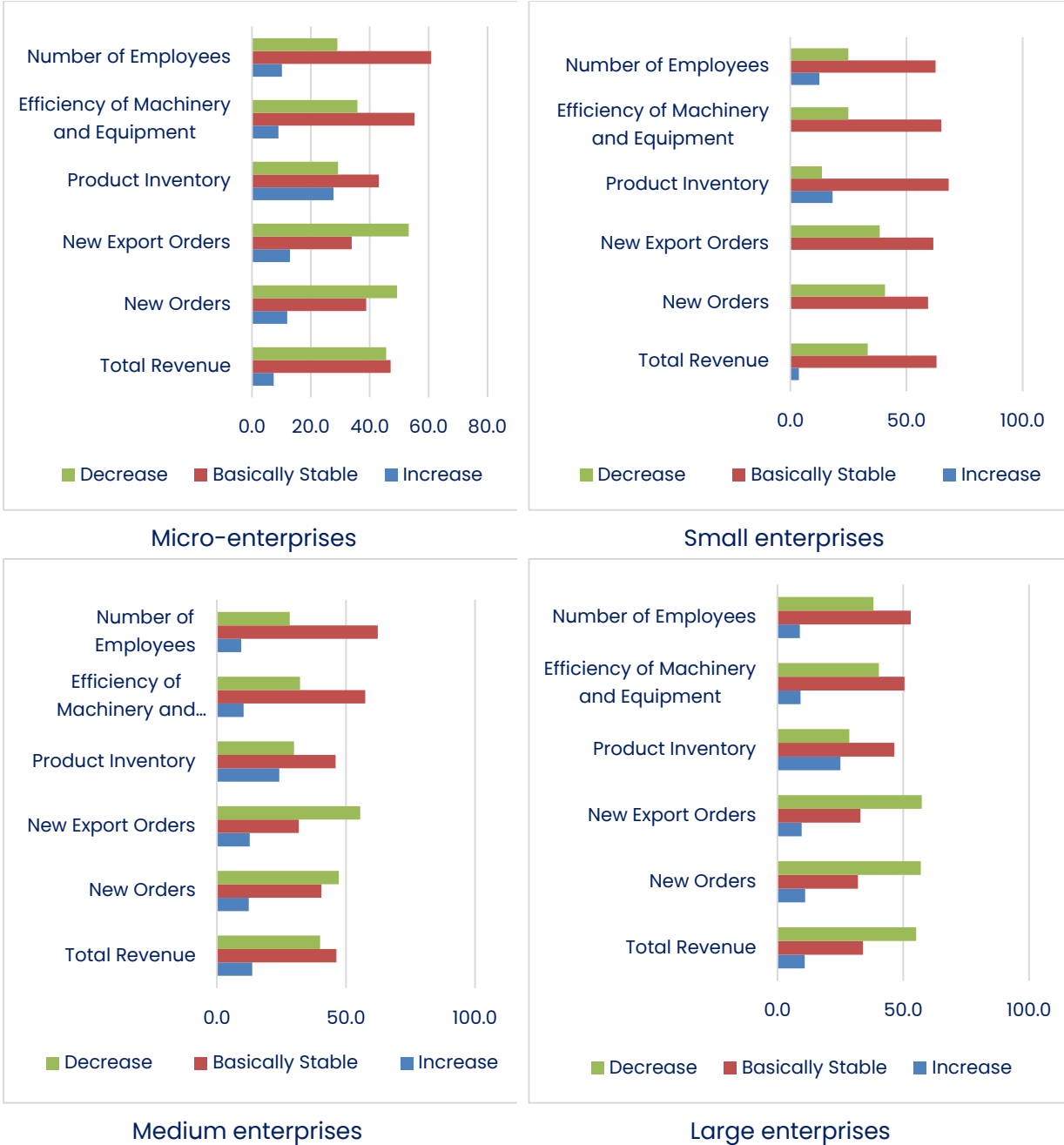
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

The declining purchasing power has directly affected the Quantity of Purchased Raw Materials (39.1% of enterprises reported a decrease compared to 13.5% reporting an increase). The Efficiency of Machinery and Equipment Usage also saw a decline (36.7% of enterprises reported a decrease compared to 9.4% reporting an increase). Consequently, Inventory Levels have stabilized somewhat (27.9% reported a decrease compared to 24.9% reporting an increase). A bright spot is that, in the context of ongoing inflation, the cost and selling prices of products have largely remained stable, according to most enterprises.

When considering the scale of enterprises, it can be observed that at the super-small enterprise scale, although there hasn't been significant improvement compared to the end of the previous year, stability has been achieved to a considerable extent (accounting for over 60%). Conversely, the level of stability tends to decrease as the scale of enterprises increases. For small and medium-sized enterprises as well as large enterprises, although there is a portion of enterprises still reporting growth, it is accompanied by a higher proportion of enterprises reporting a decline. The level of damage tends to be proportional to the scale of the enterprise.

Figure 11: Current status of business production and operation for enterprises in the first 6 months of 2023, classified by scale

Unit: %

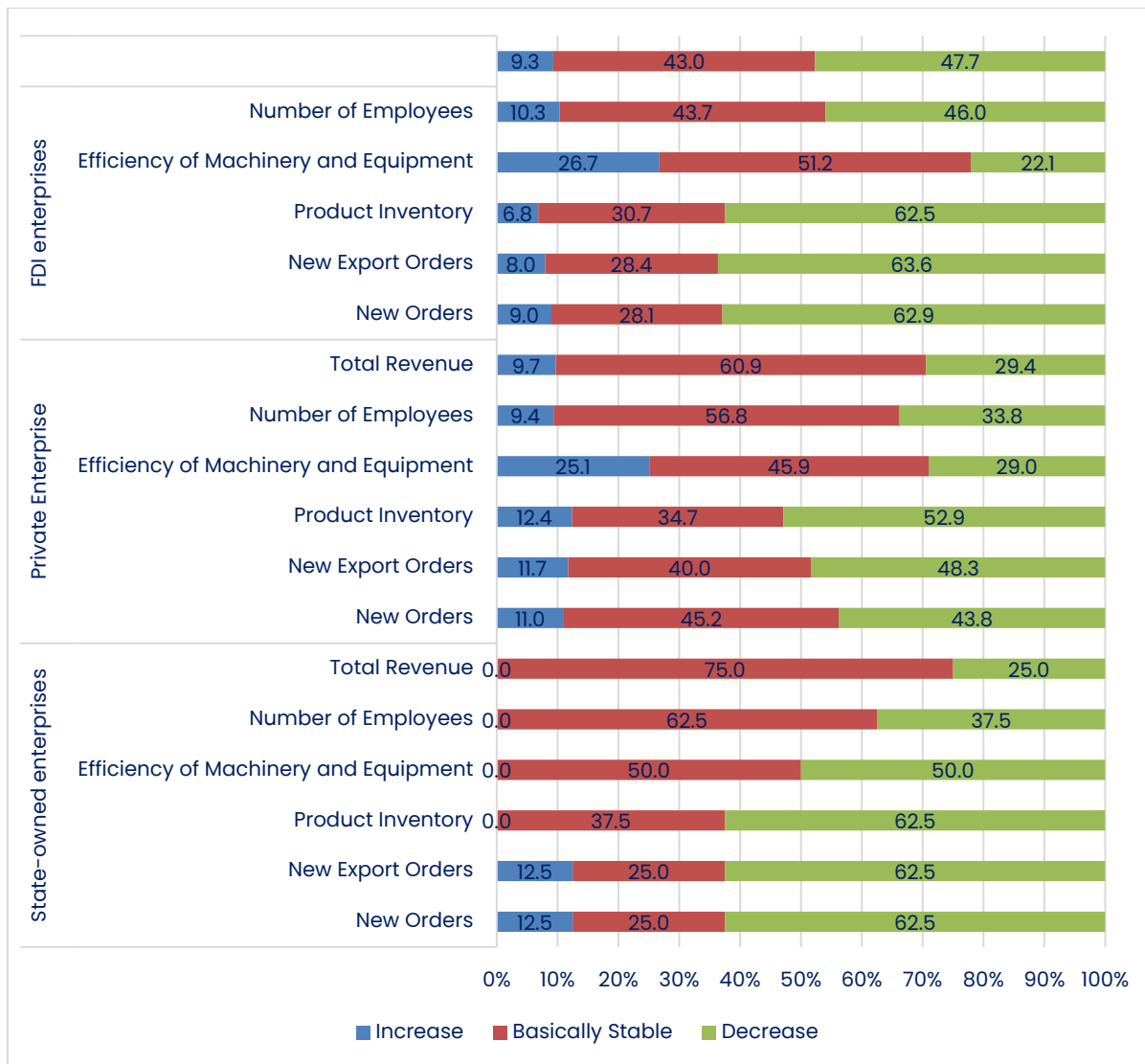


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

In terms of ownership types, compared to the end of last year, by the end of the first 6 months of this year, the production and business situation of private sector enterprises has shown relatively less variation compared to the other two sectors, especially in terms of New Orders and Total Revenue. Meanwhile, these are aspects where state-owned enterprises (SOEs) and foreign-invested enterprises (FDIs) have witnessed unfavorable changes.

Figure 12: Current status of business production and operation for enterprises in the first 6 months of 2023, classified by ownership type

Unit: %



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

When comparing the detailed indices reflecting the activities of enterprises, it can be seen that the overall business production and operation situation of enterprises in the first 6 months of 2023 is much worse than in the fourth quarter of 2022. Specifically, all the indices are in the negative range, similar to the results of the fourth quarter of 2022, but the values are much lower, ranging from 2 to 10 times lower, indicating the severity of the Challenges in production and business activities in the first half of this year. Among them, the largest difference is in the pillars of New Orders, Total Revenue, and Input Material Purchases.

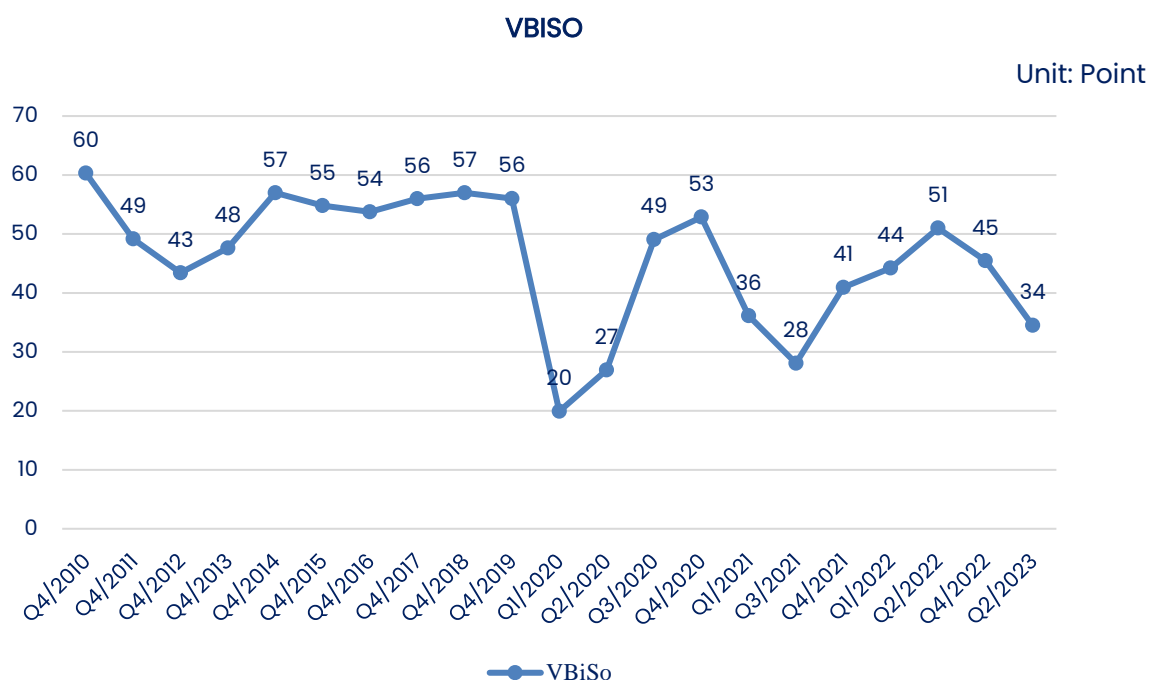
Figure 13: Component indices of the production and business operation trends of enterprises in the first 6 months of 2023 compared to the previous year



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

The Vietnam Business Insight Survey Observed in the first 6 months of 2023 has decreased to 34 points, marking the second consecutive year of decline since the 45-point level in the fourth quarter of 2022. It is the fourth-lowest score in the past 13 years, and the score continues to fall below the average threshold, making it increasingly challenging to improve beyond the 51-point level achieved in the same period last year. Out of the 10 Vietnam Business Insight Surveys conducted in the three years from 2020 to 2022, the VBISO index reached above-average scores only in the fourth quarter of 2020, the fourth quarter of 2021, and the second quarter of 2022, while the rest remained below average. This once again indicates that the Vietnamese business community is enduring an unprecedented and prolonged period of difficulty, with successive pressures weighing heavily on their shoulders.

Figure 14: Vietnam Business Insight Survey Observed index in the first 6 months of 2023 -



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

2.2. Business Plan Achievement Level in the First 6 Months of 2023 for Enterprises

It is regrettable that in the midst of such a challenging economic environment, the progress toward achieving the business goals has been significantly impacted. As a result, approximately 75% of enterprises have been unable to complete their business plans by the end of the first half of 2023. This situation applies to all criteria, with nearly equivalent proportions. Approximately 1/4 of businesses have completed their plans below 50%, and only 2.5% - 3.5% have exceeded their plans.

The global economic slowdown has affected key trading partners of Vietnam, such as the United States and the European Union. Meanwhile, traditional partner China's recovery has been slower than expected. This has affected both market development and product development plans of enterprises, leading to developments that do not meet expectations. Nearly 70% of businesses have not completed their plans, of which approximately 23% have completed less than half of their plans.

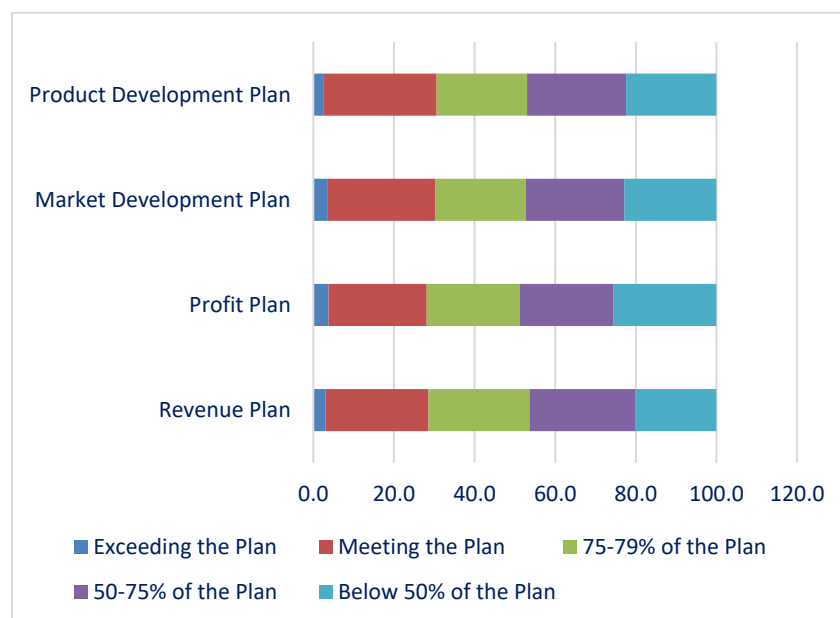
Lower demand and declining orders have had a significant impact on revenue and profit plans. Profit plans have been under additional pressure from

high prices and production costs, resulting in a higher proportion of businesses achieving less than 50% of their plans.

