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Business Confidence Assessment for Lao PDR

(Lao and European businesses)

ສະບັບປະຈຳເດືອນມັງກອນ - ມິຖຸນາ 2014

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January - June 2014

Jointly published by the Lao National Chamber of Commerce and Industry and the
European Chamber of Commerce and Industry in Lao PDR

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Prepared by:
Ramon Bruesseler (responsible)
Phuttasone Phomvisay
Souphaphone Khamsennam
Maxime Molina
Somboun Douangboutdy
Souphanthong Phonseya

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Foreword

We are glad to present herewith the 3rd half yearly Business Confidence Assessment for Lao PDR. This edition, covering the first semester of 2014, surveyed 383 Lao enterprises as well as 46 European firms in order to get an insight into their economic development and to learn about their expectations. The main result is that the majority of the surveyed companies, both Lao and European ones, have seen a positive development of their businesses. The expectations for the near future are by and large optimistic.

If you want to know more details about their views on turnovers, profits, financial situations, investments, employment, exports or opportunities and challenge of AEC, take a deeper look into the BCA that follows hereafter.

We hereby would like to thank the survey team, translator and editor as well as our colleagues in the provinces; without their effort the successful outcome of the Business Confidence Assessment would not have been possible. And we also would like to thank the German development institution CIM (Centre for International Migration and Development) and the HRDME programme for their kind support of this study.

The HRDME programme is a joint Lao-German development project that is funded by the German Federal Ministry for Economic Cooperation and Development and is implemented by GIZ (Gesellschaft fuer Internationale Zusammenarbeit).

European Chamber of Commerce
and Industry in Lao PDR
President

Guy APOVY

Lao National Chamber of Commerce and Industry
President

Sisavath THILAVONG

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1. Executive summary

For the first group of surveyed enterprises, a representative number of 383 companies registered with the Departments and Ministry of Industry and Commerce on provincial/central level and located in 12 provinces plus Vientiane Capital have been surveyed in July 2014 by the Lao National Chamber of Commerce and Industry (LNCCI). This was to get an insight into their economic development during the first half of 2014 (January to June) and to learn about their expectations for the rest of the year. 68% of the companies were small companies with an employment of less than 20 persons, another 26% medium sized enterprises that employed between 20 and 99 staff.

Furthermore, for the second group of surveyed companies, 46 European firms – a representative number of the members of the European Chamber of Commerce and Industry in Lao PDR (ECCIL, which constitutes the organized European business community in Laos) – have been simultaneously surveyed by the ECCIL, to get the same impressions and permit the comparison between both researches. 45% of the companies employ less than 20 persons, and 27% are considered as medium sized enterprises.

The main result is that the majority of the surveyed companies have seen a positive development of their businesses, both Lao and European companies. The expectations for the near future are by and large optimistic. For most of the questions, we can notice that Lao firms and European ones have quite similar perceptions, but for other questions the disparities are significant. Obviously it is difficult to sum up those different points of view here, which is explained in details within the report. But some main individual results are as follows:

- Turnover stayed flat for a half of local companies, and increased for a half of European companies. A majority of both groups of companies expect their turnover to expand during the next 6 months.
- Profits contracted for about 20% of the Lao and European businesses, and stayed unchanged for 40% of European firms and 50% of local firms. The worst performers are accommodation/food services and education. This underlines some difficulties in the tourism industry. But more than half of Lao and European companies expect their profits to rise in the rest of the year.
- The financial situation stayed unchanged during the last six months for an important part of Lao and European firms (around 46%). However, a majority of those companies expect an improvement of their financial situation in the next six months
- 70% of local firms invested in their business in the last 6 months, 57% of European companies did. For the second semester of 2014, the same proportion of local firms plans to invest, but this concerns only 50% of European companies.
- Staff stayed stable for a large majority of Lao firms (70%) and increased in 41% of European ones (against only 21% in Lao firms).
- A large proportion of Lao firms expect no impact from the AEC (39%), whereas European firms anticipate a positive impact (41%). However, both groups of companies in general prefer to declare that they are only a bit prepared for the AEC.
- Exports remained unchanged for almost half of the exporting companies in the last six months, and more than 50% expect them to increase in the next half year.

Part I: Background

2. Introduction

Two versions of Business Confidence Assessments have been published by the LNCCI in 2009, one for the first half of the year and the second one at the end of the same year. These versions were designed to give “real time” information about the state of the business and the economy from the business sector’s perspective, in a particular period of crisis. One of the major findings of these reports was that Lao PDR seemed not to be hit as hard by the global economic crises as previously feared, although there was a slowdown in exports.

Here is now a 3rd Business Confidence Assessment, implemented a few years later, following the line drawn by the two first versions of the Business Confidence Assessment. The value of such an exercise is that it represents a data source for decision makers in the field of economics and economic policy. However, this time, we have decided to draw a comparison between the situation of Lao enterprises and European companies settled in Laos. This new dimension, in addition to give information about Lao economy’s health, should permit the European companies to know how to evaluate their business situation considering the situation of Lao firms. Thereby, we will make the difference by considering the first group of companies as “local firms” and the second one as “European firms”.

The Business Confidence Assessment does not want to substitute information from the National Statistics Center, the National Bank, Ministries, the World Bank, The Economist Intelligence Unit or other sources. There is also no intention to replace the biannual Enterprise Survey carried out by the HRDME programme of the German development agency GIZ¹. This study rather wants to supplement these publications with an up to date judgment of the business sector’s situation by the businessmen themselves. In this way it can be used as reference material and support information for policy making in the government, for activities of Business Membership Organizations like Chambers of Commerce and Industry or associations but also as a back-up for decision makers in business.

