

01 November 2018

HSBC survey indicates Vietnamese businesses looking on bright side of international trade

*** Nine in ten Vietnamese firms optimistic about international trade ***

*** Resilient regional trade, domestic economic performance and strong FDI inflows fuel their optimism ***

Vietnamese businesses are among the world's most optimistic about international trade prospects and they are also among the most confident when it comes to succeeding in the current environment. That's according to HSBC's latest report, 'Navigator: Now, next and how for business', which polled over 8,500 businesses across 34 markets.

91% of Vietnamese respondents, compared with 75% globally, indicated they believe the outlook for trade is favourable in spite of geopolitical factors that are curbing enthusiasm elsewhere. They cite a favourable economic environment, decreasing costs of shipping, logistics and storage, and an increasing demand for their products as the top three drivers of trade growth.

This bullishness is also reflected in the confidence of Vietnamese firms, with 91% believing that they will succeed in the current environment, compared to 81% of businesses globally. Consumer confidence, commodity prices and global economic growth are the top factors for their own positive outlook.

On a global level, respondents are upbeat about their prospects – encouraged by customer demand and favourable economic conditions – yet many are revising their strategies for fear that protectionist policies will have a negative impact on international trade.

"Vietnamese businesses' optimism reflects an economy that's been one of Asia's star performers, which has been growing fast," said Winfield Wong, Head of Wholesale Banking, HSBC Vietnam. "They are optimistic as they consider themselves well-positioned thanks to a strong domestic economy, confidence in the global economy, as well as far-reaching trade deals and burgeoning trade relations with major markets."

The majority of Vietnamese respondents are positive about the partnerships established with key trading partners, with 69% believing that ASEAN membership will help their business in the next three years. Similarly, 65% of Vietnamese firms believe the forthcoming European Union-Vietnam free trade agreement will have a positive impact on their business in the near future. The two sides agreed on a final text for the trade agreement earlier in June.

Vietnamese businesses are also looking beyond these agreements for growth. Over a quarter of businesses are eyeing opportunities in Japan, while 23% are looking to expand into China, and a fifth are considering South Korea for expansion.

In an effort to raise standards and boost competitiveness, 45% of Vietnamese respondents said up-skilling their workforce is a key focus for investment while 43% firms stated they are placing a greater emphasis on productivity and skills development. Meanwhile, around 8 out of 10 companies in Vietnam are using data to optimise their performance, compared with 75% globally.

Mr. Wong says "We are seeing an increasing demand from clients, particularly those in manufacturing and energy sectors, looking to expand their operations. These ambitions are supported by sustainable local economic growth and interest from overseas firms looking to move here. Optimism from Vietnamese businesses has never been stronger".

Despite the overall optimistic outlook on trade opportunities, 4 out of 5 Vietnamese firms (78%) did concur that foreign governments are becoming more protectionist – this is considerably

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higher than the global benchmark (63%) and a 11-percentage point increase from HSBC's last Navigator survey, conducted in late 2017.

In fact, the Navigator survey shows that more than half of companies (51%) globally expect that free trade agreements, where they apply to their country and industry, will benefit them over the next three years.

FTAs are particularly popular in emerging markets, with 60% of firms saying they will have a positive impact, compared to 45% of firms in developed markets.

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HSBC Navigator: Now, next and how for business

HSBC's Navigator report comprises a global survey gauging business sentiment and expectations on trade activity and business growth from 8,650 decision-makers in 34 markets. Research was conducted by Kantar TNS for HSBC between August and September 2018.

HSBC's Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

The full report can be accessed here: www.business.hsbc.com/trade-navigator

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