

**WORKSHOP "IMPACT OF THE COVID-19 PANDEMIC ON  
AGRICULTURE AND RURAL VIETNAM "**

**THE IMPACT OF THE COVID-19 PANDEMIC  
ON THE BUSINESS COMMUNITY AND THE  
POLICIES TO SUPPORT ENTERPRISES  
OVER THE CRISIS**

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*Hanoi, 7/2020*

# VIETNAM'S ECONOMY FOR THE FIRST 6 MONTHS OF 2020

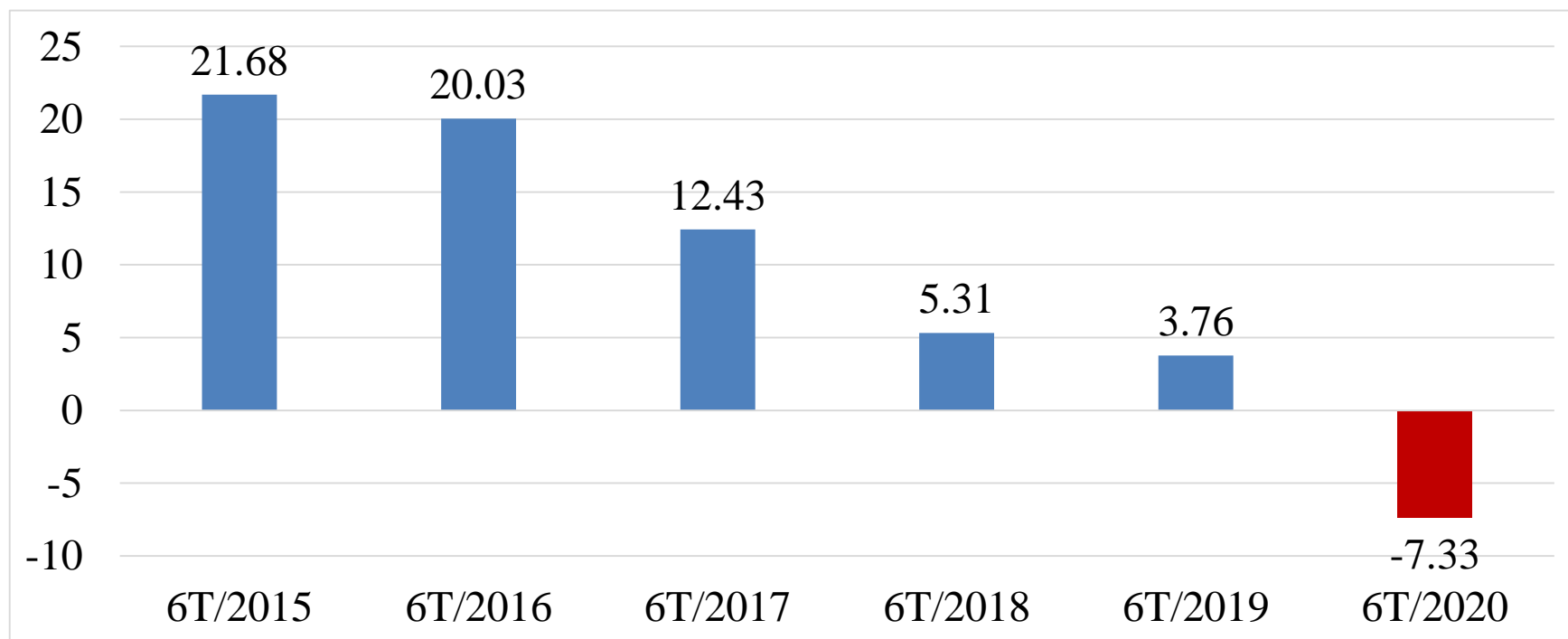
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- GDP grew by 1.81%, the lowest level in the same period of six months in the period of 2011 - 2020: in the first quarter, it reached 3.82%, the second quarter was only 0.36%.
- Total social investment capital in the first 6 months of 2020 increased by 3.4% over the same period in 2019, the lowest increase in the period 2016-2020.
- Total FDI into Vietnam as of June 20, 2020, reached nearly US \$ 15.7 billion, down 15.1% over the same period last year. Realized FDI capital in 6 months was estimated at 8.65 billion USD, decreasing by 4.9% against the same period last year.
- Credit growth of the economy reached 2.45% (the same period in 2019 increased by 6.22%) and this is the lowest credit growth of June 19, 2016-2020.
- Total import and export turnover of goods reached the US \$ 238.4 billion, down 2.1% over the same period last year, of which exports reached the US \$ 121.21 billion, down 1.1%; import reached 117.17 billion USD, down 3%.

# SITUATION OF ENTERPRISES IN THE FIRST 6 MONTHS OF 2020

The whole country had 62,049 newly established enterprises, down 7.33% over the same period in 2019, down 19% in capital and 21.8% in labor of newly registered enterprises.