Comparing the survey results to previous years, the data for the first half of this year shows a significant deterioration. Even during the COVID-19 pandemic outbreak in 2021, only 16–19% of businesses completed plans below 50%, and less than one-fifth of businesses completed plans from 50–75% during the same period. In 2022, the figures were 6–10% and 17–20%, respectively. In contrast, the number of businesses that completed plans in 2022 was much higher, all reaching over 35% to nearly 40%.

Figure 15: Completion of the enterprise’s proposed business plan in the first 6 months of 2023

Unit: %

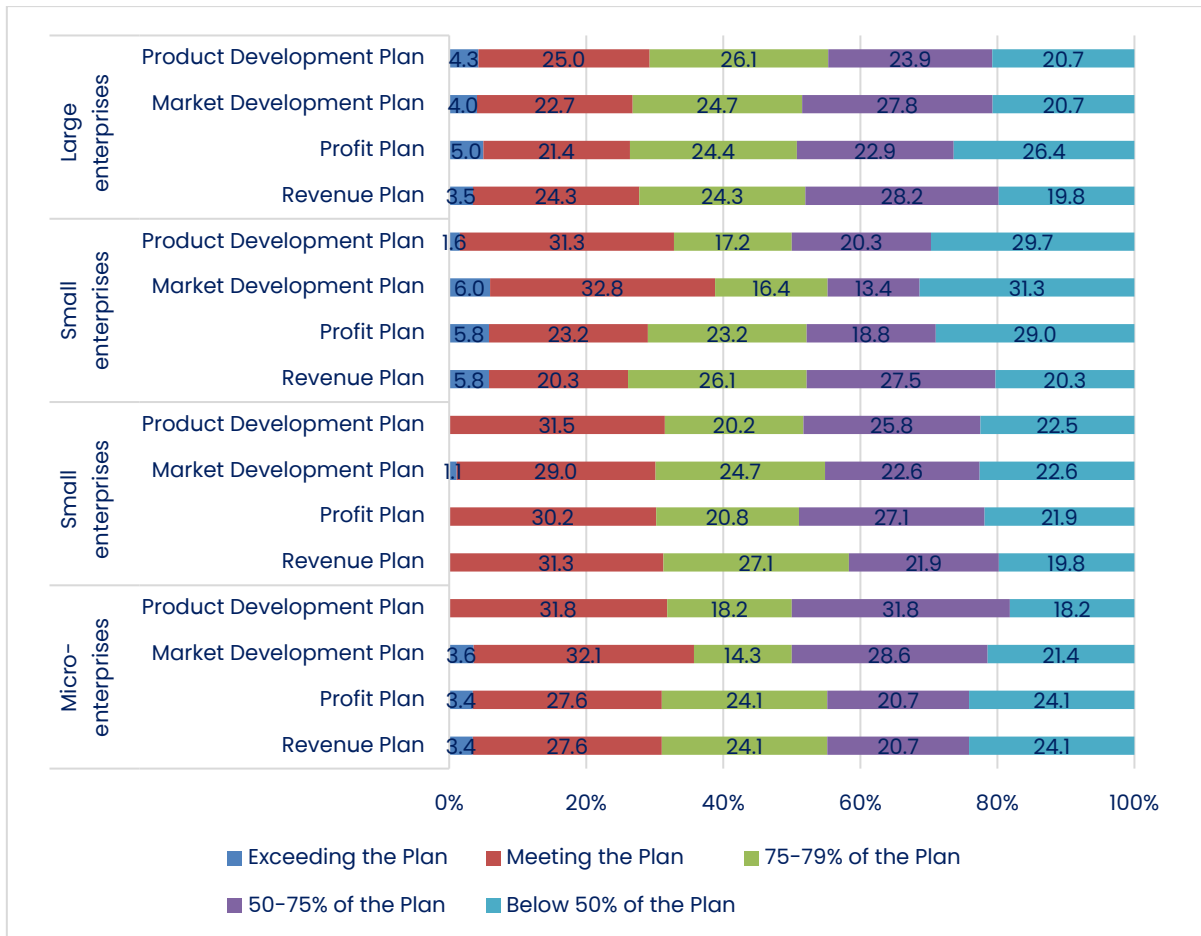


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

When considering businesses of different scales, it's evident that the challenging context has had negative impacts on the achievement of objectives for enterprises across all scales. For small and micro-scale businesses, although the percentage of those surpassing their set targets is low (below 4%), a higher proportion of these businesses manages to complete their plans (approximately 30% on average). Conversely, for medium and large-scale enterprises, while there is a higher percentage of businesses exceeding their plans (ranging from 4–6%), simultaneously, a larger proportion of these businesses falls below 50% of their targets.

Figure 16: Completion of the proposed business plan of enterprises in the first 6 months of 2023 by scale

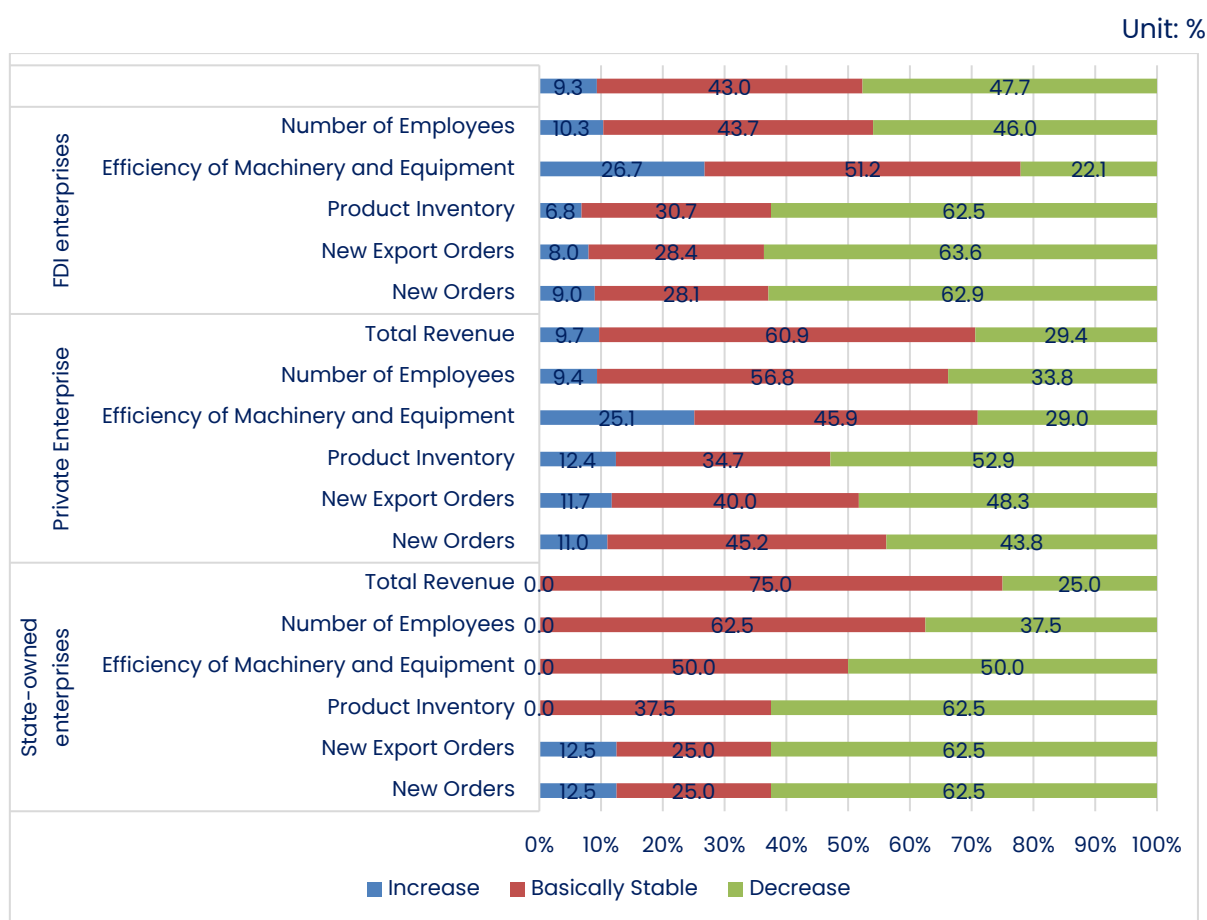
Unit: %



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

In terms of ownership type, although no state-owned enterprises have achieved business results that exceed their plans in the first 6 months of 2023, the proportion of these businesses completing less than 50% of their plans is a small portion (below 15%). The majority of them achieve completion levels between 50% to 80% of their plans, and a few rare cases reaching 100% of their plans, especially in terms of revenue. On the contrary, private enterprises and foreign direct investment (FDI) enterprises exhibit a wider range of performance. A small percentage (around 2-4%) of these enterprises exceed their plans, at the same time, a significant proportion falls below 50% of their targets. Among these, the completion rate of plans for FDI enterprises is slightly lower than that of private enterprises.

Figure 17: Business plan completion status for the first 6 months of 2023, categorized by ownership type



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

2.3. Production and business conditions of enterprises in the first 6 months of 2023

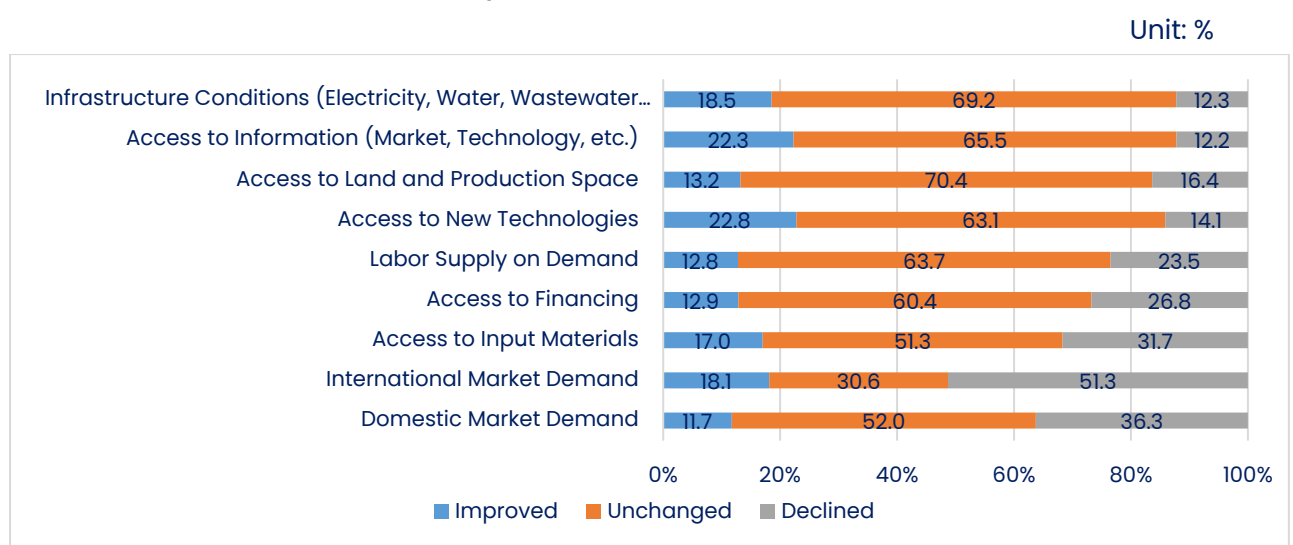
In the first 6 months of 2023, the overall production and business conditions of enterprises are generally stable, with most factors having a high percentage of businesses evaluating them as "Unchanged," exceeding 50%. Approximately 11-22% of businesses perceive growth, while the percentage of businesses perceiving a "Decline" varies but is mainly below 25%.

However, the trend of stability is more prominent for domestic factors, whereas for foreign production and business conditions, signs of decline become more serious. It is evident that 8 out of 9 surveyed factors have a high percentage of businesses perceiving "Unchanged," ranging from 50-70%, indicating relatively high stability. The only factor with a percentage below 50% (specifically 30.6%) is International Market Demand. International demand is also the only factor where

over 50% of businesses report a decrease, which is 1.5 to 5 times more than the assessment results for other production and business conditions.

Demand is also a prominent keyword often mentioned when discussing factors that have posed obstacles to businesses' operations in the first half of 2023. It's not just external demand; economic instability combined with low business confidence and lingering damage, even after the end of the pandemic, have affected domestic demand. Although domestic demand is more stable with 52% of businesses reporting stability, it has also declined for 36.3% of businesses.

Figure 18: Changes in Business Production and Operating Conditions in the First Half of 2023 Compared to the First Half of 2022



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Similarly, concerning the factor "Access to input materials," the stability rate is only 51.3% of enterprises, along with 31.7% of enterprises assessed as "Declining." The principal reasons are the slow cooling of prices, which has kept raw material costs at a high level.

For "Access to capital" and "Labor supply on demand," although the stability rates are high (60.4% and 63.7% of businesses, respectively), there are still a significant number of businesses perceiving adverse changes (26.8% and 23.5% of businesses, respectively). Regarding capital access, despite the fact that both deposit and lending interest rates at banks have decreased by about 1.4-2.6% compared to the beginning of the year, according to business feedback, these interest rates are still too high to access.

Conversely, some production and business conditions, while not improving significantly compared to previous assessments, still maintain balance in the

current complex context. Notably, "Access to new technology" (22.8% improved, 63.1% unchanged); "Access to information sources" (22.3% improved, 65.5% unchanged); and "Infrastructure conditions" (18.5% improved, 69.2% unchanged).

