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## **The impact of covid-19 on enterprises joining and withdrawing from markets in Vietnam**

**Hue Thi Hoang**

National Economics University, Hanoi, Vietnam

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### **Abstract**

Spreading of Covid-19 in the world generally and in Vietnam particularly places comprehensive impacts on every economic - social aspect, of which it is the enterprises that are influenced the most. This essay describes impacts of Covid-19 on the enterprise's joining and withdrawing from the markets in Vietnam in order to specify further the overview on Vietnam's enterprises in response to Covid-19. The result is that, during first 08 months of 2020, about 88.7 thousand new enterprises are registered, decreasing by 2% against the last year, which is very low if comparing with the increase in previous years. During the whole first 08 months of 2020, quantity of enterprises pausing their business for fixed time is about 34.3 thousand, going up by 70.8% against same period of last year, which is the highest during 2015 - 2020. It reflects the increasing impacts of Covid-19 on the Vietnamese enterprise's joining and withdrawing from the markets.

**Keywords:** Vietnam, enterprise, covid-19

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### **Introduction**

As the economy with comprehensive international integration, big openness and close connection in terms of trading, investment, travel, workforce and so on with the world like other countries, Vietnam has been pushed to the big economic impact and, at the same time, the double influence from both demand and supply aspect, hitting all of key output and input markets, consisting of production and consumption, of which the enterprises are affected the most, leading to the increasing competition pressure. Whereas, technical level, technology, controlling and administration machinery of Vietnamese enterprises are still limited in general. For this reason, when facing the economic shock caused by COVID-19, many enterprises are hit dizzily. Surveying about 130,000 enterprises by the Ministry of Planning and Investment in recent April, it is seen that: About 86% of the enterprises are badly impacted by Covid-19. The larger the enterprise is, the worse the impact caused by Covid-19 is. Q1/2020 revenue of enterprises decreases sharply to 74.1% against the last year same period. Despite the revenue is much lower than planned, the enterprises must still pay daily cost such as salary and related charges to employees, loan interest, rental and so on. Difficulties in market, collection and cash flow have pushed a lot of enterprises to use of below methods: about 30% of the enterprises should reduce the workforce; over 21% should plan unpaid leave for employees and about 19% should reduce salary (Vo Huy Hung, 2020b)).

Currently, in spite of positive signals against the epidemic, in the world, the epidemic is still serious, prolonged, especially in the countries which are the important partners of Vietnam such as America, Japan, Europe, etc. Therefore, break of supply chain cannot be fixed in the coming time, continuously causing big impacts on the enterprises, especially the ones whose input and

output depend on the international markets and who present their big footprint in production network and global value chain such as garment and textile, leather footwear, travel, aviation, restaurant, hotel, logistics and so on. For this reason, this essay will point out impacts of Covid-19 on the enterprise's joining and withdrawing from the markets in Vietnam to further detail the overview of Vietnamese enterprises in response to Covid-19, recommending some solutions to the enterprises.

### **Impact of Covid-19 on enterprise's joining and withdrawing from markets in Vietnam**

#### **Impact of Covid-19 on enterprise's joining markets in Vietnam**

According to Vo Huy Hung (2020a), during Q1/2020, 29,711 new enterprises were registered, increasing by 4.4% against the same period of 2019. This increase is one of the lowest in every first quarter of 2015 - 2019 (compared to the average increase of 10.9%).

There are 06 industries with decrease in new enterprise quantity against same period of 2019, particularly: Performance, entertainment (decreasing by 22.5%); Other services (12.2%) and Real estate (11.9%). It reflects the increasing impacts of Covid-19 on enterprise registration in Vietnam.

Covid-19 returns in late 07/2020 but the Government has loosen the social distancing policy against the year beginning, therefore, the influence on the enterprise's spirit is not too much, quantity of new registered enterprises in 08/2020 still increases by 1.5% in comparison with 07/2020. During the whole 08 months of 2020, about 88.7 thousand new enterprises are registered, decreasing by 2% against the last year, with the average capital per enterprise being VND 13.8 billion, up by 8.7% (Table 1).