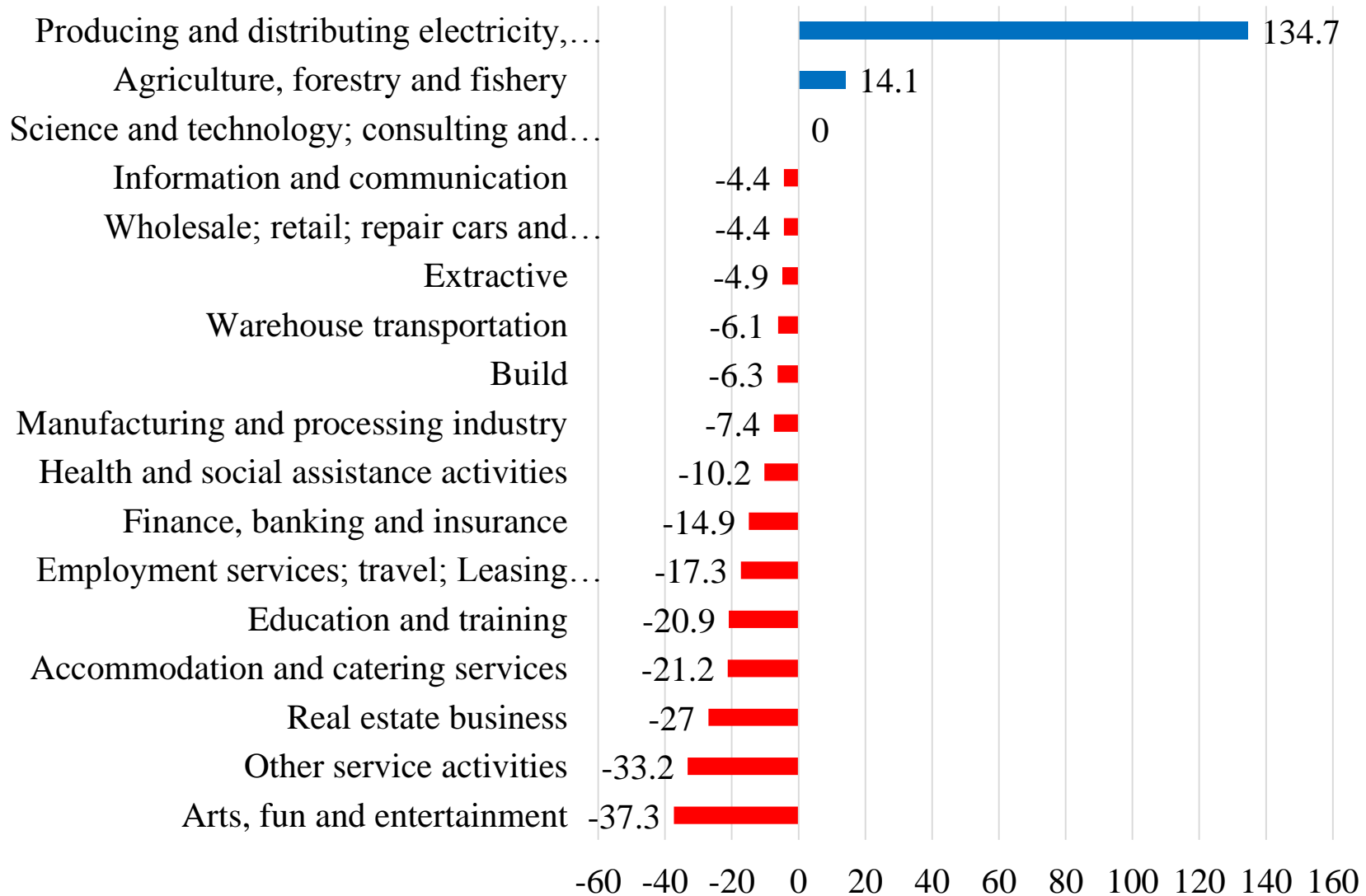
*Unit: %*



**The growth rate of newly established enterprises**

*(Source: Department of Business Registration Management)*

# SITUATION OF ENTERPRISES IN THE FIRST 6 MONTHS OF 2020



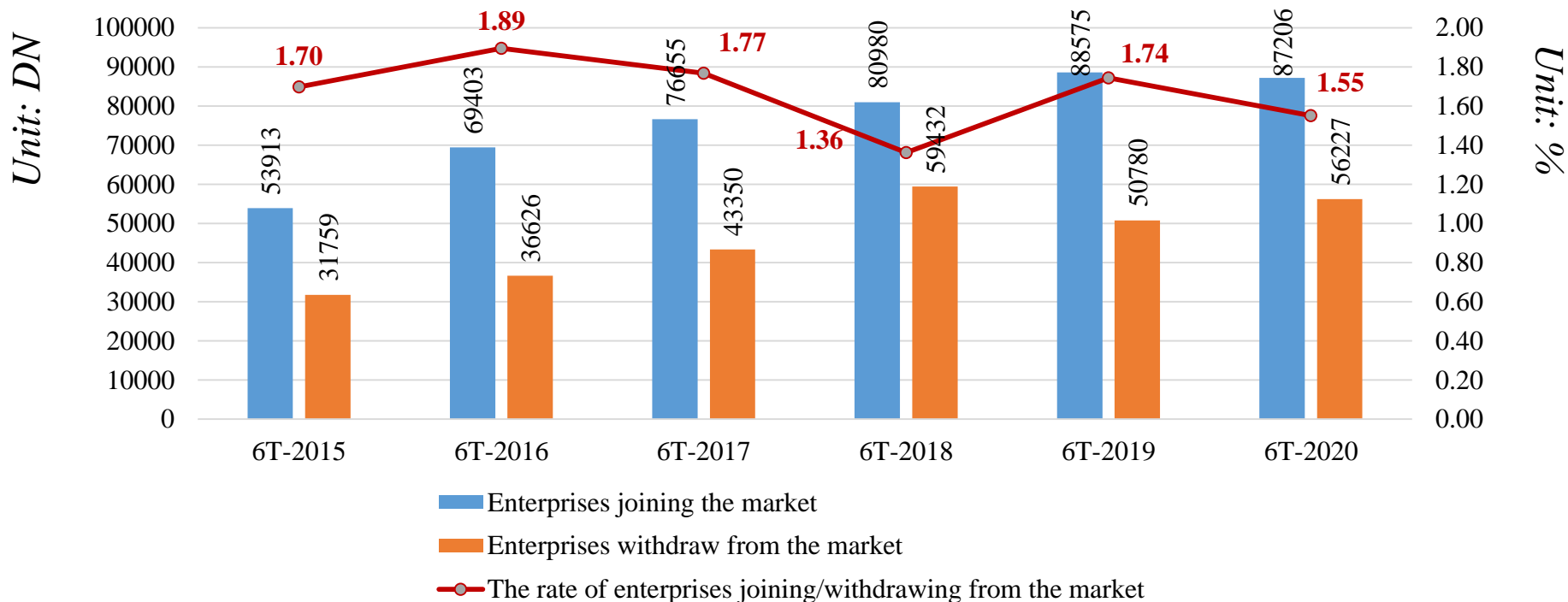
Unit: %

(Source: Cục QLĐKKD)

**The growth rate of newly established enterprises by industry**

# SITUATION OF ENTERPRISES IN THE FIRST 6 MONTHS OF 2020

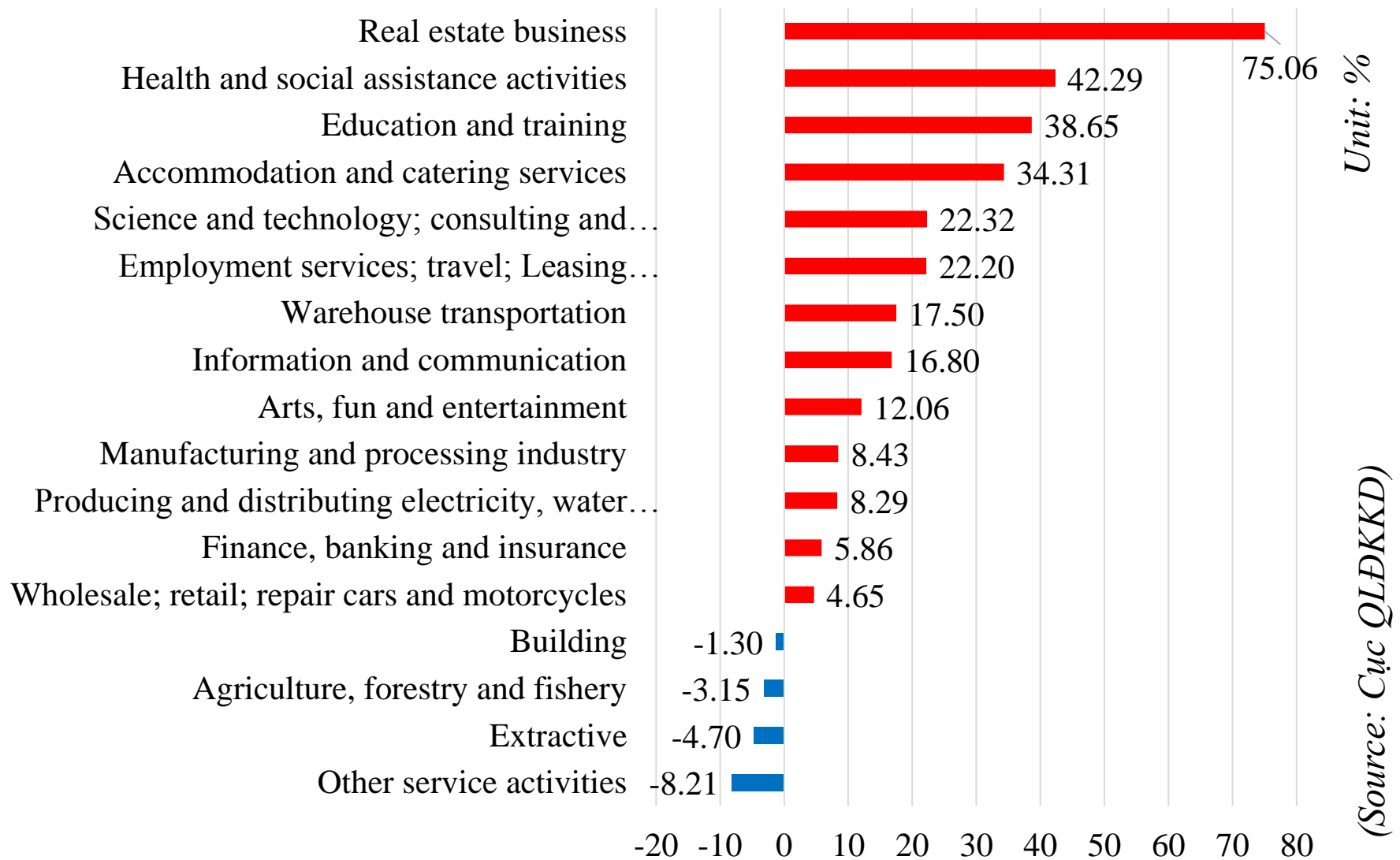
- There were 56,227 enterprises withdrew from the market (up 10.7% compared to the same period in 2019), including: 29,169 enterprises registered for temporary cessation of business (up 38.2%), 19,625 enterprises waiting for dissolution (down 10 , 2%), 7,433 enterprises completed dissolution procedures (down 5.0%).
- There are 22,398 enterprises not operating at the registered address, up 33.9% over the same period.