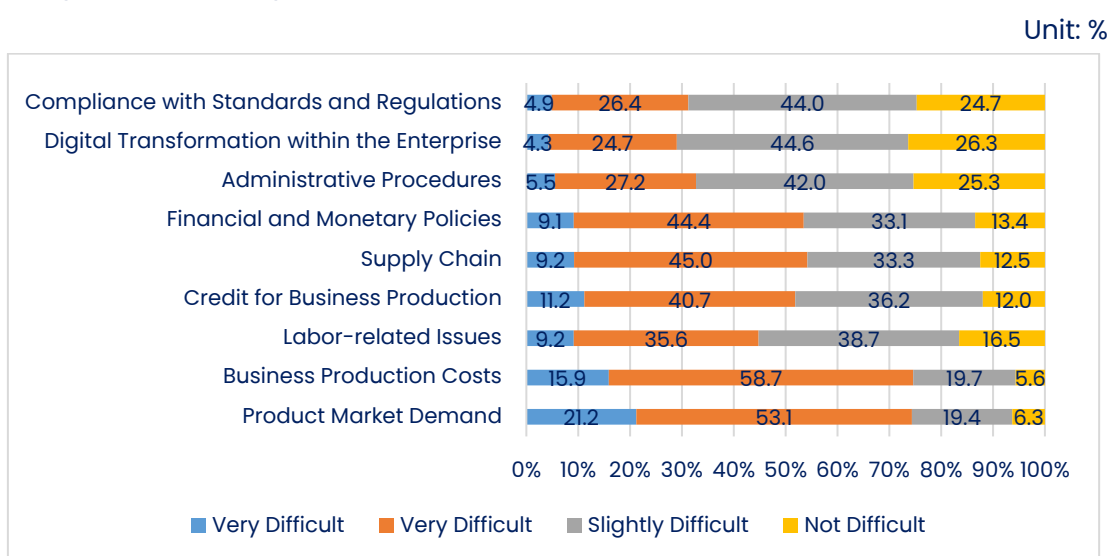
III. CHALLENGES AND THE IMPACT OF SUPPORTIVE POLICIES ON BUSINESS RECOVERY IN THE FIRST HALF OF 2023

3.1. Primary Challenges Encountered by Businesses in the First Half of 2023

The economic landscape in both domestic and international arenas during the first half of 2023, though varied, leaned more toward challenges than opportunities, typically: the prolonged Russia-Ukraine conflict, persistently high inflation, elevated interest rates, and continued tight monetary policies in major economies such as the United States and Europe, with no substantial signs of improvement. Purchasing power from critical trade partners also weakened, and the growing complexity of climate change and extreme weather events added to the challenges.

These Challenges continuously tested businesses, affecting a wide range of sectors. They impacted market conditions, production costs, and access to credit, labor availability, interest rates, and more. Out of the nine surveyed aspects, five revealed that over 50% of businesses faced significant to very significant challenges. Particularly noteworthy were the aspects of "Market for Product Consumption" and "Production and Business Costs," where over 70% of businesses reported facing significant to very significant challenges.

Figure 19: Challenges that enterprises face in the first 6 months of 2023



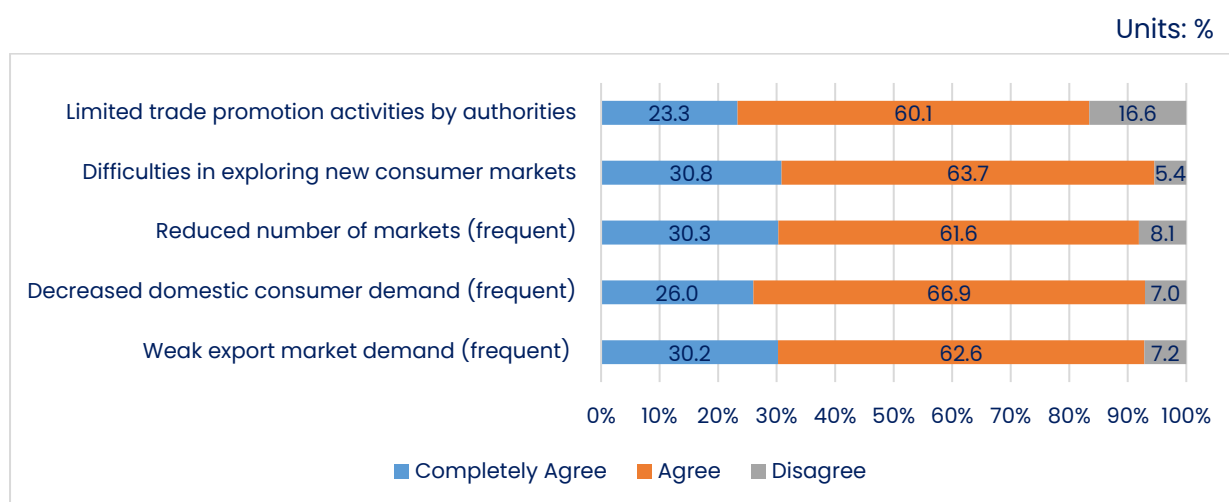
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

3.1.1 Challenges in the Product Consumption Markets

In particular, after decades of strong growth, global trade has had to face a series of challenge such as political tensions, supply chain disruptions, high energy prices, and weakened production, leading to a sharp decline in consumer purchasing power and confidence. In the first and second quarters of 2023 consecutively, key export industries in Vietnam were severely impacted and faced numerous challenges due to the global economic slowdown, especially in markets that are major trading partners of Vietnam. Domestically, the economic situation, interest rates, and inflationary pressures have negatively affected consumer sentiment, leading to increased saving and precautionary behavior among consumers.

As a result, the issue of consumer product markets became one of the top concerns for businesses over the past six months, with 53.1% of businesses finding it challenging and 21.2% of businesses finding it very challenging. The Purchasing Managers' Index (PMI) in the manufacturing sector also indicated that businesses faced Challenges in securing new orders, both domestically and for export, with a notable decrease in the number of new orders in all three manufacturing sectors. The most significant decline was observed in the production of intermediate goods, followed by consumer goods and basic investment goods

Figure 20: Challenges in product consumption markets that businesses face in the first 6 months of 2023



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Specifically, 94.5% of businesses agree or strongly agree that obstacles to the consumer product market stem from Challenges in tapping into new consumer markets. Additionally, 93.1% of businesses believe that challenges arise

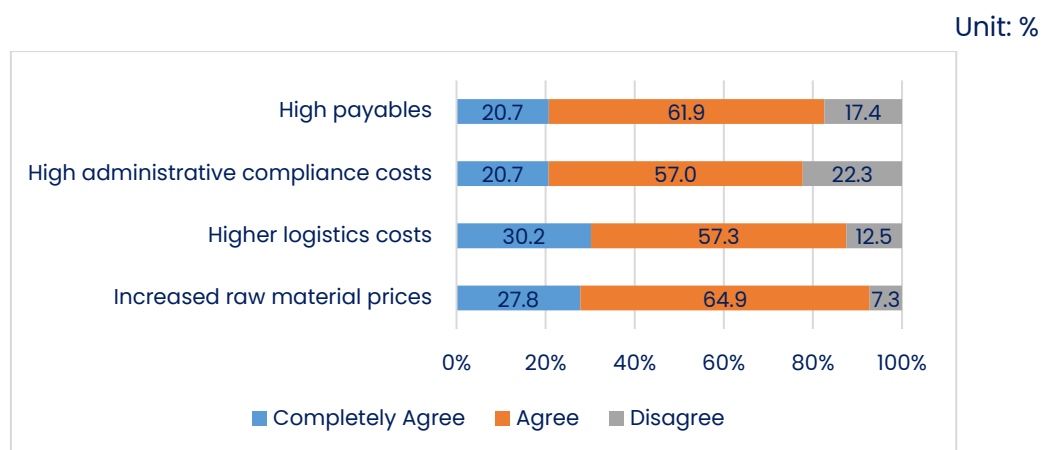
from weak demand in export markets, and 92.9% attribute some of the Challenges to reduced domestic demand. Furthermore, constraints in trade promotion activities by authorities have also hampered 83.4% of businesses in product consumption.

3.1.2 Challenges in Production and Business Costs

In parallel with market issues, production costs have also been a significant burden on businesses. With 58.7% of businesses facing Challenges and 15.9% finding it very challenging, it is evident that despite global inflation having passed its peak and energy price pressures subsiding, prices have not yet stabilized. On the other hand, when orders decrease both in quantity and value, and inventory consumption slows down, and cost becomes a major concern for the sustainability of business operations.

Specifically, the impact of input material prices on production costs has been recognized by 92.7% of businesses, while rising logistics costs have affected 87.5% of businesses. Earlier in April, the government issued a resolution addressing some support policies to reduce costs for businesses, such as continuing to implement solutions to support taxes, fees, charges, and land rents; supporting the reduction of costs for agricultural production inputs; resolving cost management Challenges and establishing standards for businesses; proposing amendments to the retail electricity price structure. However, 82.6% of businesses still consider high tax obligations as one of the factors increasing production costs, raising questions about the effectiveness of the government's policy implementation.

Figure 21: Challenges in production and business costs that businesses face in the first 6 months of 2023

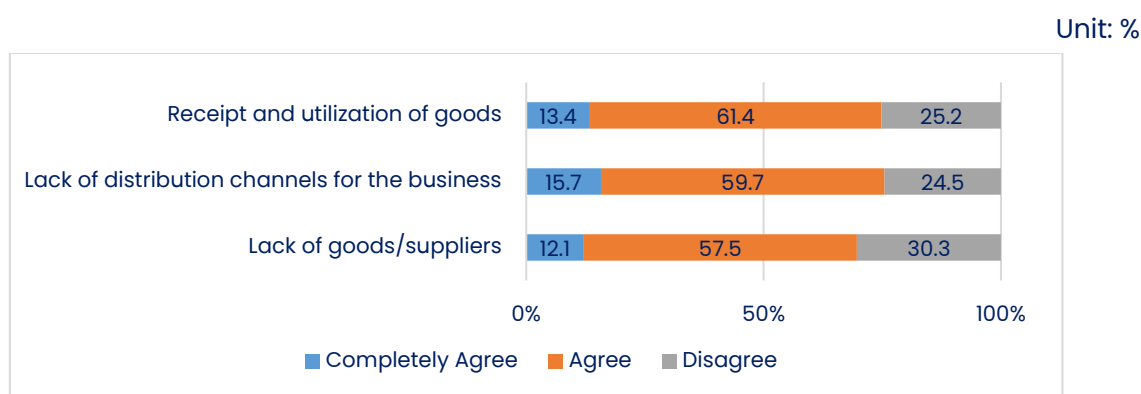


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

3.1.3 Challenges in Supply Chain

In line with the general challenges of global trade, issues related to the supply chain, including shortages, bottlenecks, and transportation disruptions, have persisted since the COVID-19 pandemic. These continue to exert pressure on Vietnamese businesses, albeit gradually decreasing, with 45% of businesses facing Challenges and 9.2% finding it very challenging in the first six months of this year. Among these challenges, the lack of distribution channels remains the leading cause, affecting 75.5% of businesses in supply chain issues. Other reasons include Challenges in receiving and using goods (74.8% of businesses) and shortages of goods or suppliers (69.7% of businesses).

Figure 22: Challenges in the Supply Chain Faced by Businesses in the First 6 Months of 2023



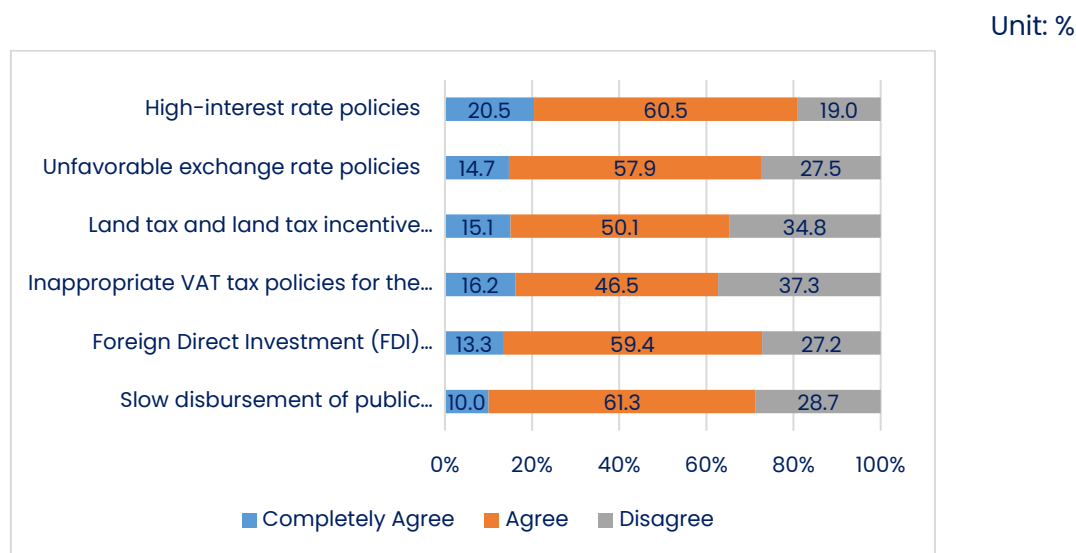
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

3.1.4. Challenges in fiscal and monetary policies

The implementation of fiscal and monetary policies by the Vietnamese government to control inflation and macroeconomic stability has inadvertently affected business operations, with over 50% of businesses reporting disadvantages in the first six months of 2023. On top of already high deposit interest rates from the previous year, commercial banks are currently unable to significantly reduce lending interest rates as they still have to bear a large repayment burden, despite more favorable inflation and exchange rate conditions. With high deposit interest rates like these, the deposit term is from six months to one year, and even those maturing in December 2023 or later, have not yet repaid the principal and interest, not to mention term deposits of two to three years with high-interest rates extended until 2024–2025. The government and the State Bank of Vietnam have been resolute in addressing interest rate issues, having lowered interest rates four times in the past three months. However,

lending interest rates have not decreased significantly, and in some cases, hardly at all. This has led to 90% of businesses still facing high borrowing interest rates, even when there is ample capital in commercial banks, but it cannot be easily injected into the economy.

Figure 23: Challenges in Fiscal and Monetary Policies Faced by Enterprises in the First 6 Months of 2023



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

In addition, 72.7% of enterprises felt that the preferential policies aimed at attracting FDI were not favorable enough, which hindered their business activities in the first half of 2023. In reality, the challenges faced by FDI enterprises stem from various factors, including political conflicts, price pressures, inflation, declining global commodity demand, and risks in the banking system. However, the decline in FDI inflows to Vietnam in the first six months of the year is raising stronger demands for a thorough review, supplementation, and improvement of the institutional framework, as well as a review and amendment of incentive policies to attract foreign investment in the context of applying a global minimum tax. Emphasis should be placed on meeting the requirements of multinational corporations, prioritizing strategic investors, establishing mechanisms to prioritize high-tech enterprises, and technology transfer to domestic businesses.

The disbursement of public investment remains a longstanding bottleneck in the Vietnamese economy due to inherent weaknesses such as inadequate project preparation, slow land clearance, lengthy project adjustments, limited capacity of project management and contractors, as well as loose accountability and leadership. However, the context in early 2023 presents additional specific factors, such as large-scale public investment and the emergence of issues

related to input material prices, which directly impact construction, leading to delays in disbursement and posing significant challenges for businesses (61.3% of businesses agree, and 10% of businesses strongly agree).

Furthermore, limitations in exchange rate policies, land taxes, land tax support schemes, and VAT tax policies also form barriers for businesses, with an average of 51% of businesses agreeing, and 15% of businesses strongly agreeing.