**Table 1:** Some quota on enterprise's joining and withdrawing from markets in Vietnam

	July 2020	August 2020	First 08 months of 2020	August 2020 against (%)		First 08 months of 2020 against same period of 2019 (%)
				July 2020	August 2019	
New registered enterprises (enterprise)	13,200	13,402	88,650	101.5	119.9	98.0
Workforce (employee)	91,367	96,316	694,906	105.4	109.0	83.5
Resuming enterprises (enterprise)	4,839	4,775	32,624	98.7	300.9	127.9
Fix-term pausing enterprises (enterprise)	3,372	3,102	34,288	92.0	258.5	170.8
Pausing enterprises waiting for dissolution (enterprise)	3,068	3,424	24,215	111.6	163.4	94.1
Enterprises with dissolution procedures fulfilled (enterprise)	1,504	1,416	10,353	94.1	109.3	98.1

Source: General Department of Statistics (2020)

Specifically, in 08/2020, there is 13.4 thousand new registered enterprises in Vietnam with the registered capital of VND 288.8 thousand billion and the workforce of 96.3 thousand employees, increasing by 1.5% in enterprise quantity, 20.7% in registered capital and 5.4% in employee number against 07/2020. Generally during first 08 months of 2020, there is 88.7 thousand new registered enterprises in Vietnam with the registered capital of VND 1,225.2 thousand billion and the workforce of 694.9 thousand employees, decreasing by 2% in enterprise quantity, increasing by 6.5% in registered capital and decreasing by 16.5%

in employee number against same period of last year (Table 2). If comparing this ratio with increase in enterprise quantity during 03/2019 against same period of 2018 (increasing by 54.3% in enterprise quantity and 57.9% in registered capital), this ratio is considered very low, reflecting the fact that the passion for starting up the business is strongly affected. Spirit of the investors is pressured by sophisticated Covid-19, many of them are afraid and cautious in investment due to being concerned about a must to narrow the business and break of input and output chain (Vo Huy Hung, 2020a).

**Table 2:** New registered enterprises in Vietnam

	First 08 months of 2020			First 08 months of 2020 against same period of 2019 (%)		
	Quantity of enterprises (enterprise)	Registered capital (VND billion)	Workforce (employee)	Quantity of enterprises	Registered capital	Workforce
<b>Total</b>	<b>88650</b>	<b>1225223</b>	<b>694906</b>	<b>98.0</b>	<b>106.5</b>	<b>83.5</b>
By economic industries						
<i>Agriculture, forestry and fishery</i>	1697	25752	15652	130.0	157.6	152.8
<i>Industry and construction</i>	26338	309432	352310	107.7	87.8	76.5
Mining	454	13796	8310	101.1	149.1	222.8
Processing and manufacturing industry	11092	93258	252410	96.8	79.1	67.4
Production and supply of power, water, gas	3394	69548	21380	347.0	116.4	254.5
Construction	11398	132830	70210	98.5	80.3	94.8
<i>Service</i>	60615	890039	326944	93.7	113.8	90.4
Wholesaling; retailing; repairing of automobile, motorbike	29276	155762	143579	99.3	143.2	93.8
Transportation and warehousing	3633	23134	21796	95.1	34.7	77.6
Hospitality and cuisine	3433	34024	18948	79.7	124.6	75.1
Communication and media	2506	17132	14218	97.9	84.6	97.7
Finance, banking and insurance	865	38857	4299	90.1	121.6	94.0
Trading in real estates	4331	501574	28512	80.4	130.5	86.0
Science, technology; consultancy, design; advertising and other professionalism	7724	60776	44973	101.9	78.7	106.9
Education and training	2355	10383	13959	86.8	74.3	89.1
Medicine and social support	597	6887	3788	97.7	158.2	77.1
Performance and entertainment	584	7151	3421	63.3	129.7	70.4
Employment service; travel; lease of machines, equipments, instruments and other supportive services	4537	31209	25979	86.0	81.5	85.2
Other services	774	3149	3472	71.3	99.3	72.7

Source: General Department of Statistics (2020)