## Enterprises joined and withdrew from the market in the first 6 months

(Source: Department of Business Registration Management)

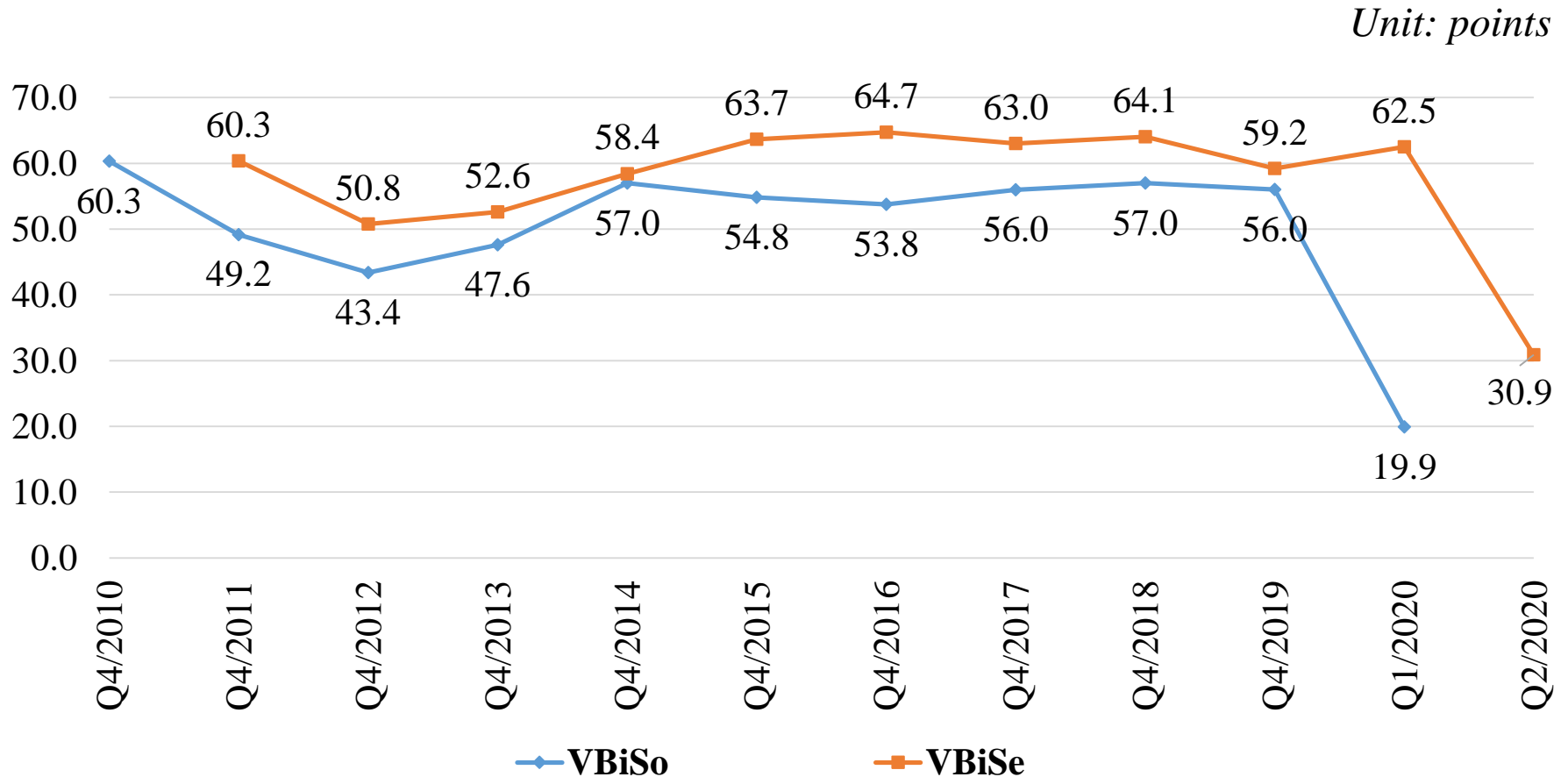
# SITUATION OF ENTERPRISES IN THE FIRST 6 MONTHS OF 2020



**The growth rate of enterprises withdrew from the market by industry<sup>6</sup>**

# BUSINESS SITUATION OF ENTERPRISES IN QUARTER 1/2020

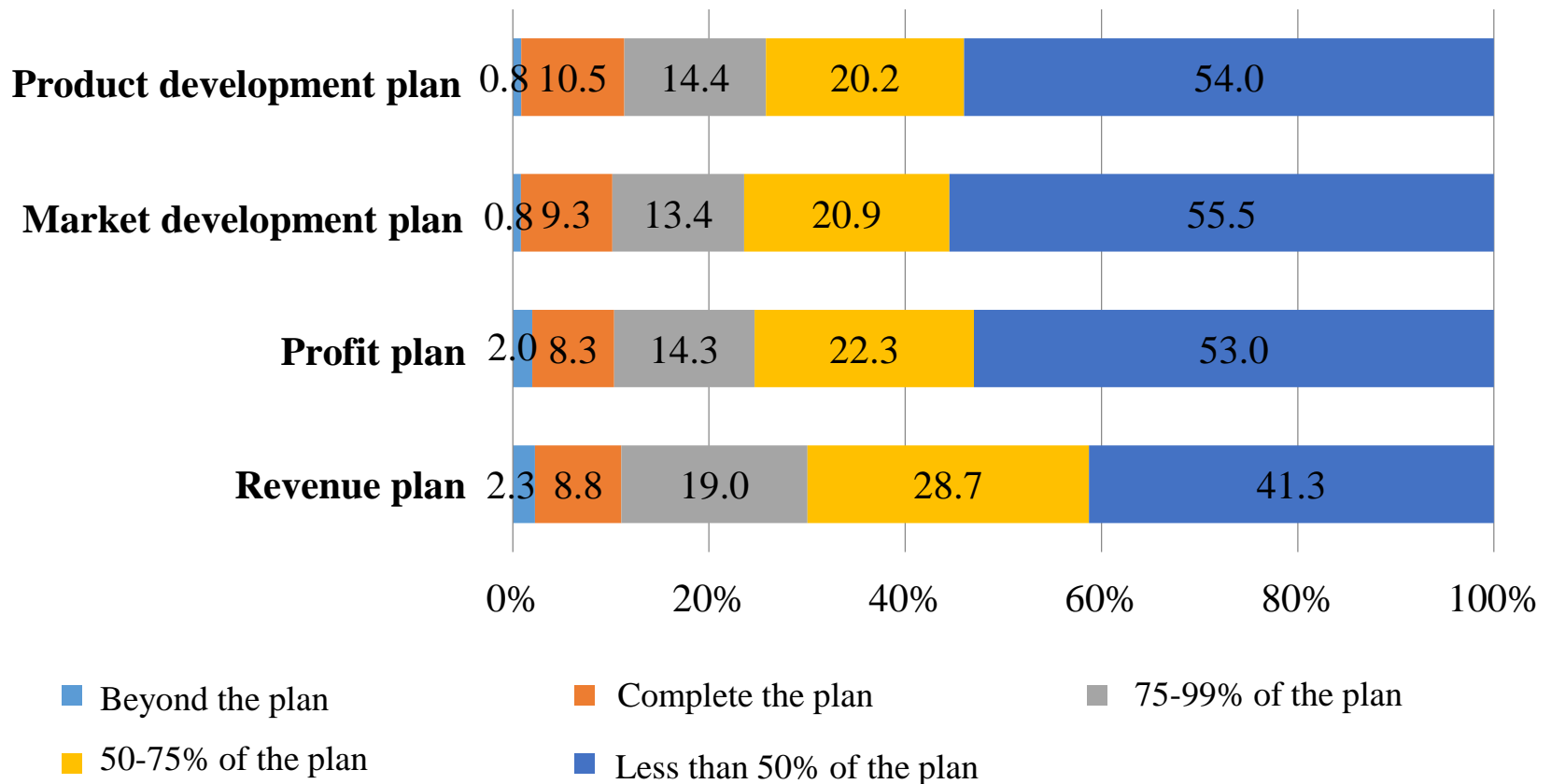
Health Index of enterprises in Quarter I/2020 (VBIS<sub>o</sub>) and Forecast Quarter II/2020 (VBIS<sub>e</sub>)