3.1.5. Challenges in Credit Access for Business Operations

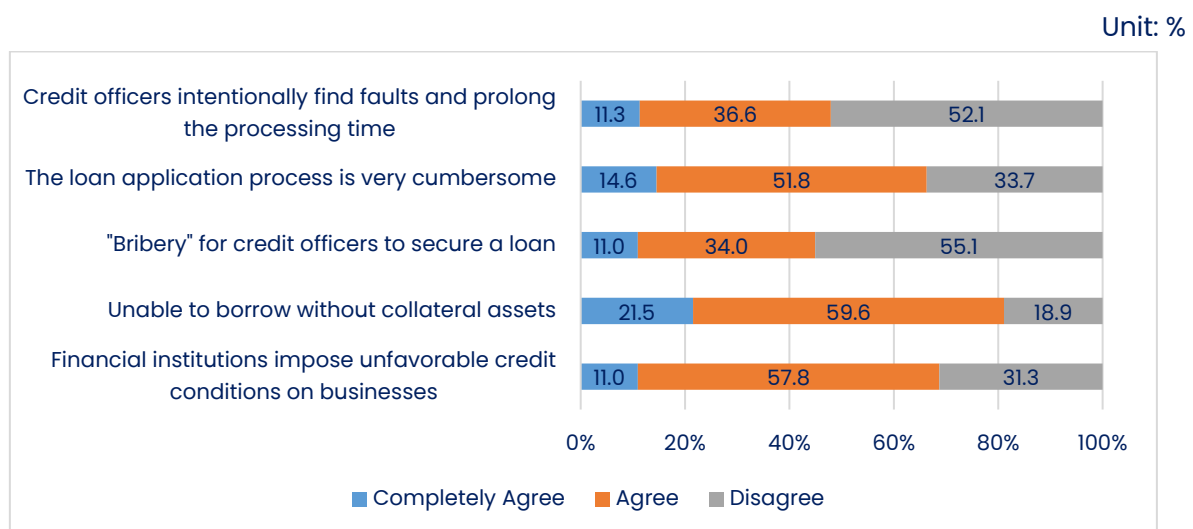
Currently, amidst numerous challenges in production and product consumption, enterprises are in dire need of additional financial resources to overcome the current difficulties and sustain their operations. However, obstacles in accessing credit once again act as a barrier to the recovery and growth opportunities for these enterprises. Specifically, 40.7% of businesses find it difficult, and 11.2% of businesses find it very difficult to secure credit for their production and business activities. According to enterprises, the primary reason leading to these challenges is the requirement for collateral assets, with 59.6% of enterprises agreeing and 21.5% strongly agreeing. Many enterprises, after a period of pandemic-related economic downturn, have found themselves in financially challenging situations, having to either sell or mortgage all their assets to survive, or even having to seek loans for re-establishment. However, obtaining loans necessitates proving to the bank that they have collateral assets and a healthy financial condition. This has created a vicious cycle with no way out for enterprises.

Apart from collateral assets, other credit conditions, such as the need for a feasible business plan, demonstrating income, or only accepting loans for new production projects, also hinder businesses from accessing funding. This is particularly challenging in a contracted market with weakened demand and reduced orders. Small and medium-sized enterprises (SMEs) and startups may face difficulties meeting certain criteria, such as the number of profitable years in business, credit history with banks, collateral assets, inventory scale, distribution system, and customer base. Despite the government's directive to the State Bank of Vietnam (SBV) to implement a more lenient monetary policy by increasing the money supply, expanding credit, reducing interest rates, and relaxing lending conditions to inject capital into production and business, the high-risk environment could lead to increased non-performing loans in the banking sector.

Furthermore, 66.3% of enterprises also reported enduring inconveniences related to the bank loan application procedures, including document preparation, accounting documentation, and complex loan application processes. According to experts, several reasons may explain this situation: 1) Banks are currently focusing on digital transformation in the retail customer segment and payment services, diverting attention away from the corporate sector; 2) Enterprises financial data remains unstandardized; 3) There is a need for additional legal guidelines for online credit approvals; 4) The reference data available to banks is still insufficient to facilitate the best approval procedures.

While fewer enterprises have reported these issues, there is still a notable prevalence of credit institutions abusing their authority to create difficulties or gain undue benefits from lending to businesses, affecting approximately 45-48% of surveyed enterprises. This highlights the need for banks to review the professionalism and ethics of credit officers to further enhance the effectiveness of credit institutions in supporting enterprises and serving the economy.

Figure 24: Challenges in Credit Access for Business Operations Faced by Enterprises in the First 6 Months of 2023



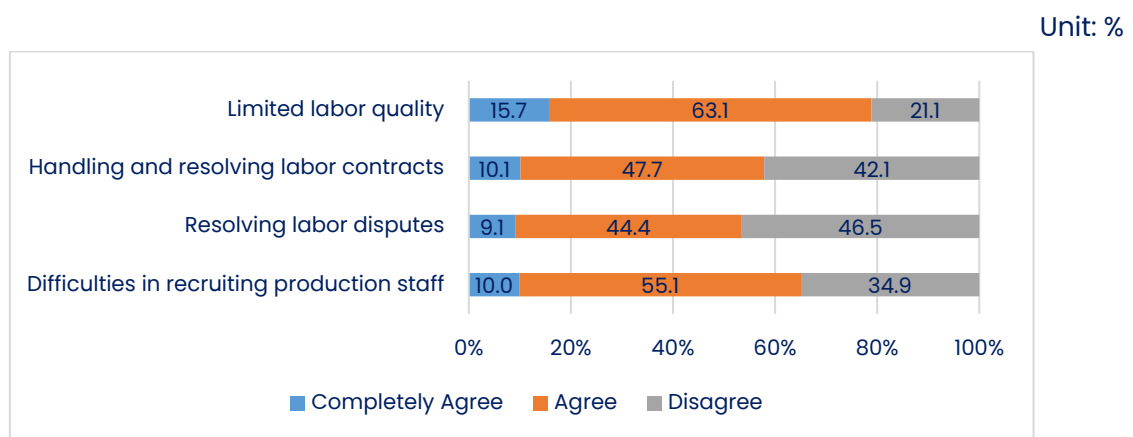
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

3.1.6. Other Challenges

In addition to the aforementioned difficulties, 44.8% of enterprises also faced significant obstacles related to labor, with labor quality limitations being the top challenge that businesses have to contend with. This, in turn, leads to a high proportion of businesses encountering difficulties in recruiting production personnel. Data from the General Statistics Office also indicates that in Vietnam in 2022, an estimated 13.5 million people, or 26.2%, had received training from an

elementary level or higher, leaving 73.8% without training. Furthermore, the training structure is not balanced, with an abundance of teachers and a shortage of skilled workers. Highly skilled technical workers are in short supply, while the labor market has an excess of university graduates, bachelors, and engineers compared to market demands. Additionally, many of the skills of Vietnamese labor still do not meet the recruitment needs of manufacturers in areas such as technology, foreign languages, and computer proficiency.

Figure 25: Labor-Related Challenges Faced by Enterprises in the First 6 Months of 2023



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Meanwhile, although not causing as many difficulties for enterprises as other aspects, meeting various standards and regulations has become a pressure point for enterprises, especially concerning high compliance costs and overlapping regulations. Notably, the trend of incorporating circular economy, green economy, and sustainability principles into business operations is increasingly emphasized and encouraged. However, mechanisms related to the circular economy still lack unity and consistency among legal regulations, especially between Environmental Protection Law, Land Law, Construction Law, and others. Transitioning to a circular economy model requires businesses to redesign their production and business activities, which in turn creates a significant need for investment capital. Vietnam is also facing a shortage of high-quality experts and labor capable of designing, operating, and working on these new processes.

Similarly, meeting requirements related to the digital economy and digital transformation, production processes, product quality, fire prevention, and firefighting also demand a certain investment of resources and time. Given the stagnation in business operations in the first half of this year, many enterprises have become disheartened.

Figure 26: Challenges in Meeting Standards and Regulations Faced by Enterprises in the First 6 Months of 2023

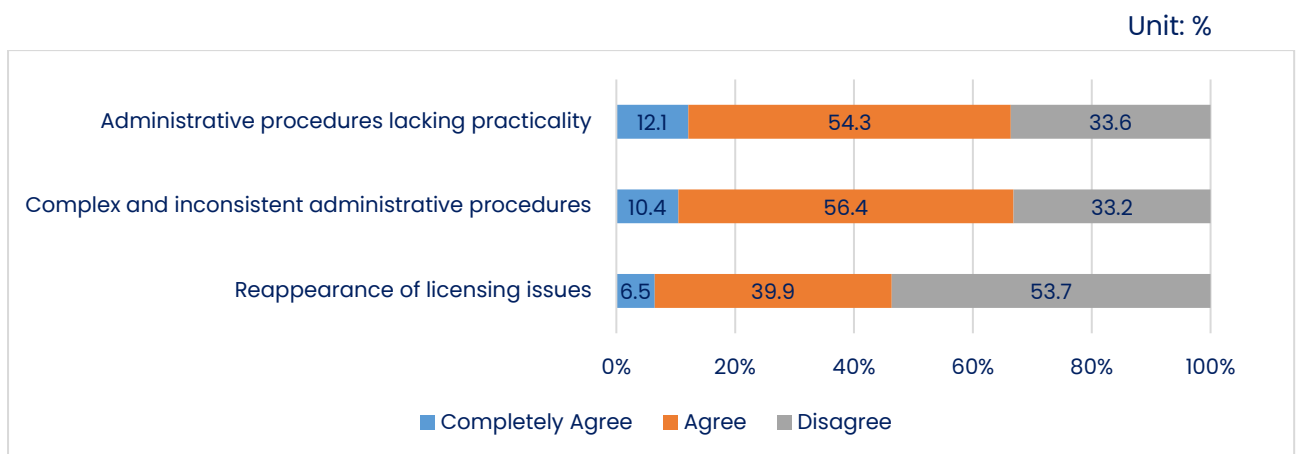
Unit: %



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Although administrative reform efforts during the first six months of 2023 were vigorously promoted and have achieved some important results, a survey reveals that 74.7% of enterprises still face challenges related to administrative procedures. Among them, 27.2% of businesses find it difficult, and 5.5% find it very difficult to deal with these issues. The complexity, lack of uniformity, and lack of practicality are the primary reasons why administrative procedures continue to be a burden for enterprises. According to the Government's Administrative Reform Steering Committee, procedural reform in the past six months has not yet met expectations and is plagued by various limitations, including the accumulation of document processing delays; Slow consultations on legal normative documents; Slow progress in administrative procedure simplification; 676 business regulations and 800 administrative procedures have yet to be streamlined and simplified; Over 600 administrative procedures remain un-decentralized; Limited transparency and public disclosure of administrative procedures by certain ministries, branches, and localities, with only 1.4% compliance; Instances of responsibility evasion, buck-passing, and fear of making mistakes among civil servants. In addition, a few enterprises have reported that the phenomenon of unofficial fees has shown signs of resurfacing after a period of review and reduction.

Figure 27: Challenges in Administrative Procedures Faced by Enterprises in the First 6 Months of 2023



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

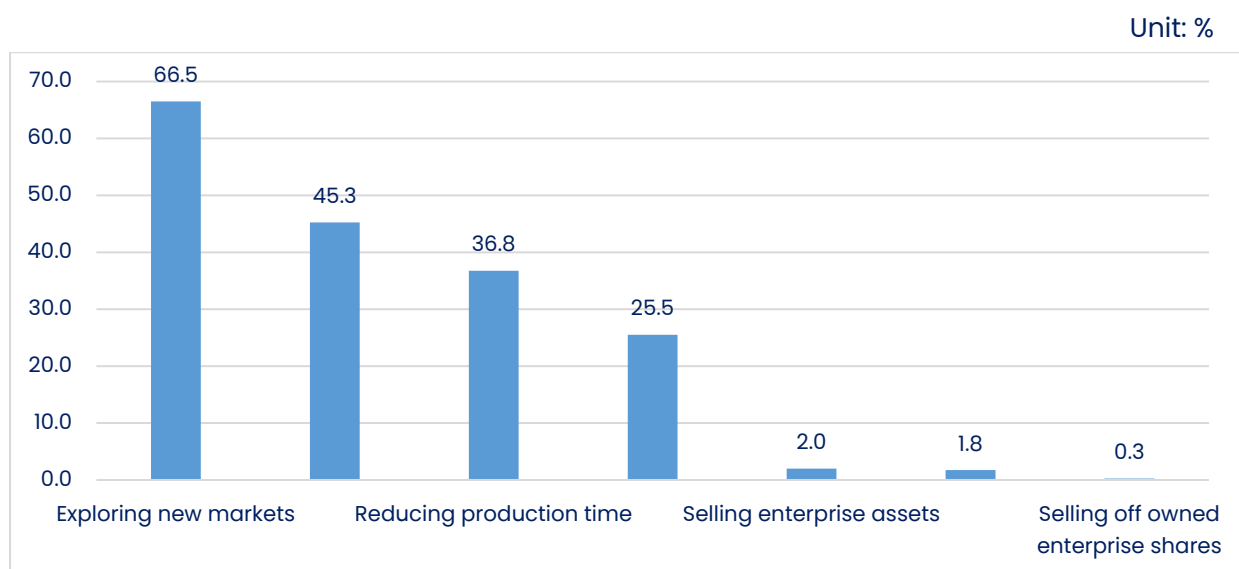
3.2. Solutions to Overcome Business Challenges in the First 6 Months of 2023

In the first six months of 2023, despite facing numerous difficulties and challenges, Vietnamese enterprises, through their flexibility and ability to adapt quickly, have found various solutions to continue their operations and rise above the challenges. In a market with weakened demand being the foremost concern for businesses, the most preferred solution (chosen by 66.5% of businesses) is to explore new markets to increase orders. For example, 200 seafood businesses made efforts to expand exports to small markets such as South Korea, Peru, the United Kingdom, and Algeria, while traditional export markets like the United States and Canada declined (VASEP, 2023).

The Ministry of Industry and Trade has also introduced a series of measures to support businesses in seeking and expanding export markets. These measures include coordinating with local authorities to disseminate information and provide advice to businesses about the customs duty benefits of Free Trade Agreements (FTAs), continuing to negotiate new trade agreements like the Vietnam-Israel FTA, and initiating negotiations for the Vietnam-UAE trade agreement to create more export opportunities for domestic businesses. The ministry has also organized events to connect Vietnamese businesses with global supply chains, including exhibitions, sourcing fairs for raw materials, and bringing foreign importers to Vietnam to work directly with manufacturers and exporters in the hope that businesses can discover new opportunities and new customers.

In addition, 45.3% of enterprises reported that they have promoted digital transformation efforts to cut down on operating costs amidst inflation and rising production costs, which have posed significant challenges for businesses in the first half of this year. Many enterprises have hesitated to embark on digital transformation due to the perceived high initial investment. However, in reality, digital transformation is not just about adopting digital technology but also about changing the way an enterprise operates and conducts its affairs. It aims to achieve the highest quantity of products with the highest quality based on the lowest input resources (including time and labor), the fewest steps, and the highest degree of automation. The ultimate goal is to enhance productivity, efficiency, and competitiveness, thereby enabling enterprises to achieve robust growth and development. Therefore, in the long term, this is a sound strategy for businesses to optimize costs.