Regarding the economic industries, first 08 months of 2020 records about 1,698 new registered enterprises in Vietnam, consisting of agriculture, forestry and fishery, increasing by 30% against same period of last year; more than 26.3 thousand enterprises are in industry and construction, up by 7.7%; and about 606 thousand enterprises in services, down by 6.3%. Some industries and sectors are reported with increase in quantity of

new registered enterprises such as: Production and supply of power, water, gas, 3,394 enterprises, up by 247% against same period of last year; science, technology, consultancy, design, advertising and other professionalism, 7,724 enterprises, up by 1.9%; mining, 454 enterprises, up by 1.1%. Regarding other industries, quantity of new registered enterprises goes down: wholesaling, retailing, repairing of automobile, motorbike, 29.3

thousand enterprises, decreasing by 0.7% against same period of 2019; construction, 11.4 thousand enterprises, decreasing by 1.5%; processing and manufacturing, 11.1 thousand enterprises, decreasing by 3.2%; service of employment, travel, lease of machines, equipments, instruments and other supportive services, 4,537 enterprises, decreasing by 14%; real estate, 4,331 enterprises, decreasing by 19.6%; transportation and warehousing, 3,633 enterprises, decreasing by 4.9%; hospitality and cuisine, 3,433 enterprises, decreasing by 20.3%; communication and media, 2,506 enterprises, decreasing by 2.1%; education and training, 2,355 enterprises, decreasing by 13.2%; finance, banking and insurance, 865 enterprises, decreasing by 9.9%; performance and entertainment, 584

enterprises, decreasing by 36.7%; medicine and social support, 597 enterprises, decreasing by 2.3% (Table 2).

In 08/2020, only 4,775 enterprises nationwide resume their business, down by 1.3% against 07/2020 and up by 200.9% against same period of 2019.

During the whole first 08 months of 2020, there is 32.6 thousand enterprises resuming their business, up by 27.9% against same period of 2019 (Table 3).

Making total quantity of new registered enterprises and enterprises resuming their business during the first 08 months increase to 121.3 thousand enterprises, up by 4.5% against the same period of last year, about 15.2 thousand enterprises newly registered and resuming the business.

**Table 3:** Resuming enterprises in Vietnam

<i>Unit: Enterprise</i>			
	First 08 months of 2019	First 08 months of 2020	First 08 months of 2020 against same period of 2019 (%)
Total	25512	32624	127.9
Agriculture, forestry and fishery	400	503	125.8
Industry and construction	7303	9230	126.4
Mining	271	273	100.7
Processing and manufacturing industry	2976	4170	140.1
Production and supply of power, water, gas	160	221	138.1
Construction	3896	4566	117.2
Service	17809	22891	128.5
Wholesaling; retailing; repairing of automobile, motorbike	9893	12356	124.9
Transportation and warehousing	1351	1601	118.5
Hospitality and cuisine	1297	1649	127.1
Communication and media	543	604	111.2
Finance, banking and insurance	228	310	136.0
Trading in real estates	588	884	150.3
Science, technology; consultancy, design; advertising and other professionalism	1659	2568	154.8
Education and training	490	662	135.1
Medicine and social support	85	120	141.2
Performance and entertainment	182	269	147.8
Employment service; travel; lease of machines, equipments, instruments and other supportive services	1210	1554	128.4
Other services	283	314	111.0

Source: General Department of Statistics (2020)

### Impact of Covid-19 on enterprise's withdrawing from markets in Vietnam

According to Vo Huy Hung (2020a), increase in enterprises registered with fix-time pause in every first quarter of 2015 - 2019 does not show any breakthrough, about 20% in average. However, quantity of enterprises with short-term registered pause in Q1/2020 increases by 26.0% against same period of 2019, about 18,596 enterprises. Especially, during the whole first 08 months of 2020, quantity of enterprises pausing their business for

fixed time is about 34.3 thousand, going up by 70.8% against same period of last year (Table 4). This is the highest increase in pausing during 2015 - 2020, reflecting the direct impacts of Covid-19 on enterprise's pause. Especially, some of the sectors reported with the highest increase in pause are: Real estates; Education and training; Hospitality and cuisine; Employment service; Travel; Lease of machines, equipments, instruments and other supportive services (up by 236,1%; 195,5%; 189,7% and 185,5% respectively against same period of 2019);

**Table 4:** Fix-term pausing enterprises in Vietnam

<i>Unit: Enterprise</i>			
	First 08 months of 2019	First 08 months of 2020	First 08 months of 2020 against same period of 2019 (%)
Total	20074	34288	170.8
Agriculture, forestry and fishery	296	422	142.6
Industry and construction	5747	9550	166.2
Mining	154	192	124.7
Processing and manufacturing industry	2564	4259	166.1