Source: *Business survey of VCCI conducted from April 21 to May 8, 2020*

# BUSINESS SITUATION OF ENTERPRISES IN QUARTER 1/2020

The situation of fulfilling the business plan set out by the enterprises in Quarter I/2020



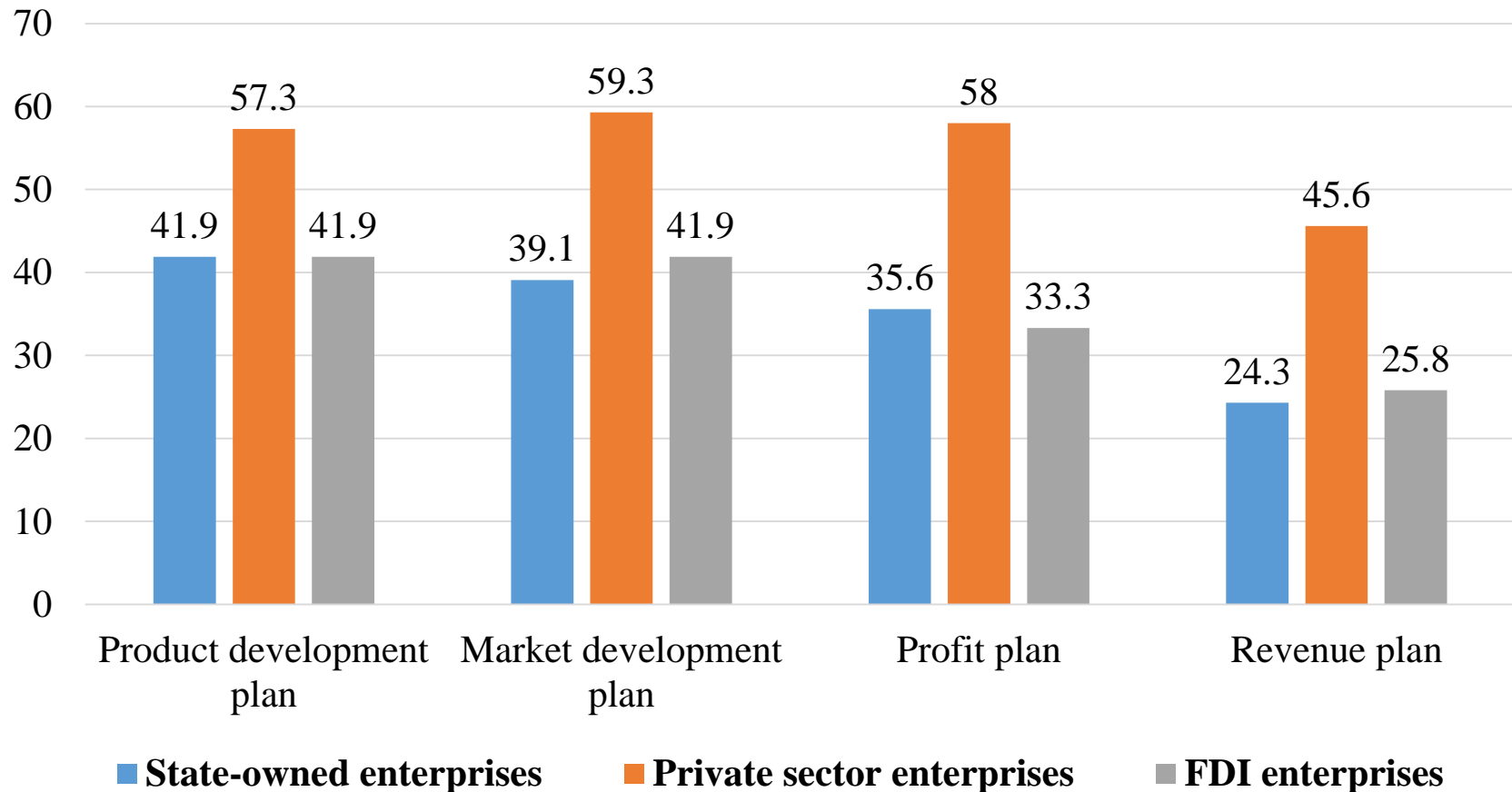
Source: *Business survey of VCCI conducted from April 21 to May 8, 2020*



# BUSINESS SITUATION OF ENTERPRISES IN QUARTER 1/2020

Percentage of enterprises that have only achieved less than 50% of the business plan set out in Quarter I/2020 by business area