Figure 28: Business Measures to Address Challenges in the First 6 Months of 2023



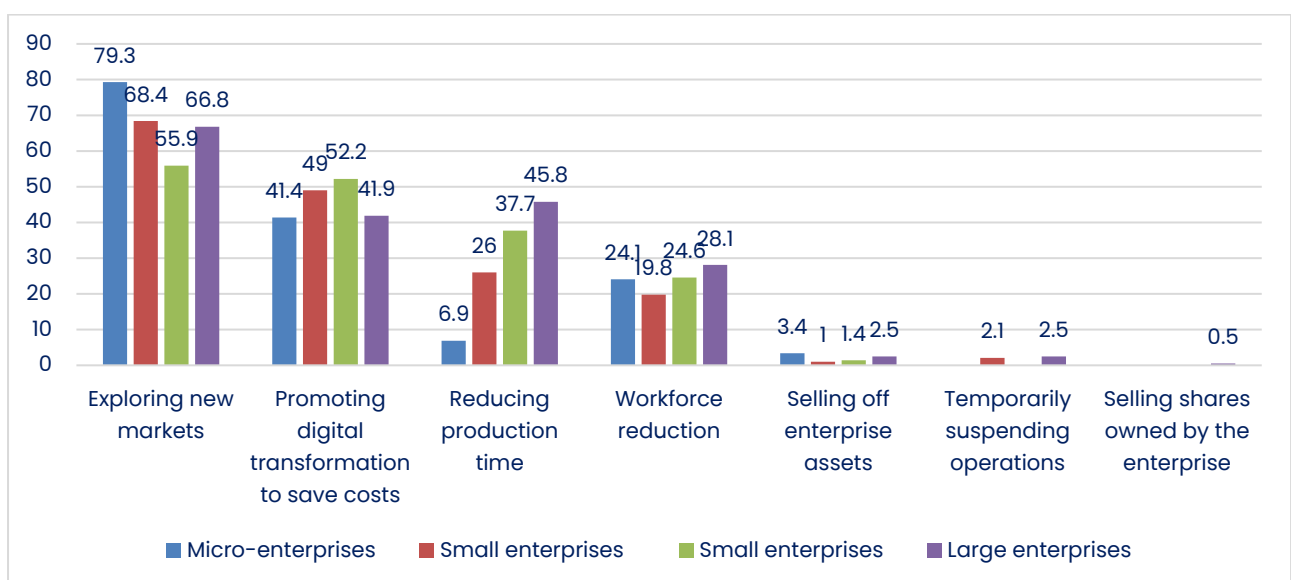
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

In contrast to the aforementioned solutions, some businesses had to resort to less optimistic alternatives. One notable approach was the reduction of production time and labor force to downsize operations and cut costs amid the compounded difficulties. According to statistics from the Ministry of Labor, Invalids and Social Affairs, over 500,000 laborers were affected in the first half of the year. Among them, 279,409 workers lost their jobs, 195,039 had reduced working hours, and more than 17,003 were on unpaid leave. The majority of job losses occurred in the textile and garment sector, followed by leather and footwear, electronic component manufacturing, aquaculture processing, and wood processing (Ministry of Labor, Invalids and Social Affairs, 2023). According to a survey

conducted by the Private Economic Development Research Committee at the end of April 2023, involving over 9,500 enterprises, it was forecasted that the wave of labor cuts would continue until the end of 2023. Fortunately, only about 2.0% of enterprises resorted to selling off assets, 0.3% had to sell off shares, and only 1.8% of surveyed enterprises indicated they chose to temporarily halt business operations (almost considered a last resort). Therefore, in general, during the first six months of this year, the enterprises, despite facing many challenges, managed to withstand and are making efforts to sustain themselves within the economy. However, if the business environment remains bleak, both domestically and internationally, and the state support remains insufficient, it is likely that many more enterprises will resort to labor cuts, production downsizing, or even exit the market in the remaining six months.

Figure 29: Business Measures to Address Challenges in the First 6 Months of 2023 by Scale

Unit: %

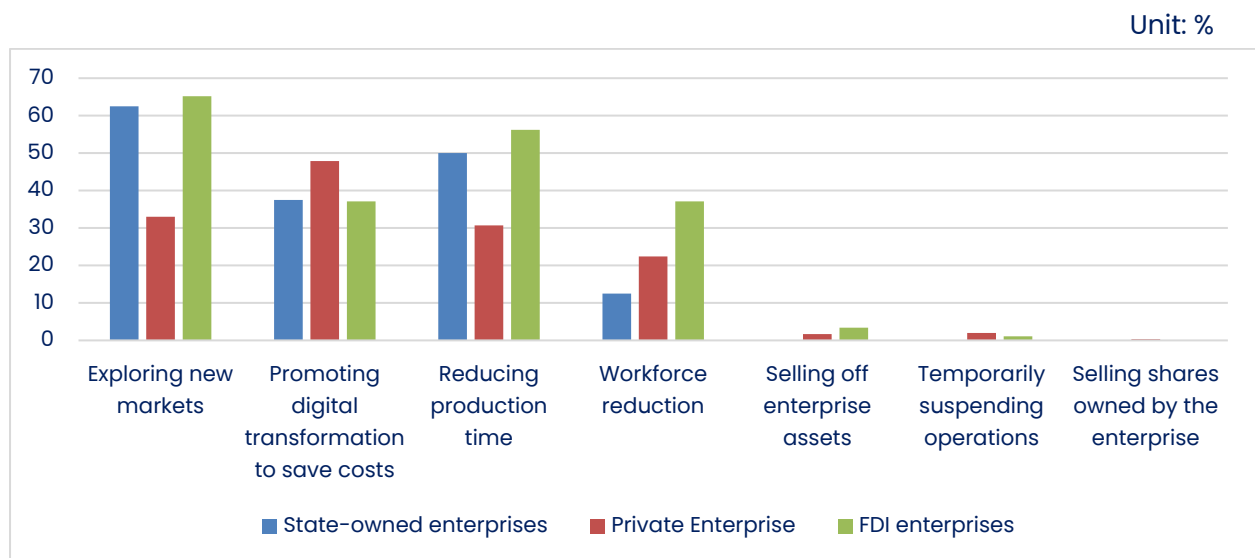


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Micro-sized enterprises often operate within small, traditional markets. Therefore, when adverse developments occur, they tend to focus more on expanding and seeking new markets (accounting for 79.3% of enterprises), especially when there is still untapped potential. In addition to market exploration, approximately 50% of small and medium-sized enterprises allocate resources to implement digital transformation activities, a strategy that receives less attention from micro-sized and large enterprises. Specifically, a considerable number of large enterprises opt for the strategy of reducing production time, which is less common (6.9%) among micro-sized businesses due to the specific nature of their business activities (micro-sized enterprises are typically service-oriented).

Compared from the ownership perspective, while micro-sized enterprises and foreign-invested enterprises (FDI) predominantly focus on finding new markets or reducing production time, private enterprises prioritize promoting digital transformation to save costs. However, there are still a few private and FDI enterprises that choose to sell assets or temporarily suspend operations in the face of difficulties, a scenario less common among state-owned enterprises.

Figure 30: Business Measures to Address Challenges in the First 6 Months of 2023 by Ownership Type



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

3.3. Evaluation of Enterprises on Resolution 58/NQ-CP dated April 21, 2023

3.3.1. Enterprises' Assessment of the Accessibility of Resolution 58/NQ-CP

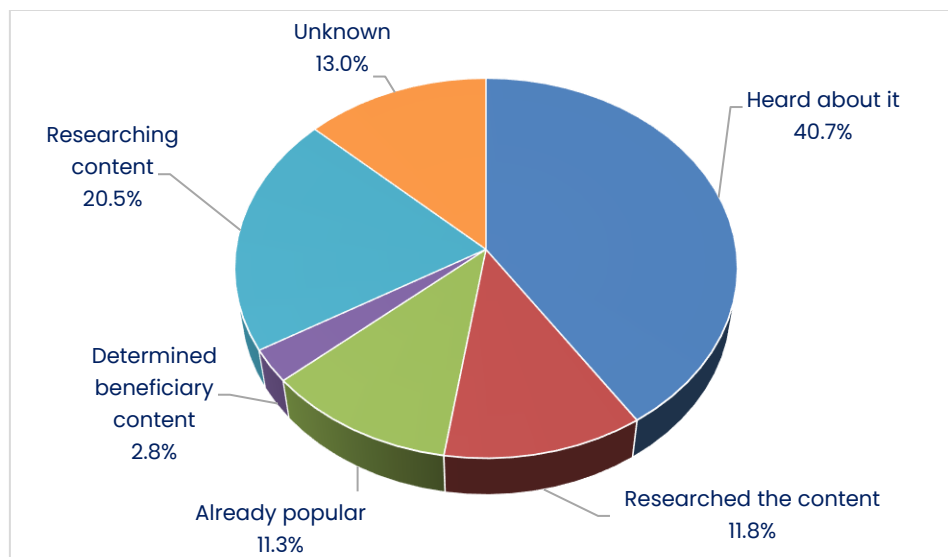
On April 21, 2023, the Government issued Resolution 58/NQ-CP regarding several key policies and focal solutions to support proactive adaptation, swift recovery, and sustainable development of businesses until 2025. The resolution aims to assist and develop businesses in proactively adapting to new circumstances, stabilizing production and business activities, ensuring a quick recovery, fostering innovation, and promoting sustainable production and business growth. It also seeks to enhance competitive capabilities, deepen participation in regional and global production networks, and value chains, and contribute significantly to building an independent, self-reliant economy that actively engages in extensive, substantive, and effective international economic integration.

Over two months since its issuance, Resolution 58 has provided a breath of fresh air, alleviating the concerns of enterprises amid a challenging environment.

While it may be too early to assess the specific outcomes of this policy, in terms of accessibility, it can be observed that Resolution 58 has been widely disseminated among enterprises.

Figure 31: Accessibility of enterprises to Resolution No. 58/NQ-CP

Unit: %



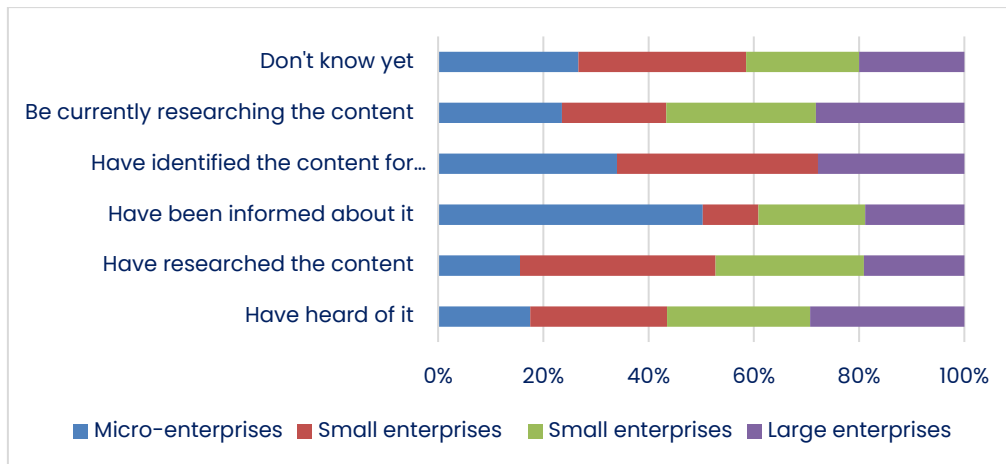
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Accordingly, only 13% of enterprises were unaware of Resolution 58, while the remaining 87% had varying degrees of access to this document. Among enterprises aware of the resolution, nearly half (40.7%) had only heard of it, 32.3% were in the process of researching it, 11.3% had received specific information dissemination, and only 2.8% of enterprises had identified the content for their benefit. Therefore, despite having some level of access to enterprises, overall, the level of accessibility remains relatively limited. This indicates, on one hand, that Vietnamese enterprises lack proactivity in policy research, and on the other hand, it highlights that the dissemination of policy information to enterprises has not been adequately implemented.

In terms of scale, the level of policy accessibility generally correlates with the size of the enterprises. Larger enterprises tend to be more proactive in accessing state policies and government initiatives. Small and medium-sized enterprises (SMEs), on the other hand, often benefit more from government support policies and, even though fewer SMEs had accessed the information, their depth of understanding was higher, with 13.4% and 17.7% having researched the content, and 4.2% of small enterprises having identified the specific content for their benefits.

Figure 32: Accessibility of enterprises to Resolution No. 58/NQ-CP categorized by scale

Unit: %

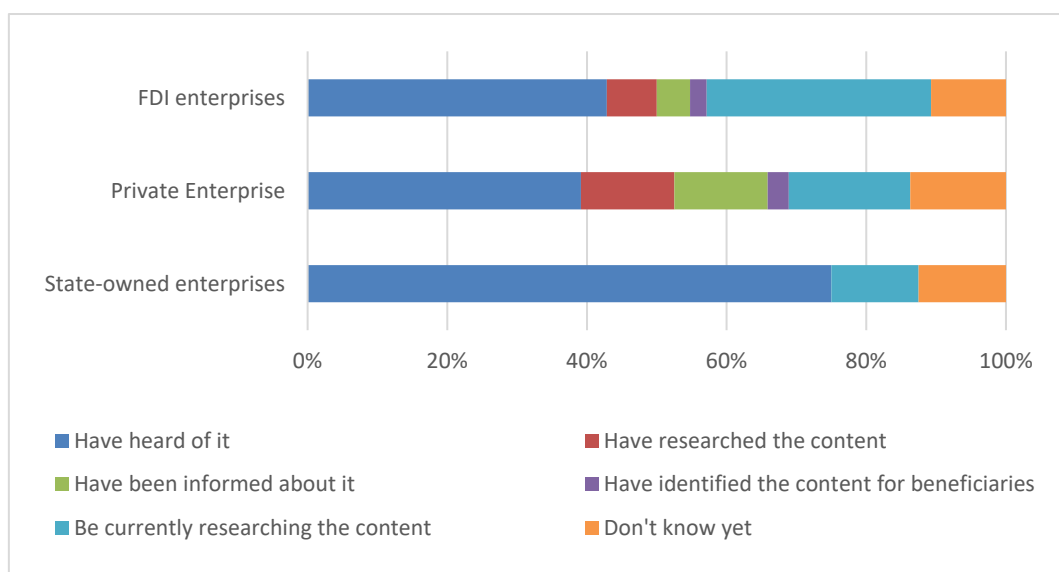


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

The differences are evident when comparing the level of access to Resolution 58 among enterprises belonging to different ownership types. Specifically, State-owned enterprises (SOEs) had the lowest level of access, with 75% having only heard about it, and 12.5% currently researching the content. In contrast, in the private sector and among FDI companies, enterprises showed more interest, as some of them had completed their research and identified the content for their benefits, with the proportion being higher among private enterprises.

