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Indian companies tend to further expand in Vietnam, stated HSBC Navigator survey

21% of Indian companies that have operations in Southeast Asia or expect to in future show their plan to expand their businesses in Vietnam in the next two years. Whilst, 26% Chinese corporates in Vietnam are looking to prioritise growth here over the next two years.

These are some of the key findings from HSBC Navigator: SEA in Focus, which surveyed more than 1,500 companies from six of the largest economies in the world, including China, France, Germany, India, UK and US – all of which have operations in Southeast Asia or have plans to in future. The survey gauges their sentiment on doing business in Southeast Asia, with particular focus on trade, digitisation and sustainability.

Tim Evans, CEO of HSBC Vietnam, said “Vietnam is a strong example of how to initially contain Covid-19 and then rapidly roll out vaccines which has enabled the country to reopen and its economy to recover at pace. Embracing strong economic fundamentals together with taking advantage of being one of the most attractive investment destinations, Vietnam is back to rapidly growing as one of the newer manufacturing hubs in the world. An enviable position that has been achieved due to favourable policies by the Government especially around free trade agreements. Through HSBC Vietnam’s discussions with our international corporate clients, we believe that the trend of more global companies moving to Vietnam is not temporary but is actually much longer term and very strategic.”

Opportunities driven by Vietnam’s advantages

On the advantages side, 3 out of 10 surveyed companies found Vietnam’s skilled workforce to be the most attractive feature of the market, while 27% of respondents were attracted by the country’s optimistic economic outlook, competitive wage prices, and the resilience demonstrated by Vietnam during the pandemic. 39% of Indian companies favoured the market thanks to developed infrastructure and 49% favoured Vietnam’s supportive government and regulatory environment. 36% of US companies were very attracted by the opportunity Vietnam affords to test and develop new products/solutions.

In parallel, up to 49% of the survey’s participants, especially those from China, India and the US, intend on taking advantage of EUVFTA (EU-Vietnam Free Trade Agreement) to increase and support their trade with the region, among other FTAs including CPTPP, RCEP, EUSFTA (EU-Singapore Free Trade Agreement).

On the opposite, 33% surveyed companies found that they faced challenges in supply due to the pandemic’s impacts when doing businesses in Vietnam. Cultural issues, including language constraints and business conducting, were also a major concern. 31% pointed to these as a particular challenge for them in Vietnam.

Sustainability considerations

As one of the hot topics in the world nowadays, sustainability in Vietnam is also carefully considered by international investors that have operations here.

Vietnam is a regional leader in its progress towards achieving the 17 UN Sustainable Development Goals (SDG). Ranked 51st of 162 countries by the SDG Index, it is thus rated as having greater success than all other Southeast Asian countries barring Thailand.

45% of companies operating in Vietnam stated that the most important sustainability actions they could take were improving energy efficiency; a further 42% underlined the importance of supporting local communities.

On the other hand, some 31% of respondent companies operating in Vietnam worried that new regulations and rules on carbon reduction could impact them. It is therefore unsurprising that in order to achieve their sustainability goals, 3 in 10 of those international firms pointed to a need for further improvement in their internal sustainability expertise, while 36% flagged the difficulty of hiring employees who possessed the correct sustainability capability.

Tim added “As one of the rising star’s in Asia, Vietnam is well positioned to benefit from the business opportunities that are coming its way. Sustainability and the transition to net zero are particularly areas where opportunities will open up following Vietnam’s ambitious commitments made at COP26. There is a clear desire by the country to continue to be an attractive investment destination while also working towards become a ‘greener and cleaner’ location to be based.”

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Notes to Editors:

HSBC Bank (Vietnam) Ltd.

HSBC has been in Vietnam for over 150 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank’s current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and two full-service branches in Binh Duong and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, product range, and customer base.

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