Unit: %



Source: *Business survey of VCCI conducted from April 21 to May 8, 2020*

# BUSINESS PLAN OF THE ENTERPRISE

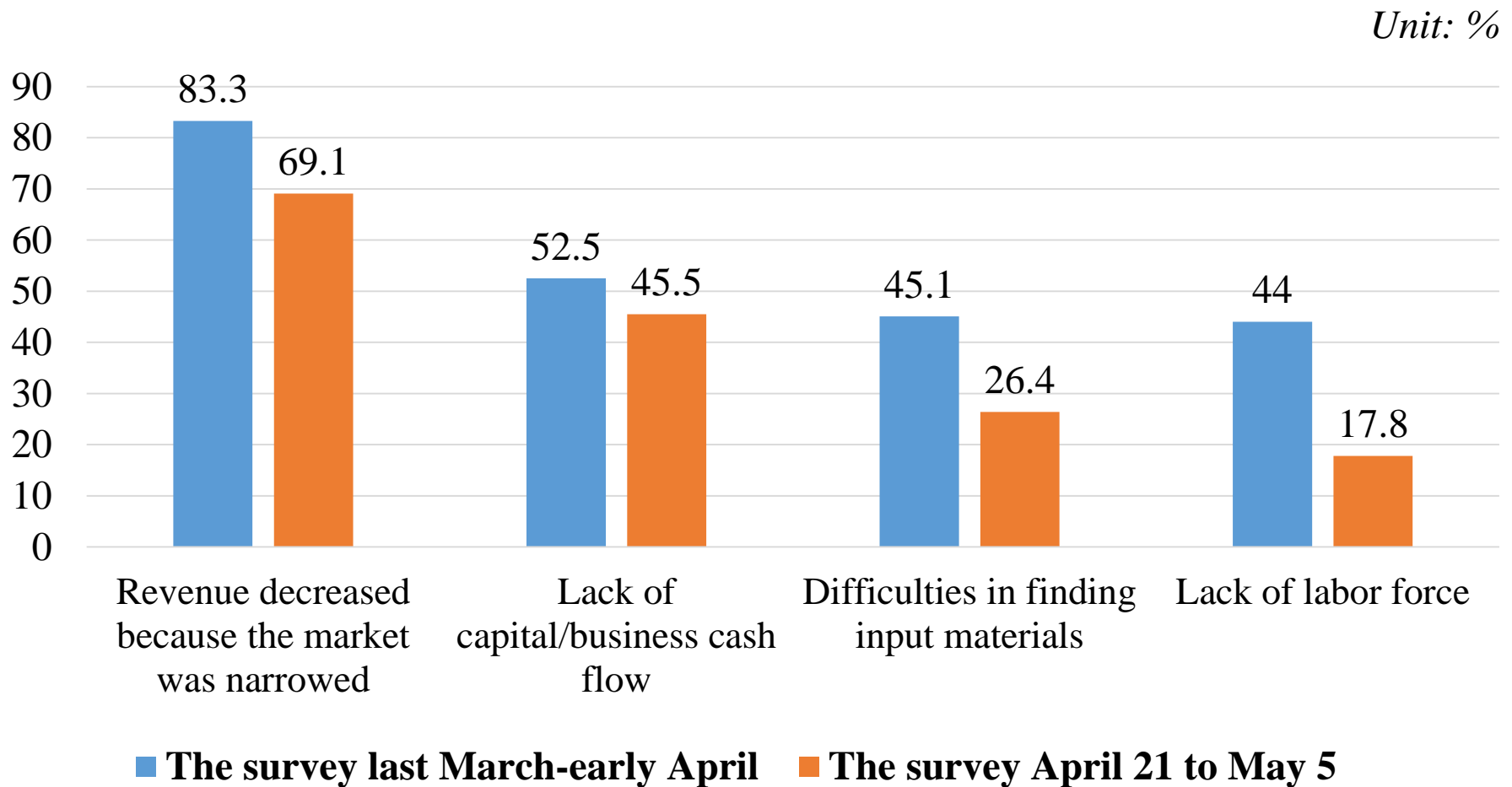
## Business plan of the business in the near future

	VBIS Survey Quarter IV/2017	VBIS Survey Quarter IV/2018	VBIS Survey Quarter IV/2019	VBIS Survey Quarter IV/2020
<b>Scaling</b>	43.0%	36.8%	47.0%	21.0%
<b>Stay the same</b>	50.4%	56.8%	48.0%	56.7%
<b>Narrow the scale</b>	6.2%	5.9%	2.6%	18.9%
<b>Suspension of operation</b>	0.3%	0.4%	0.4%	1.4%
<b>Change business sector</b>	0.1%	0.1%	2.0%	2.0%