Figure 33: Accessibility of enterprises to Resolution 58/NQ-CP categorized by ownership type

Unit: %

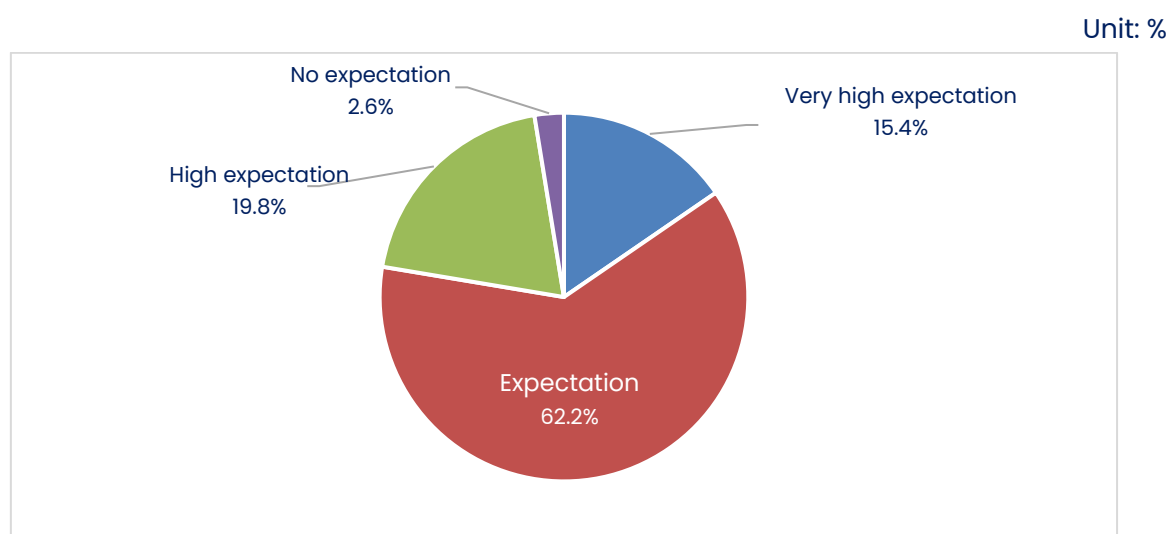


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

3.3.2. Enterprise Expectations Regarding Resolution No. 58/NQ-CP

Survey results show that, aside from a small percentage of 2.6% of businesses that do not have expectations for the effectiveness of the policy, the majority of businesses (62.2%) have only moderate confidence in the effectiveness of Resolution 58 in addressing difficulties for enterprises. There are approximately over 35% of enterprises with higher expectations, with 19.8% having high expectations and 15.4% having very high expectations. Therefore, it can be seen that, despite many government initiatives and policies aimed at standing by enterprises during tough times, enterprises seem to no longer have much faith in the effectiveness of these policies. Factors that have eroded enterprises' confidence have been mentioned for a long time, including some key reasons that have persisted for a long time, such as impractical support policies that do not align with business needs; slow issuance of guiding documents; cumbersome procedures, and conditions for enterprises to benefit from the policies; etc.

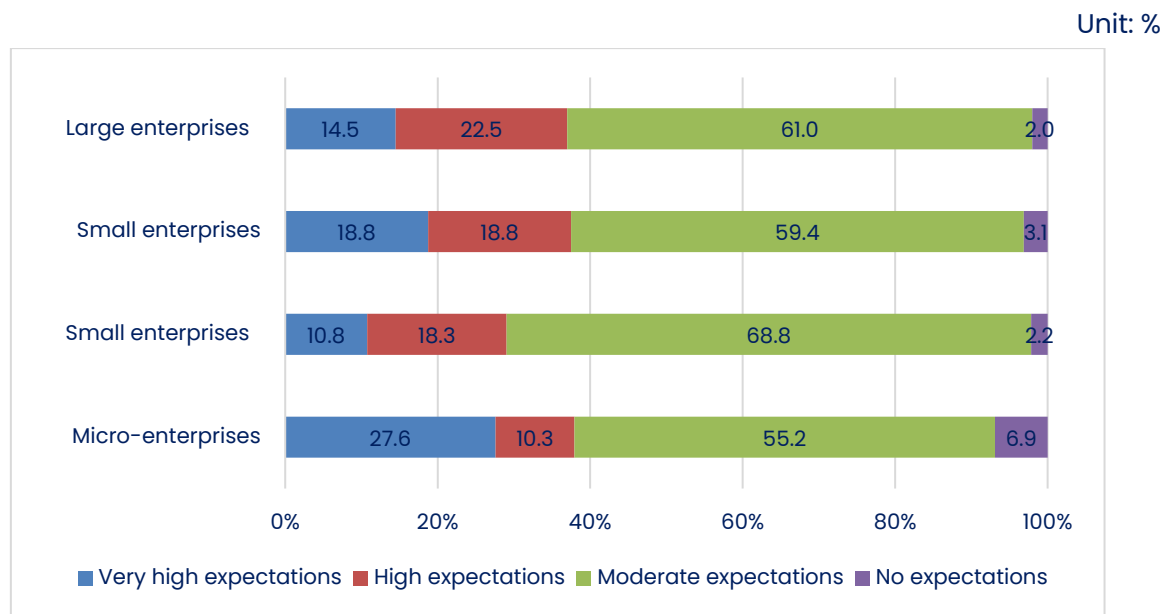
Figure 34: Enterprises' Expectations Regarding Resolution No. 58/NQ-CP on April 21, 2023, in Addressing Enterprise Challenges



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

It can be observed that at the micro-enterprise scale, although there is a proportion of enterprises with the lowest expectation assessment (6.9%), at the same time, a significant number of enterprises express high expectations regarding the effectiveness of Resolution No. 58 (27.6%). For the other three business scales, the majority remain at the expectation level, with small and large enterprises continuing to have higher expectations.

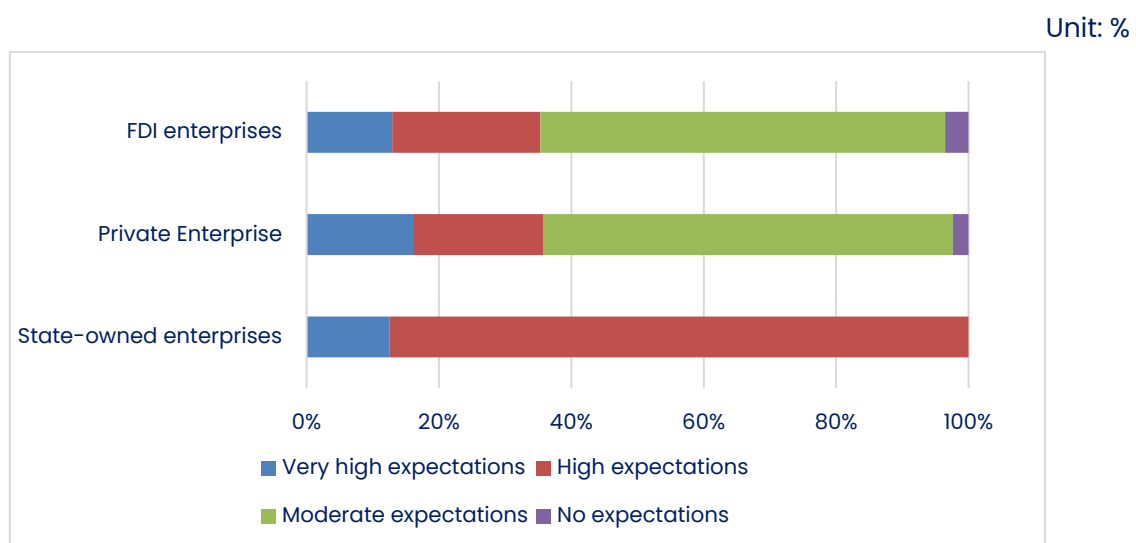
Figure 35: Enterprises' Expectations Regarding Resolution No. 58/NQ-CP on April 21, 2023, in Addressing Business Challenges by Scale



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

The vast majority of state-owned enterprises have relatively high expectations for the effectiveness of this Resolution in addressing business difficulties, accounting for 87.5% with high expectations and 12.5% with very high expectations. In contrast, most private enterprises and FDI enterprises only maintain moderate expectations (accounting for about 61%) alongside a small percentage expressing no expectations for this Resolution.

Figure 36: Enterprise expectations regarding Resolution No. 58/NQ-CP dated April 21, 2023, in addressing difficulties, categorized by the type of enterprise ownership



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

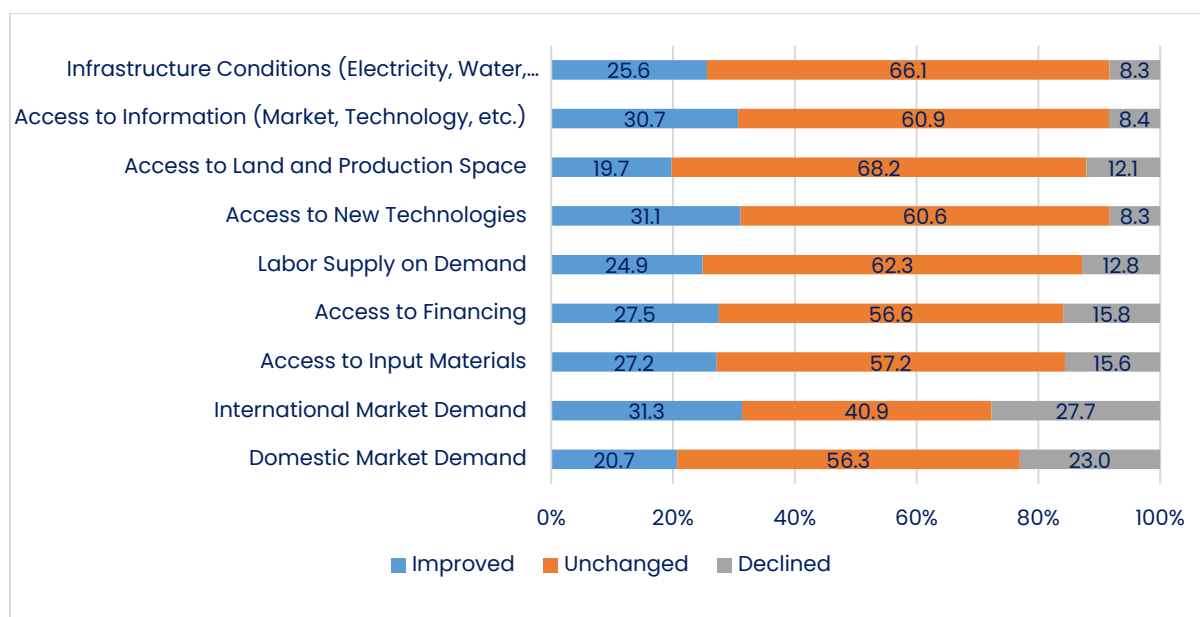
IV. BUSINESS PLAN FOR THE LAST 6 MONTHS OF 2023

4.1. Forecast on Business Conditions in the Last 6 Months of 2023

In general, the assessment of the business environment for the enterprise's production activities in the last 6 months of the year tends to be stable in all aspects of business conditions. This means that the situation is predicted not to deteriorate significantly, but there is also no significant improvement, with a fluctuation rate ranging from 40% to nearly 70% choosing "No Change." Among these, the high stability level applies to factors related to infrastructure, land, and labor, with over 60% of businesses choosing "No Change." These are long-term factors that are unlikely to undergo significant changes in the near future. On the contrary, market demand, especially international market demand, input materials, or access to loans are factors predicted to have considerable fluctuations and risks in the last 6 months of the year.

Figure 37: Enterprise's Forecast on the Changes in business production Conditions in the Last 6 Months of the Year Compared to the First 6 Months of 2023

Unit: %



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Additionally, there are a certain percentage of businesses that believe the situation will remain volatile in the second half of the year. It is noteworthy that in 8 out of 9 factors, the percentage of enterprises forecasting improvement is higher than those forecasting a decrease, reflecting the optimistic confidence of enterprises that things may become brighter in the near future. Among these factors, Access to information sources and Access to new technologies are the

top factors receiving positive expectations from the enterprise community, with 30.7% and 31.1% of enterprises forecasting improvement, while only 8.4% and 8.3% of enterprises forecast a decline.

Although there is a high percentage of enterprises (31.3%) forecasting improvement in demand from the international market, it is accompanied by 27.7% of enterprises forecasting a decline, indicating that this aspect still carries significant risk and unpredictability.

Labor supply on demand, Access to financing, and Access to input materials, while having lower percentages forecasting improvement, with approximately % of enterprises choosing this option, also have lower percentages forecasting a bad situation, ranging from 12-15%.

The domestic market demand is the only factor where the percentage of enterprises forecasting a decline is higher than the percentage forecasting an improvement, with 23.0% and 20.7%, respectively.

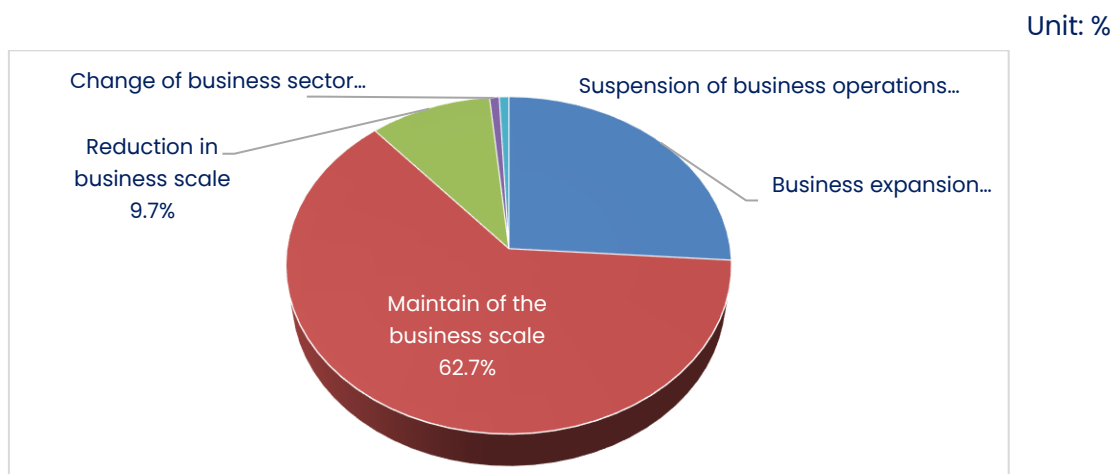
4.2. Business Production and Operation Plans for the Second Half of 2023

The survey of business plans for the second half of 2023 has shown positive results, with no businesses planning to close or dissolve. Only 0.8% of businesses have plans to temporarily suspend operations, 0.8% have plans to change their business sectors, and only 9.7% have plans to reduce their business scale. The majority of enterprises, accounting for 62.7%, plan to maintain their current scale, while 26.1% of enterprises have plans to expand their operations. This reflects the relatively optimistic outlook of businesses that production and business conditions will mainly remain stable and experience slight growth in the second half of 2023.

In addition, Resolution No. 58/NQ-CP dated April 21, 2023, which outlines key policies and solutions to support businesses in actively adapting, recovering quickly, and achieving sustainable development by 2025, is expected to focus on removing immediate difficulties and barriers, unlocking resources, and providing motivation for businesses to recover and regain their production momentum. Furthermore, despite ongoing challenges, the economic and social situation has gradually improved, with key indicators showing month-on-month growth. Moreover, S&P Global's announcement of the Purchasing Managers' Index (PMI) in July 2023 also indicated that business confidence had reached its highest level in the past four months. Businesses are also hopeful that market and price-related

obstacles will be overcome, providing new incentives to achieve their business goals for 2023.