Production and supply of power, water, gas	122	181	148.4
Construction	2907	4918	169.2
Service	14031	24316	173.3
Wholesaling; retailing; repairing of automobile, motorbike	7782	13282	170.7
Transportation and warehousing	1183	1881	159.0
Hospitality and cuisine	1011	1918	189.7
Communication and media	436	695	159.4
Finance, banking and insurance	182	275	151.1
Trading in real estates	391	923	236.1
Science, technology; consultancy, design; advertising and other professionalism	1249	2015	161.3
Education and training	313	612	195.5
Medicine and social support	53	95	179.2
Performance and entertainment	140	248	177.1
Employment service; travel; lease of machines, equipments, instruments and other supportive services	1039	1927	185.5
Other services	252	445	176.6

Source: General Department of Statistics (2020)

Also during the first 08 months of 2020, about 10.4 thousand Vietnamese enterprises fulfil the dissolution procedures, down by 1.9% against same period of 2019. Enterprises fulfilling the dissolution procedures are mostly in the sectors: wholesaling, retailing, repairing of automobile, motorbike, 3.8 thousand enterprises; processing and manufacturing, 1,175 enterprises; construction, 897 enterprises; science, technology, consultancy, design, advertising and other professionalism, 675 enterprises; real estate, 620 enterprises; hospitality and cuisine, 589 enterprises.

Service of employment, travel, lease of machines, equipments, instruments and other supportive services, 566 enterprises; transportation and warehousing, 431 enterprises; education and training, 396 enterprises; communication and media, 379 enterprises (Table 5).

Big increase in short-term pausing enterprises and decrease in dissolved enterprises make it clear that the enterprises tend to listen out, wait, "freeze" or "hibernate" in order to understand the epidemic developments before deciding whether to resume the business, wait for dissolution or dissolve.

**Table 5:** Enterprises with dissolution procedures fulfilled

<i>Unit: Enterprise</i>			
	First 08 months of 2019	First 08 months of 2020	First 08 months of 2020 against same period of 2019 (%)
Total	10555	10353	98.1
Agriculture, forestry and fishery	240	203	84.6
Industry and construction	2331	2260	97.0
Mining	66	57	86.4
Processing and manufacturing industry	1138	1175	103.3
Production and supply of power, water, gas	93	131	140.9
Construction	1034	897	86.8
Service	7984	7890	98.8
Wholesaling; retailing; repairing of automobile, motorbike	4265	3767	88.3
Transportation and warehousing	442	431	97.5
Hospitality and cuisine	605	589	97.4
Communication and media	329	379	115.2
Finance, banking and insurance	130	131	100.8
Trading in real estates	390	620	159.0
Science, technology; consultancy, design; advertising and other professionalism	579	675	116.6
Education and training	304	396	130.3
Medicine and social support	62	78	125.8
Performance and entertainment	163	103	63.2
Employment service; travel; lease of machines, equipments, instruments and other supportive services	533	566	106.2
Other services	182	155	85.2

Source: General Department of Statistics (2020)

### Conclusion and Recommendation

Covid-19 has placed direct impacts on enterprise's joining and withdrawing from markets in Vietnam. This is the time for Vietnamese enterprises to review their real capacities, tolerance and response to the market fluctuations, non-traditional security; review, assess, restructure sources of raw materials, customers

and find out new and more active visions, develop methods of renewing the production models and business strategies to meet the market demands. This is also the time for them to focus on upgrading the equipments and technologies at lower cost; at the same time, promoting connection among the domestic supply networks with the aim to limit dependence on overseas factors,

enhance quality, reduce price of products and services to take chance to dominate and confirm the footprint. In addition, for the enterprises to be stable regardless of any Covid-19 impacts, it requires big support from the Government, specifically:

*First*, speeding up the task of solving the problems (for example, disbursing the supportive package of VND 16,000 billion with loan interest of 0% so that the enterprise may pay the employees during this difficult time); extending time for tax and rental deferral (immediately, until end of 2020) so that the enterprises are not pressured in cost payment.

*Second*, enhancing accessibility to capital sources for small and medium size enterprises as well as diversifying the beneficiaries seriously hit by Covid-19, such as aviation, travel and so on.

*Third*, promoting domestic market demand into some typical sectors of travel, retailing, transportation, hospitality, cuisine, etc.

*Fourth*, renewing the supply chain and investment sources to call more FDI. Towards that goal, Vietnam should improve comprehensively the investment - trading environment in order to solve every imperative issues for both residents and enterprises.

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