Source: *VCCI annual business dynamics survey*

# IMPACT OF COVID-19 ON ENTERPRISES

## The impact of Covid-19 on activities of enterprises

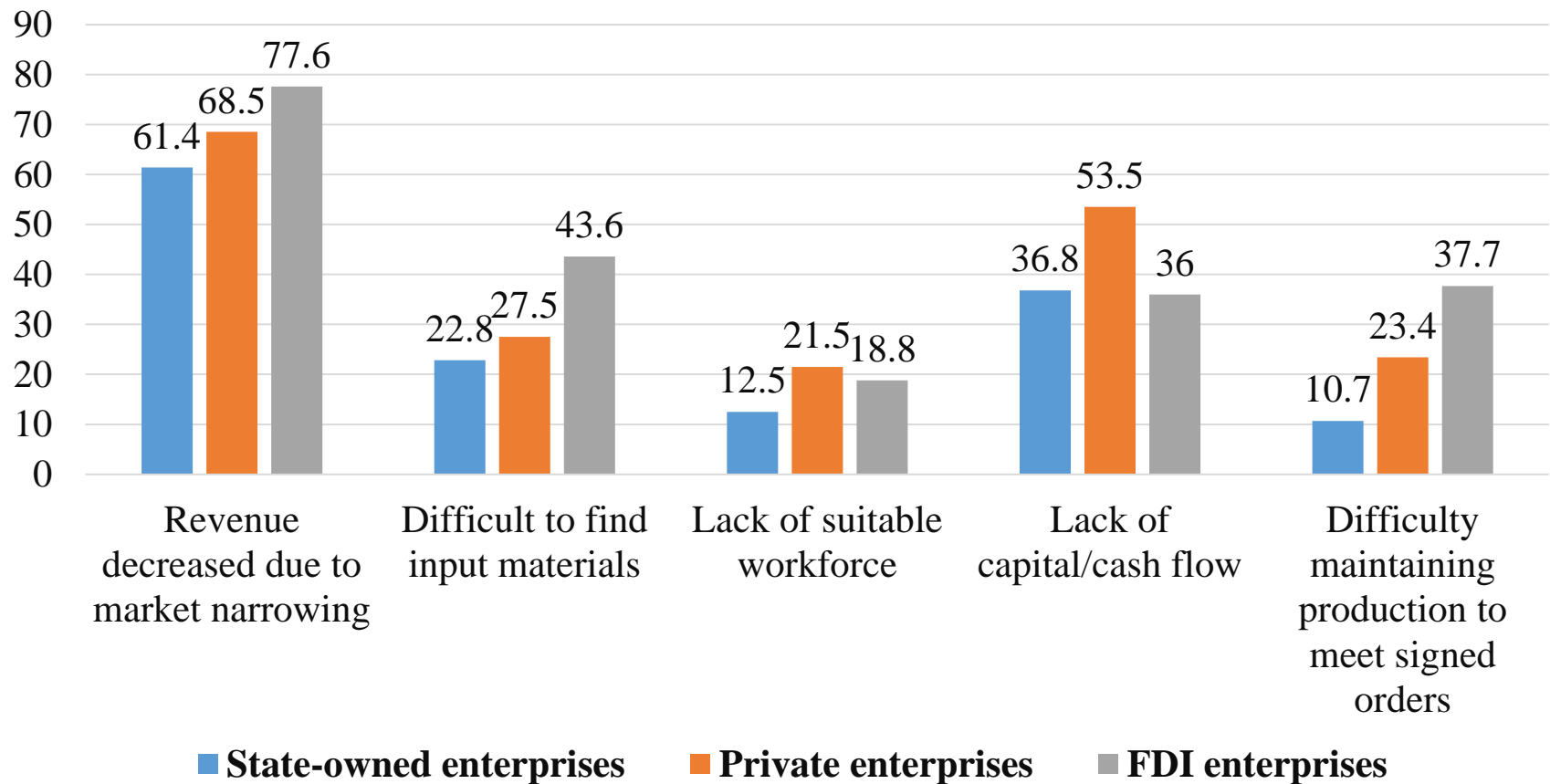


Source: *VCCI survey*

# IMPACT OF COVID-19 ON ENTERPRISES

The impact of the Covid-19 epidemic on firm performance by the enterprise area

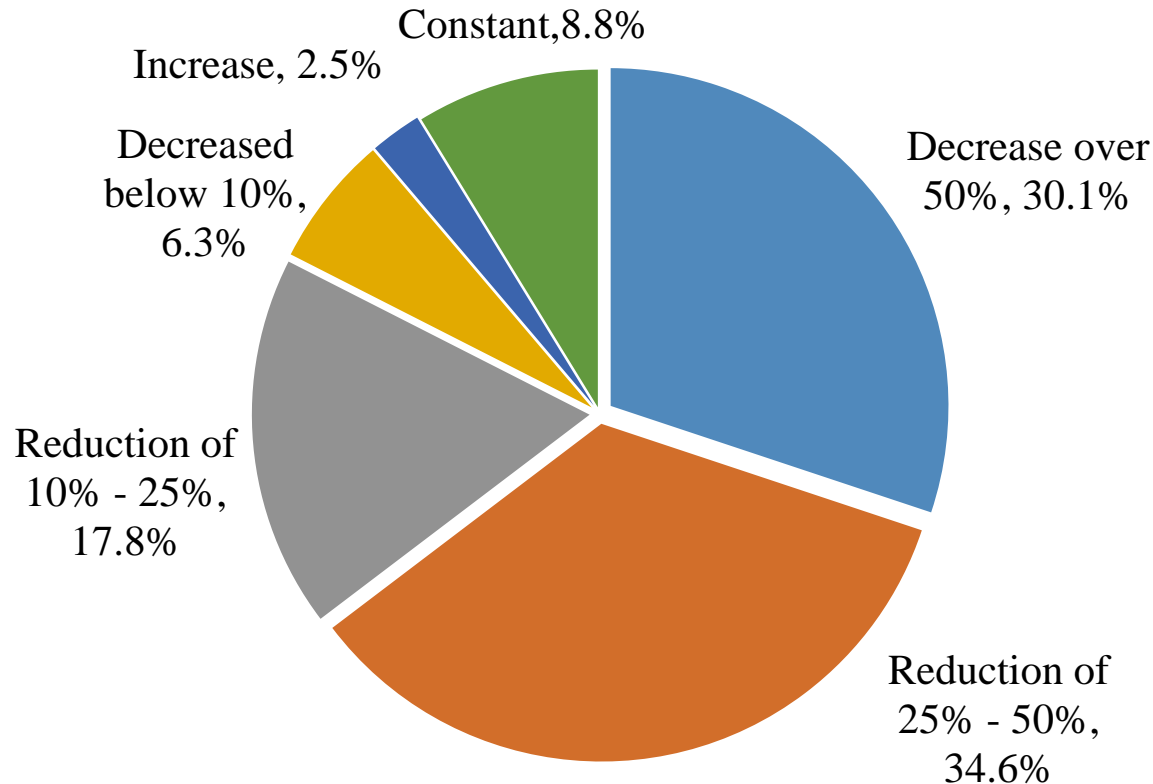
Unit: %



Source: Enterprise dynamics survey of VCCI conducted from April 21 to May 8, 2020

# IMPACTS OF THE COVID-19 OUTBREAK ON ENTERPRISES

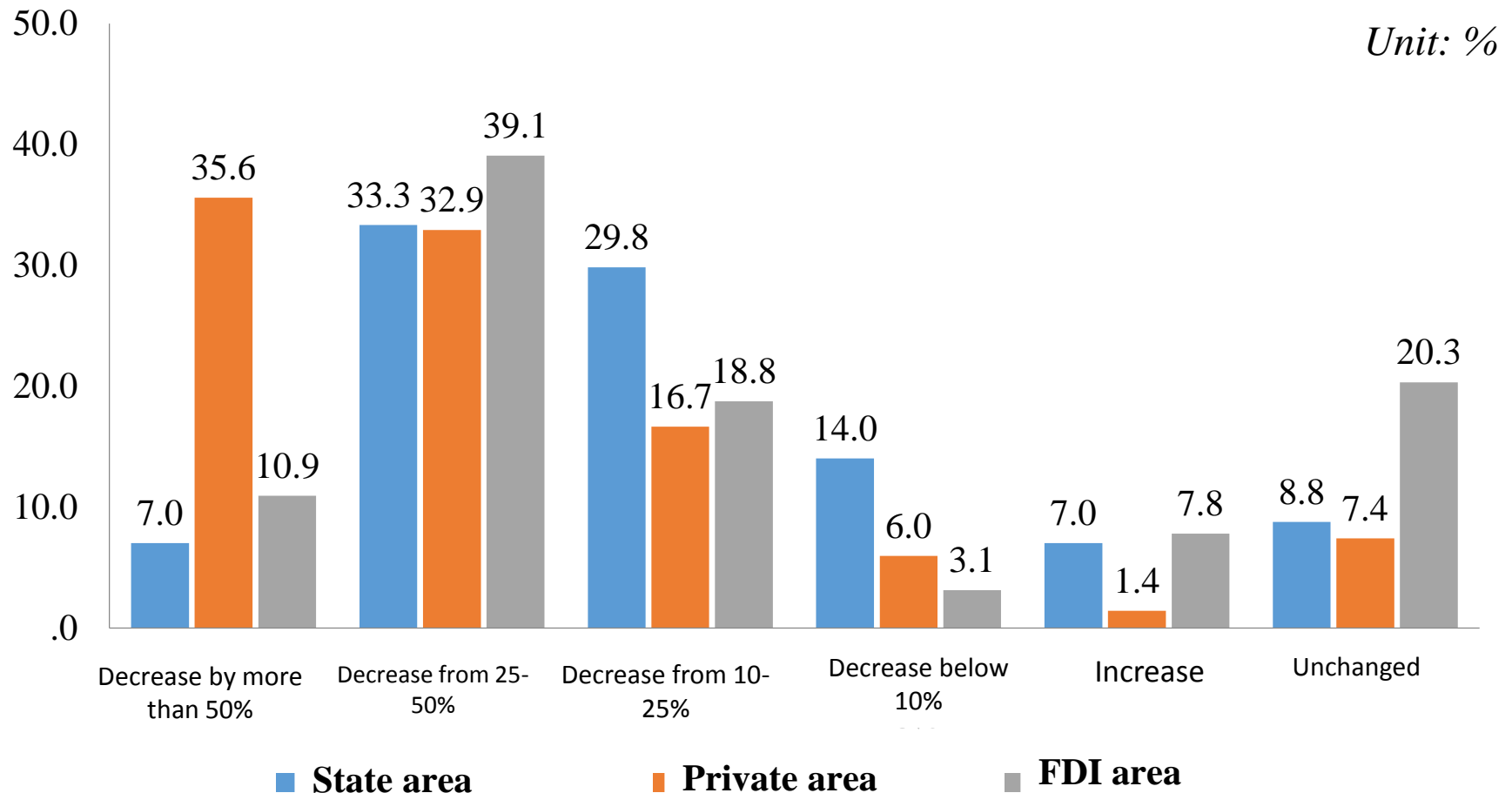
## Impacts of the Covid-19 outbreak on revenue of enterprises