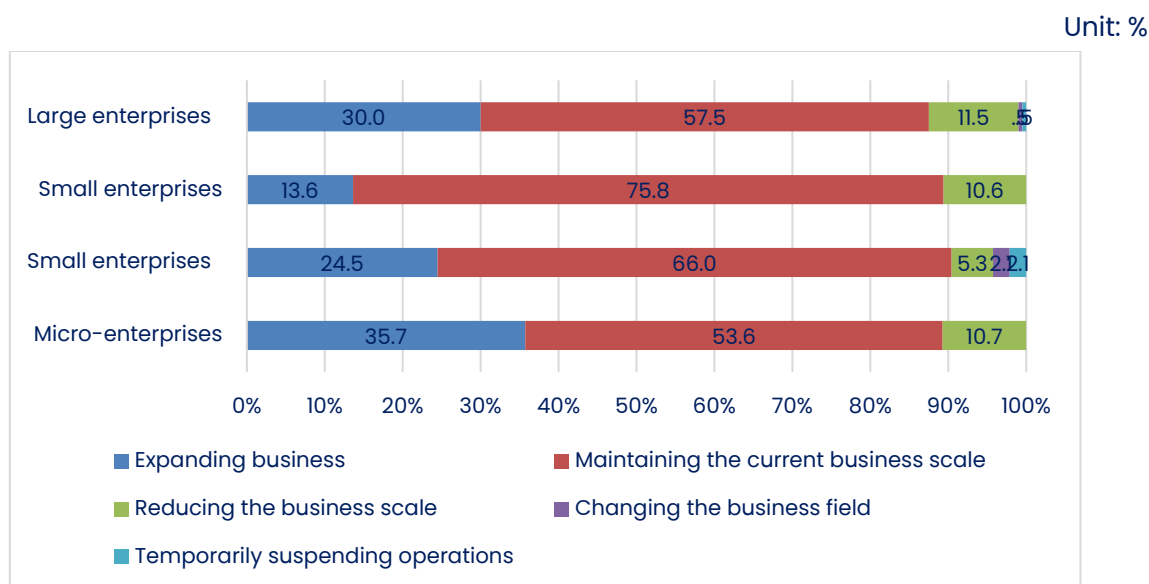
Figure 38: Business Activity Plans for the Second Half of 2023



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Considering enterprise scale, besides the common choice of maintaining their current enterprise scale, a significant percentage of large-scale and super-small-scale enterprises plan to resume expanding their operations, accounting for 30% and 35.7% respectively. In contrast, a portion of small enterprises intend to change their business sectors (2.1% of enterprises), and some plan to temporarily suspend their operations (2.1% of enterprises).

Figure 39: Business operating plans for the last 6 months of 2023 by Scale

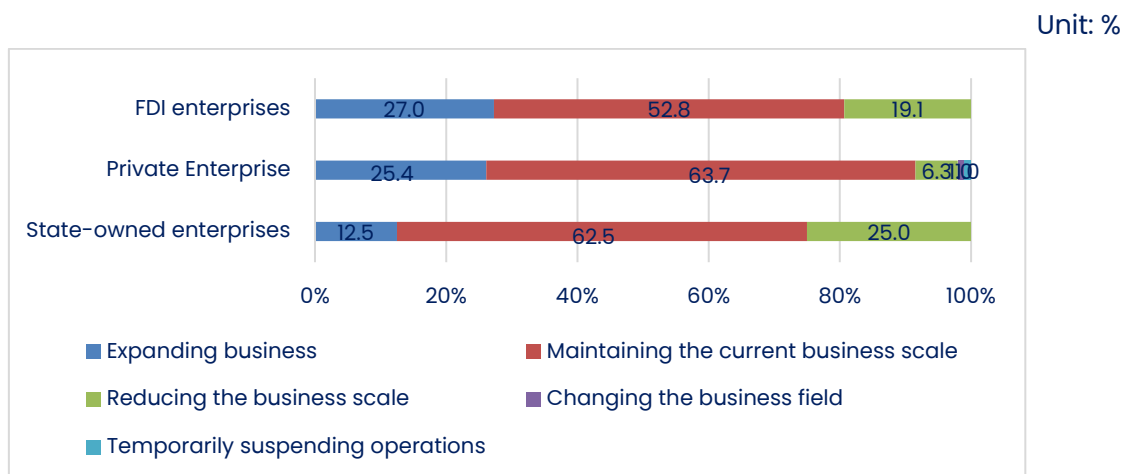


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Considering the type of business ownership, in addition to the priority choice of maintaining their current business scale, state-owned enterprises tend

to opt more for reducing their business scale. Conversely, private enterprises and foreign-invested enterprises (FDIs) appear more optimistic and plan to maintain or expand their business scale in the latter half of 2023. The number of businesses expected to temporarily suspend or change their business sectors is entirely concentrated in the private enterprise sector, reflecting that these enterprises face heavier difficulties.

Figure 40: Business Activity Plans for the Second Half of 2023, Segmented by Ownership Type

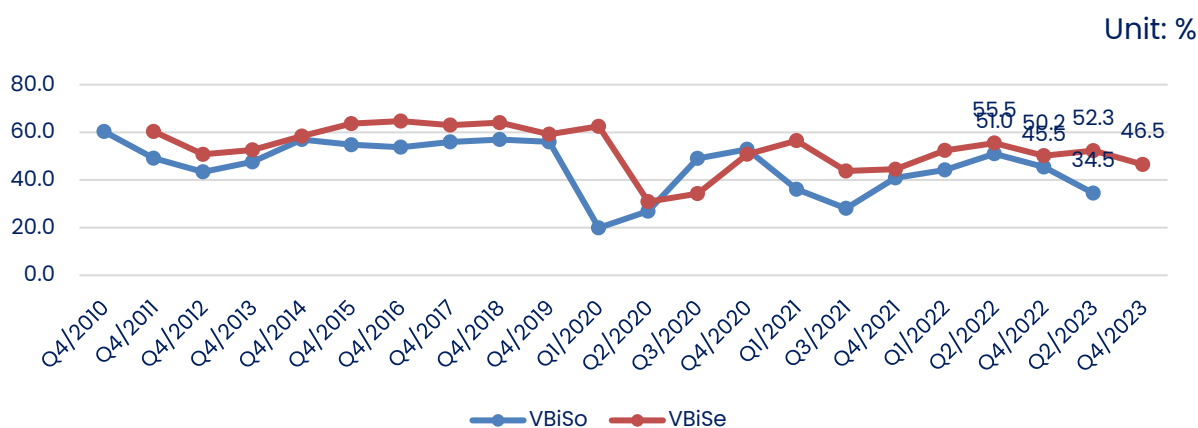


Source: Vietnam Business Insight Survey for the First 6 Months of 2023

4.3. Vietnam Business Insight Survey Expected for 2023 – VBIS_E

In an overall assessment by enterprises, the anticipation of the Vietnam Business Insight Survey for the latter half of 2023 is expected to recover to a level of 46.5 points. This level still falls below the average threshold, indicating that although enterprises anticipate an improvement in their production and business activities in the coming months, it may not be very significant.

Figure 41: Vietnam Business Insight Survey Expected for Q1/2023 – VBIS_E



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

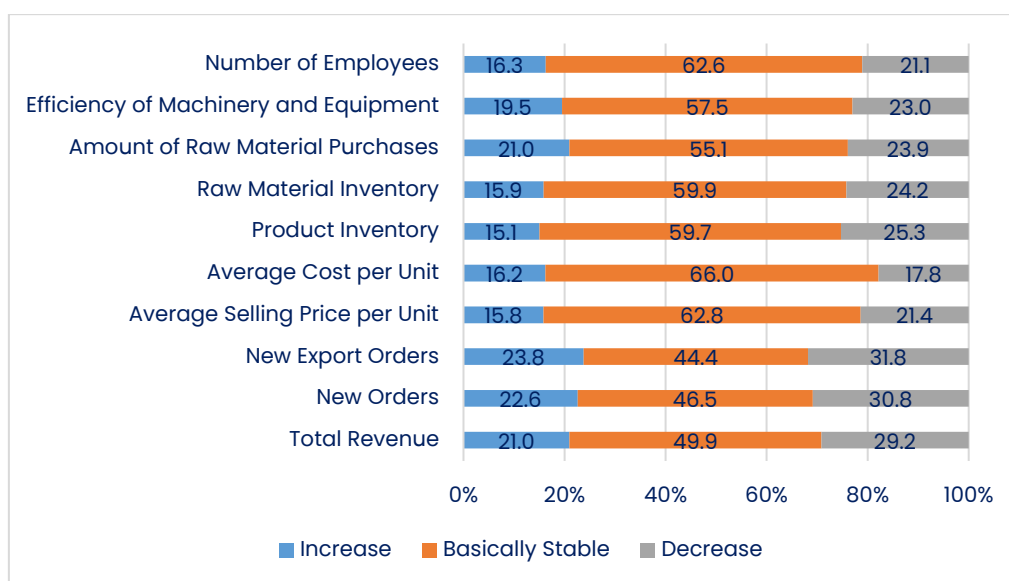
Furthermore, as a common trend observed in many monitoring periods, it can be noted that the anticipated score of businesses is usually higher than the actual achieved score, as enterprises often have higher expectations for the future. This suggests that the actual outcomes in the latter half of 2023 may be lower than what enterprises anticipate.

Specifically, according to survey results, enterprise anticipation in all aspects of production and business activities currently leans more towards stability, meaning that it is not deteriorating but also not showing significant improvements. The proportion of enterprises making this choice ranges from 45% to 66%. Among these aspects, cost and selling price are considered to have the highest stability, while new order volumes and total revenue are expected to have more fluctuations.

Despite the relatively high stability, when it comes to fluctuations, the percentage of enterprises anticipating a decrease is higher than those anticipating an increase in all 10 surveyed aspects of production and business activities. This difference cannot be hastily categorized as either positive or negative and depends on the specific aspect it represents. Among them, the highest proportion of enterprises anticipating a decrease is in domestic new order volumes and export new order volumes, both exceeding 30%. This indicates significant challenges in demand and purchasing power, which are affecting business confidence and, consequently, expectations for total revenue.

Figure 42: Enterprise forecasts on production and business situation in the last 6 months of the year compared to the first 6 months of 2023

Unit: %



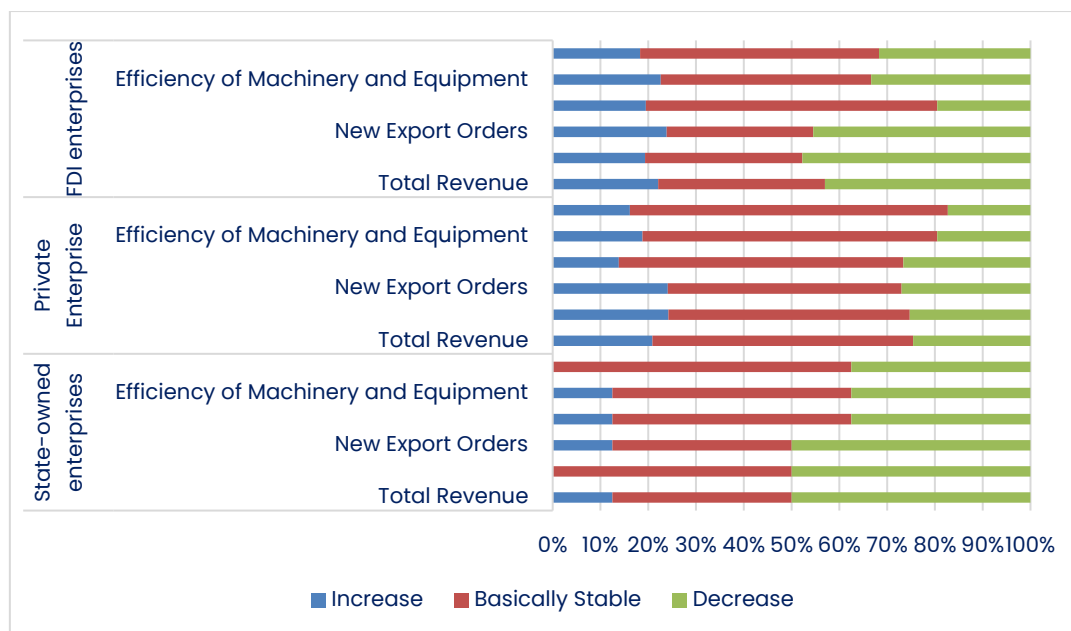
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

The decline in output is also a factor leading to anticipated reductions in input factors such as labor, raw materials, and machinery and equipment utilization. Enterprises predict that these factors will decrease, indicating that the production situation at the end of the year will continue to be sluggish. Inventory of goods is also expected to decrease more than increase, in combination with other factors, signaling a contraction in production in the coming months. However, for the cost and selling price of products in the last six months of the year, the assessment leans towards a decrease more than an increase. This suggests that businesses are expecting inflation to ease and global prices to significantly support the production costs of the enterprise in the future.

Considering ownership types, state-owned enterprises' anticipation regarding production and business factors tends to lean towards stability or deterioration, especially in aspects related to orders or revenue. Only a few are expecting growth. While stability is the dominant prediction, private enterprises still have confidence in the potential for improvement in the production and business situation in the last six months of the year.

Figure 43: Enterprise forecasts regarding the production and business situation in the last six months compared to the first six months of 2023, categorized by ownership type.

Unit: %



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

Evaluating the production and business situation for the last six months of 2023, the survey results indicate that micro and small-sized enterprises are more

optimistic about stability, while larger enterprises believe that the situation will undergo various changes, both positive and negative.

Figure 44: Enterprise forecasts on production and business situation in the last 6 months of the year compared to the first 6 months of 2023 by scale

Unit: %



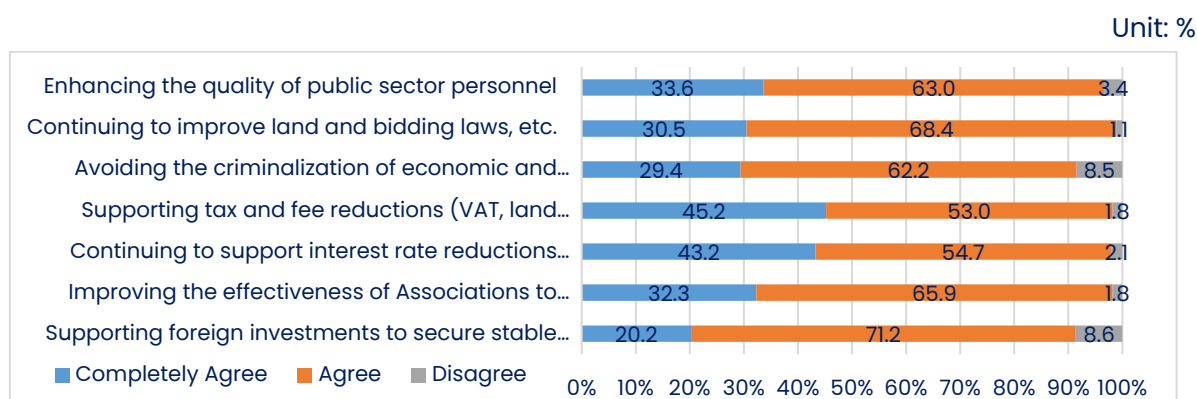
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

V. Recommendations from Enterprises for Overcoming Challenges in the Last 6 Months of 2023

Given the unpredictable economic developments both domestically and internationally in the future, enterprises are in great need of support from the government and social organizations to sustain and grow. In a context where many enterprises find themselves in a "dilemma," with dwindling input resources and a constrained output market, solutions that provide resources, cost support, and market expansion are the top priorities for enterprises at the present moment and for the next 6 months.