Source: VCCI enterprise dynamics survey, conducted from April 21 to May 8, 2020

# IMPACTS OF THE COVID-19 OUTBREAK ON ENTERPRISES

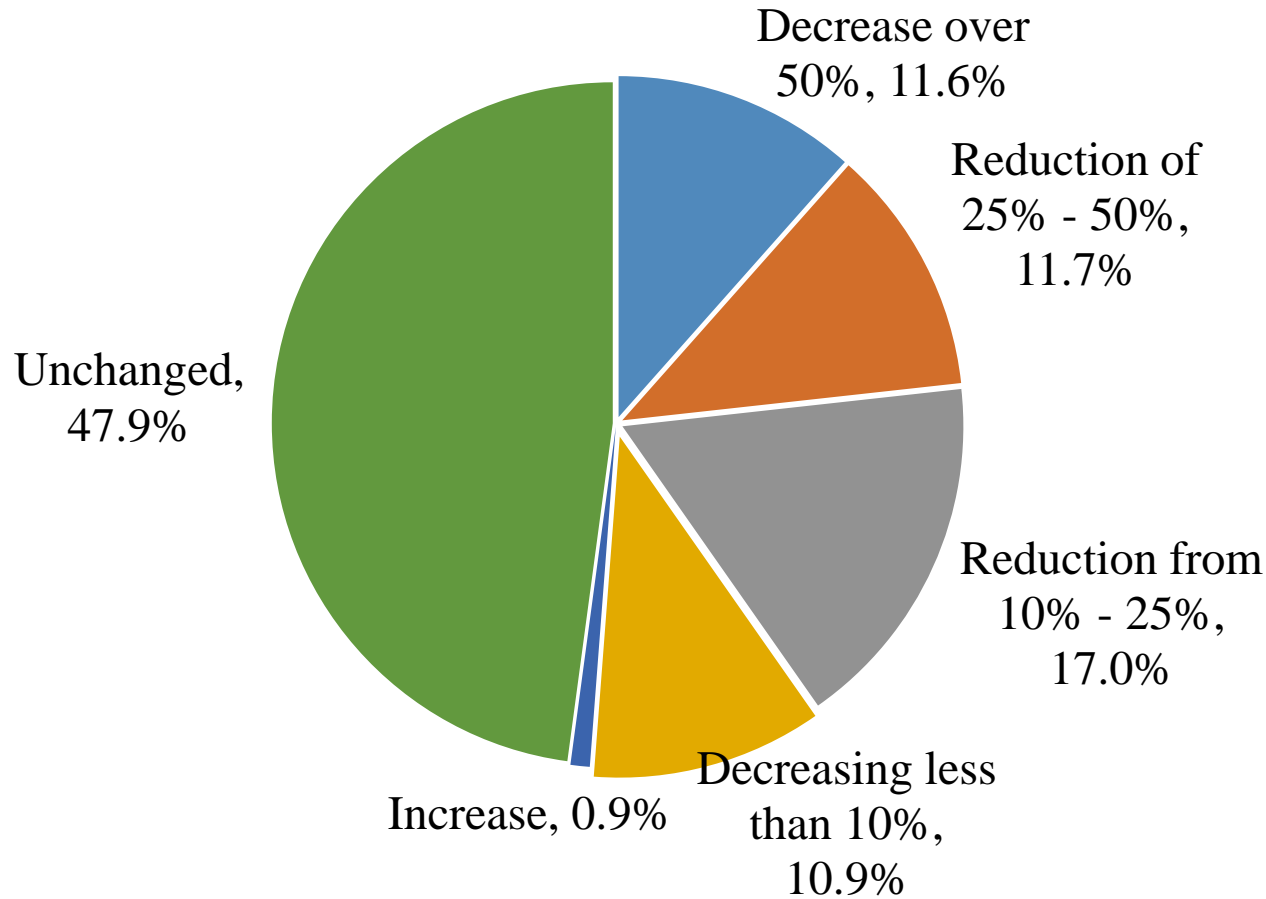
## Impacts of the Covid-19 outbreak on revenue of enterprises, by sector



Source: VCCI enterprise dynamics survey, conducted from April 21 to May 8, 2020

# IMPACTS OF THE COVID-19 OUTBREAK ON ENTERPRISES

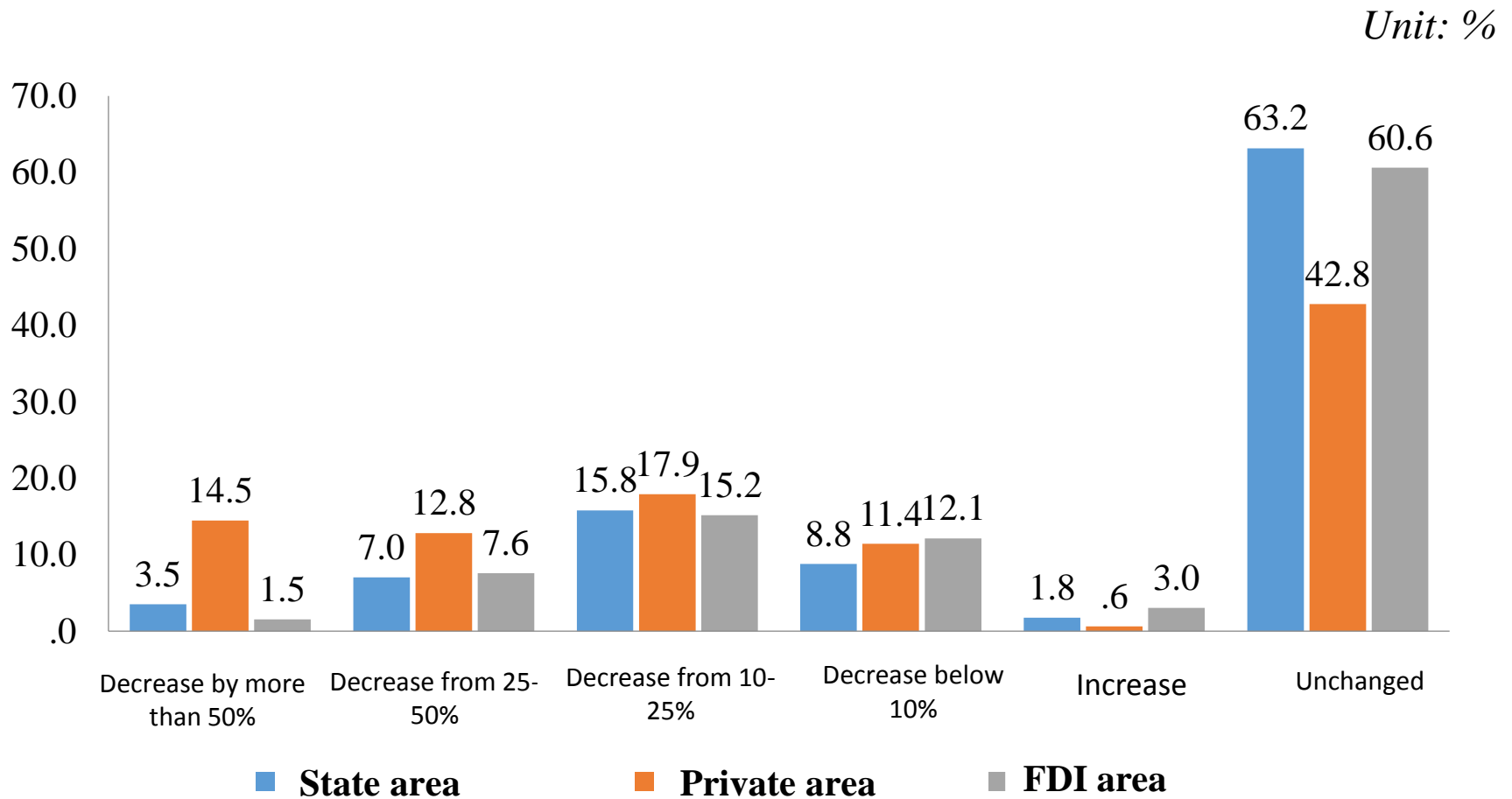
## Impacts of the Covid-19 outbreak on human resources of enterprises