The most widely supported recommendations are tax and fee reduction solutions (VAT, land rent, exports), with 45.2% of enterprises in full agreement and 53% partially agreeing. Additionally, solutions to reduce loan interest rates and ease loan conditions are favored, with 43.2% of enterprises in full agreement and 54.7% partially agreeing. These measures will help reduce the production costs of enterprises by relieving financial pressure and lowering capital costs. Furthermore, enterprises also expect government support in creating conditions to encourage foreign investments for a stable supply of raw materials (20.2% in full agreement and 71.2% partially agreeing). Given the dependency on raw materials from traditional markets, this support is seen as vital for maintaining flexibility in business operations.

Figure 45: Solutions for overcoming challenges for enterprises in the last 6 months of 2023



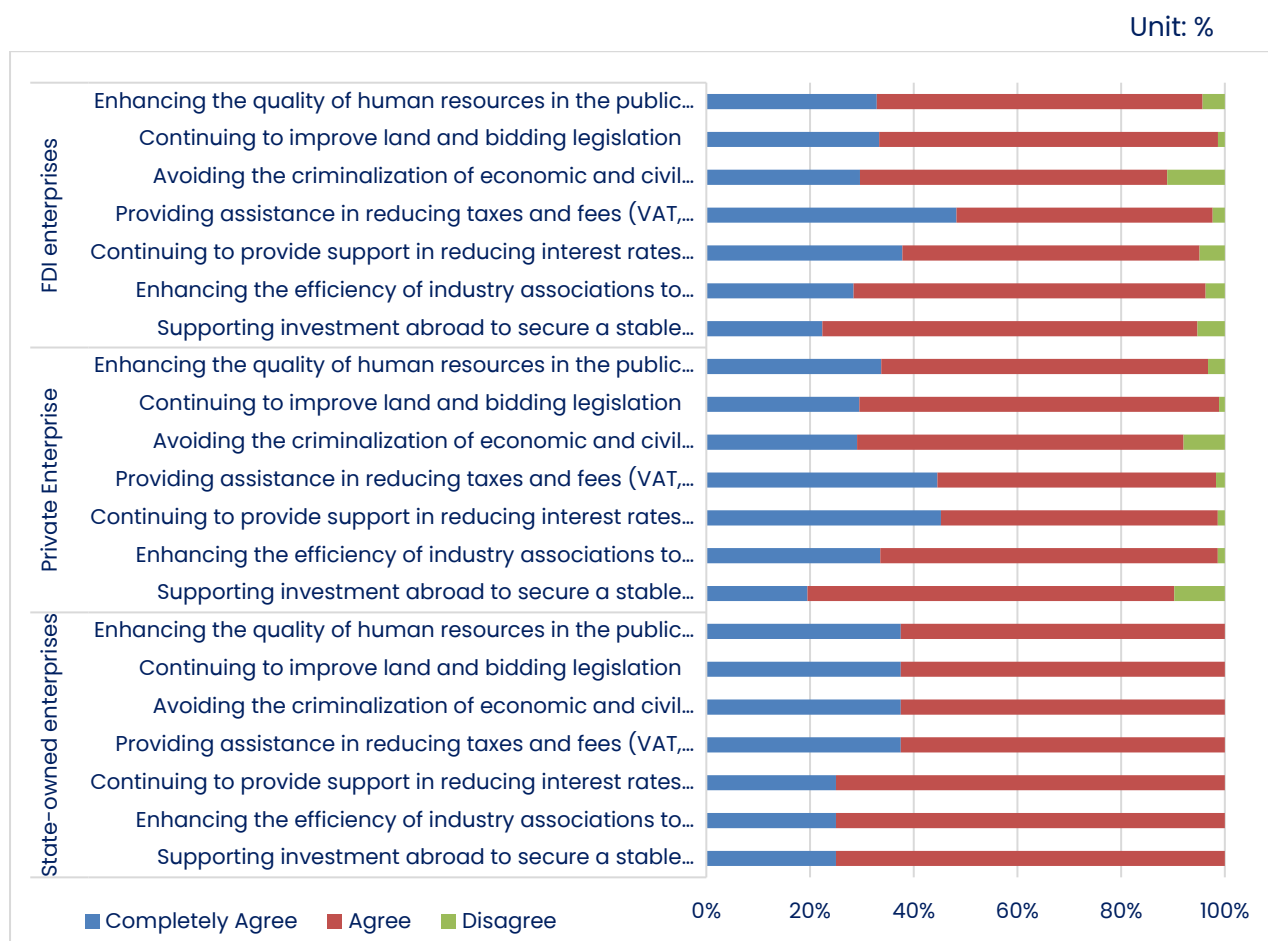
Source: Vietnam Business Insight Survey for the First 6 Months of 2023

In addition to input factors, on the output side, enterprises are most eager to receive support from associations in creating market access opportunities, especially in a period of declining demand, as seen with 32.2% of enterprises in full agreement and 65.9% partially agreeing.

Furthermore, enhancing the quality of public sector personnel, continuing legal improvements, and depanelizing economic and civil relations are administrative and legal measures that also receive high expectations from enterprises. Over 90% of enterprises agree either partially or fully that these measures will help overcome difficulties in the next 6 months.

Across different ownership types, there is generally a similar level of agreement with various solutions between private enterprises and foreign-invested enterprises (FDIs), with some minor differences observed for state-owned enterprises (SOEs). Specifically, private enterprises and FDIs have higher expectations for solutions that reduce costs and support reduced interest rates, factors that significantly affect cash flow for business operations. Meanwhile, state-owned enterprises express higher expectations for solutions related to legal framework improvement and administrative procedures.

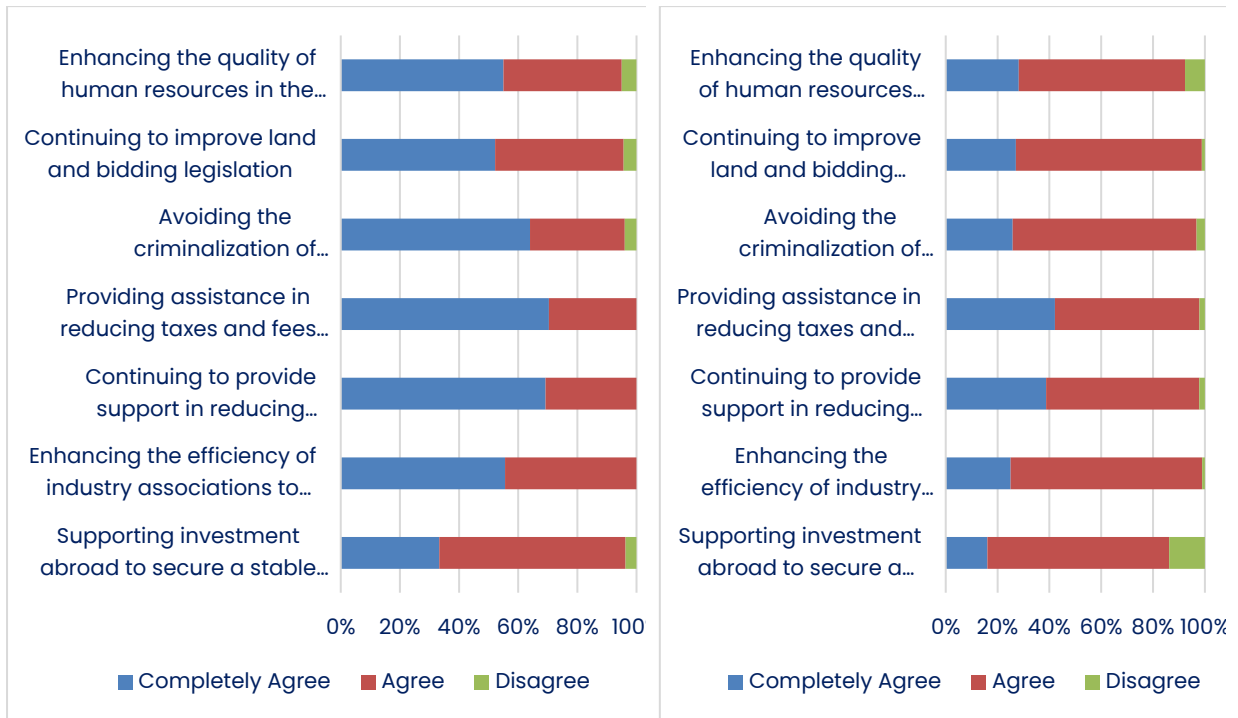
Figure 46: Solutions for overcoming challenges for enterprises in the last 6 months of 2023, categorized by ownership type



Source: Vietnam Business Insight Survey for the First 6 Months of 2023

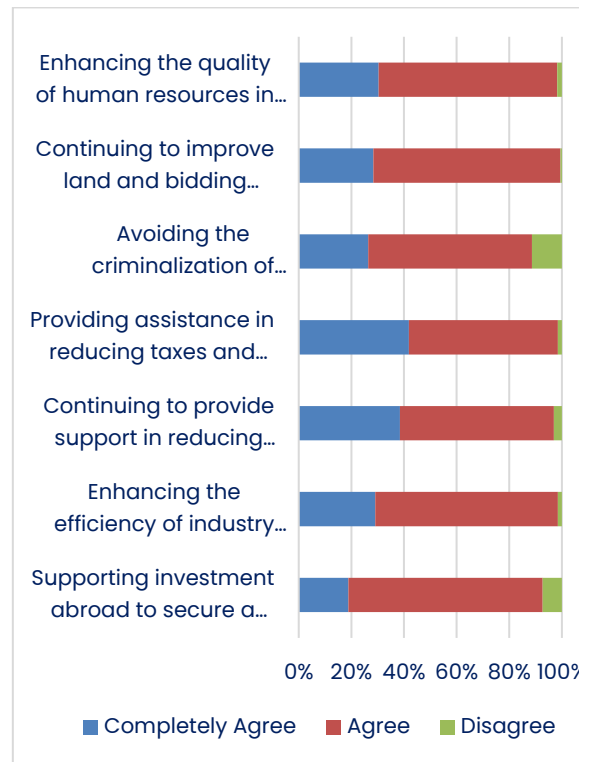
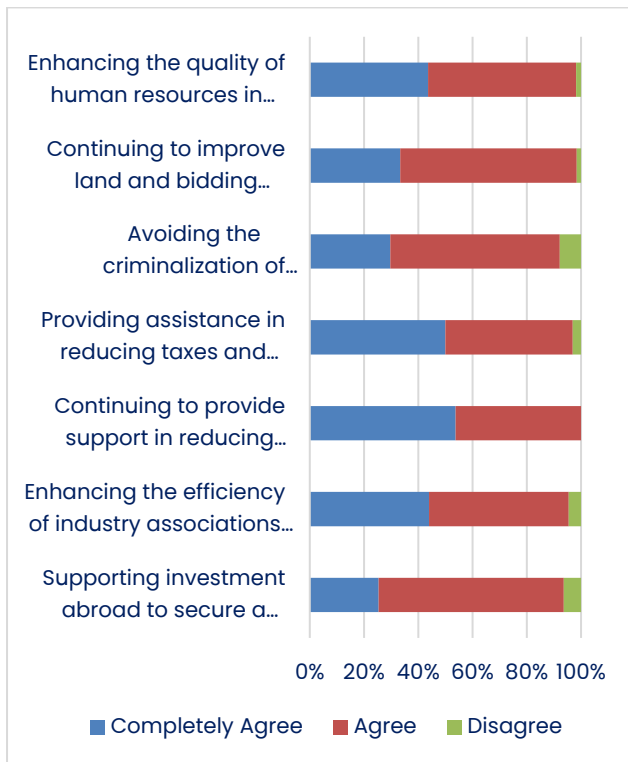
Figure 47: Solutions to overcome difficulties for enterprises in the last 6 months of 2023 by scale

Unit: %



Micro enterprises

Small enterprises



Medium enterprises

Large enterprises

Source: Vietnam Business Insight Survey for the First 6 Months of 2023

The differences are not clearly noticeable among various enterprise scales, but to some extent, super small-scale enterprises tend to show a higher level of agreement with the set of solutions compared to other enterprise scales, with a majority agreement ranging from 50–70%. This indicates the importance of these solutions in protecting young and less robust enterprises from the anticipated difficulties in the coming months.

CONCLUSION

The business health situation in the first 6 months of 2023 continues to be adversely affected by the complex economic conditions both domestically and internationally. After struggling through the challenging pandemic period, followed by political turmoil and supply chain disruptions, enterprises are now facing a series of lingering consequences, including a severe decline in total demand, which is narrowing down market outlets. Rising production costs are hampering business operations, and persistent inflation and high interest rates are hindering access to capital resources for sustaining operations.

The results of the survey conducted by VCCI at the end of the first 6 months of 2023 with 400 enterprises reveal that business operation is deteriorating compared to the end of the previous year, with a prevailing trend of decline rather than growth, even though stability remains predominant. The areas experiencing the sharpest decline include New Order Quantity, Export Order Quantity, and Total Revenue. The Vietnam Business Insight Survey observed in Q2/2023 has decreased compared to Q4/2022, dropping from 45 points to 34 points, marking yet another year below the average threshold. The majority of enterprises have not achieved their plans, with the proportion of enterprises achieving less than 50% of their plans accounting for approximately one-fifth to one-fourth. These are the challenges that enterprises have had to face in the first 6 months of this year.

Faced with that difficult situation, on April 21, 2023, the Government issued Resolution 58/NQ-CP outlining key policies and priority solutions to support businesses in actively adapting, recovering swiftly, and achieving sustainable development through 2025. To date, the access rate of enterprises to this document is relatively high (accounting for 87%), although the majority have only engaged with it at a preliminary level. A smaller proportion of businesses have taken proactive steps to research and determine the content they can benefit from. Enterprise expectations of the Resolution mostly fall into the moderate range, with only a small number having high or very high expectations.

In the last 6 months of the year, enterprises' anticipations regarding production and business conditions are expected to brighten with a trend toward stability and growth compared to the beginning of the year. However, market demand, both domestically and internationally, remains a factor predicted to be subject to considerable risk and fluctuations. The business operating environment may require more time to recover, thus stability is the predominant prediction. The Vietnam Business Insight Survey expected for the latter half of the year is projected to increase to approximately 46.5 points.

Overall, enterprises have high hopes for solutions that assist in addressing their challenges. Among these, solutions aimed at enhancing product consumption, market access, and support for input resources through interest rate reductions and tax and fee reductions are the top priorities that enterprises prefer.

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