Source: VCCI enterprise dynamics survey, conducted from April 21 to May 8, 2020

# IMPACTS OF THE COVID-19 OUTBREAK ON ENTERPRISES

## Impacts of the Covid-19 outbreak on human resources of enterprises, by sector



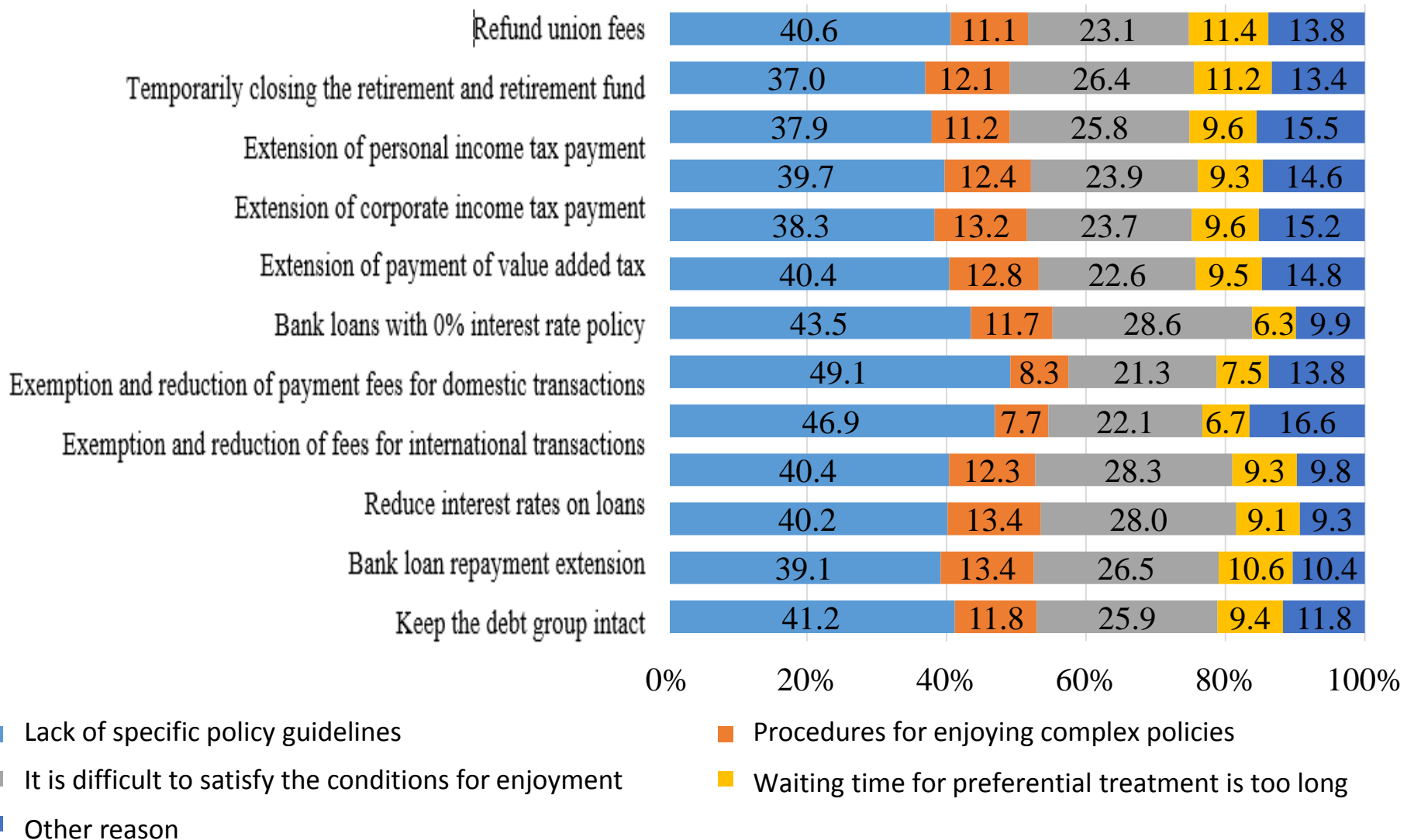
Source: VCCI enterprise dynamics survey, conducted from April 21 to May 8, 2020



# POLICIES SUPPORTING ENTERPRISES AFFECTED BY THE COVID-19 OUTBREAK

- **The Vietnamese Government** has issued timely supported enterprise policies such as Directive No. 11/CT-TTg, Directive No. 15/CT-TTg, Directive No. 16/CT-TTg, Decree No. 41/2020/ND-CP, Resolution No. 42/NQ-CP, Decision No. 15/QD-TTg, Resolution No. 84/NQ-CP and various guiding documents issued by Ministries.
- Credit policies: reducing interest rate, extending loan term, restructuring debts, exempting and/or reducing of payment fees, reducing 2% interest rate when borrowing from the SME Support Fund
- Fiscal policy: extending deadline of CIT, VAT and land rent payment; reducing 15% of the land rent in the year of 2020; allowing deduction of anti-epidemic contributions to expenses; reducing fees/charges, ...
- Labour policies: suspension of union fees; lending with an interest rate of 0% with the purpose of paying workers
- Policies for each industry/field: aviation, automobile manufacturing, ...
- **The Vietnamese National Assembly** promulgated a Resolution on reduction of 30% of payable CIT of 2020 for enterprises with total revenue not exceeding VND 200 million in 2020.

# POLICIES ACCESS SUPPORT FOR ENTERPRISES AFFECTED BY COVID-19



Source: Business survey of VCCI conducted from April 21 to May 8, 2020

# POLICIES ACCESS SUPPORT FOR ENTERPRISES AFFECTED BY COVID-19

## ➤ Credit policy

- By the end of June 2020, the repayment period has been restructured for approximately 260,000 customers, with outstanding loans of approximately VND 180,000 billion; interest rate waivers and reductions about 421,000 customers, with an outstanding balance of approximately VND 1.3 million billion; new loan about VND 1.1 million for approximately 240,000 customers, lower interest rates from 0.5-2.5%/year compared to previous
- Enterprises must prove themselves belonging to the group affected by Covid - 19 as well as demonstrate the ability to repay the debt after the restructuring of commercial banks debt again.
- Businesses expect banks to lower lending standards, because this is the time businesses are "the most dead".
- This is the capital mobilized from commercial banks and commercial joint stock banks following the mechanism of the business

***=> Amend and supplement Circular 01/2020 / TT-NHNN in the direction of extending the time The support period may reach the end of 2020 or longer depending on developments and effects of disease***

# POLICIES ACCESS SUPPORT FOR ENTERPRISES AFFECTED BY COVID-19

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## ➤ Fiscal policy

- By June 11, the tax authority has received about 139 thousand requests for extension tax payment time and land rent of taxpayers (about 20% in the total of more than 700,000 operating businesses); in which, 104,634 people submitted Taxes are enterprises, the rest are business households and individuals. The total amount recommended term is 37,226 billion dong. ( deadline is July 30 )
  - Simple procedure: send the renewal form in the form designed with simple information
  - Looking at the design of the fiscal support policy, up to 98% of businesses will be supported, but in reality, the number of enterprises benefiting from the policy is insignificant.
  - Many businesses have fulfilled their tax obligations before the extended period since march 2020
  - Enterprises want to increase the extension time and reduce and exempt taxes
- => Draft Decree “Stipulating the details of the implementation of the Resolution Congress on reducing corporate income tax payable for 2020 for enterprises, cooperatives, non-business units and other organizations ”***

# POLICIES ACCESS SUPPORT FOR ENTERPRISES AFFECTED BY COVID-19

## ➤ Labor policy

- By the end of May, the total number of units that have been approved for temporary suspension documents Social insurance is 1,171 units, estimated amount of VND 396 billion
- After 2 months, no enterprise has been able to approach the VND 16,000 billion package, interest rate of 0% since Social Policy Bank to pay employees
- Criteria make it difficult for businesses, do not encourage businesses to try job maintenance, hard to prove damage: “ 50% of the workers are subject to social insurance contributions of enterprises must leave their jobs or lose 50% of the total value of assets due to disease”
- Criteria for a policy bank loan with 0% interest rate (according to the Decision No. 15/2020 / QD-TTg) is also very strict: pay up to 50% of the salary in advance stop work for workers, who are facing financial difficulties, ...
- Enterprises propose to postpone social insurance, college union until the end of 2020, exempting payment of contributions Social insurance, college fee

**=> Proposal to loosen the criteria businesses are allowed to borrow at 0% interest rate pay salaries for workers who have deeply reduced income due to COVID-19**

# CONCLUDE

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- Enterprises heavily affected by the Covid-19, especially in domestic private sector.
- The Government has issued many support policies with appropriate orientation but the effectiveness of the support solutions has not been as expected because the scale of support packages is too small compared to the damage of businesses and the development process. The implementation has not been drastically and unevenly, the criteria for accessing these policies are complicated and not suitable with the current context of enterprises.
- Enterprises want to increase the scale of financial, monetary and labor support packages but must implement them effectively and transparently with the supervision of the business community and business associations.
- Speeding up economic reform, simplifying administrative procedures in business is still the most important foundation to support businesses to overcome the difficulties caused by Covid-19

# THANK YOU!

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