3. Objectives

For the authors, the main objective of this publication is to get real time information about the current situation of the business sector in each province in Lao PDR and also the expected short-term future development (until the end of the year). This should provide companies’ perceptions and hard facts in order to draft a concrete action plan to strengthen businesses’ capacity to integrate the ASEAN Economic Community in 2015. And finally, with the survey of European businesses conducted at the

¹ The Enterprise Survey focuses on a number of districts in 4 provinces and Vientiane Capital. It has been conducted 2005, 2007, 2009, 2011 and the Enterprise Survey 2013 was launched in July 2014.

same time, it permits to compare the situation of local firms and European enterprises, which can give an insight for the companies that want to set up in Laos.

The value is the up to date character of the information, not an in depth analysis of underlying causes and factors nor a development of recommendations – this would require much more time at the expense of actuality. It aims to be as representative as possible for the business sector in Laos. This report will then be built around to main blocks: the first one will give an insight into the current business situation in Lao PDR and the second one will provide economic trends according to companies' expectations for the rest of the year 2014. Throughout this analysis we will always compare the two types of data collected: the one from local firms and the one from European firms in Lao PDR.

4. Methodology

The Business Confidence Assessment wants to give a representative picture of the current state of the art of the business sector in Lao PDR. Balancing this requirement, available resources and time, representativeness was defined as follows:

- Confidence interval (Z): 1.96 (95%),
- Variance (p): 0.5
- Margin of error (ε): 0.05
- Base (N): 121,691

The base was defined with help of the Economic Census². Since the data generation for the Business Confidence Assessment has been done by LNCCI and the provincial Chambers of Commerce and Industry, surveys can only be undertaken in regions where a chamber is located. Currently the operative chamber system encompasses the whole country but not for the provinces Attapeu, Phongsaly³, and Xekong which have in common that they are home to only a limited number of enterprises – 5222 altogether⁴. So the total number of enterprises stated in the Census (126,913) was reduced accordingly, to do not take into account those three provinces.

To determine the size of the sample that matches the above mentioned criteria the formula

$$n_0 = \frac{Z^2 * p(1-p)}{\epsilon^2} \quad \text{was used and corrected with} \quad n^* = \frac{n_0}{1 + (n_0 - 1)/N}$$

The resulting sample size is then 383.

² The Steering Committee on Economic Census (Ed.): Report of the Economic Census, 2006. Volume 1. Vientiane Capital 2007, p.18.

³ In Phongsaly a chamber has been set up but it has not yet reached its full operational capability.

⁴ The Steering Committee on Economic Census (Ed.): Report of the Economic Census, 2006. Volume 1. Vientiane Capital 2007, p.18.

The spatial distribution was also determined by the findings of the census. According to the share of the provinces in the overall number of enterprises in the country it was defined how many companies to select in which province (the above mentioned three provinces had to be excluded for technical reasons).

The same calculation was made for the European companies. The main base corresponds to the 80 Lao-based corporate members of the European Chamber of Commerce and Industry in Laos (ECCIL). The confidence interval that has been used for the European companies is the same than for the local firms: that is to say respectively 95%. Nevertheless we had to reconsider the margin of error due to a lack of answers from some of the members of the ECCIL: thereby, the margin of error was established at 9%. We then determined that the resulting sample size corresponds to 46 European companies.

The actual selection of companies was then done by random sampling on the basis of information (again for technical reasons) provided by the respective Departments of Industry and Commerce of the provinces and the Ministry of Industry and Commerce since the underlying raw data of the Census were not available to the team that designed this survey. Regarding the European companies, the selection was also randomly done: the questionnaires have been sent to all the ECCIL members and we have considered the first 46 received.

5. The surveyed enterprises

In total – if we consider local and European firms – 429 enterprises have been surveyed, distributed over 12 provinces and the national capital.⁵ Being the business hub of the country, more than a quarter of the companies included in this survey were located in Vientiane Capital (around 30%). Regarding the different industries, manufacturing, wholesale/retail, and accommodation/food services together made up for 45% of the businesses surveyed.

If we just take into account the local firms, whereas the census tried to cover all “business units” in the country, this survey is limited to enterprises that are registered on provincial or national level and thus may give a somewhat different picture when it comes to the share of the different subsectors. The census states that almost two thirds of the business units belong to the wholesale/retail/repair subsector whereas in this survey their share is around 13%. This difference may be explained by the fact that most of the trade and repair businesses are very small and tend to register on the local level, not with the provincial or central authorities. However, another survey done in 2014 by the German development agency GIZ – albeit not covering the whole country – that used the financial registers as base, sees the trade sector’s share by about 44%⁶.

⁵ As mentioned earlier, the provinces of Attapeu, Phongsaly, and Xekong, could not be covered for lack of a fully operational local chamber. Besides, the chamber of Salavan could not participate in the survey due to technical reasons. To make up for the missing company questionnaires from Salavan, additional enterprises have been interviewed in Vientiane Capital in order to maintain the necessary size of the survey for being representative.

⁶ GIZ (2014) HRDME Enterprise Survey 2013 for Lao PDR, Vientiane, July 2014, p. 46.

As expected, the majority of the companies (considering both local and European) are small with less than 20 employees. This can be explained by the number of trading and transport businesses included in the survey (businesses which, per average, employ less than two people).⁷ Nevertheless we can easily note that the share of large enterprises (100 or more employees) is much more important among European firms (29%) than in Lao firms (6%).

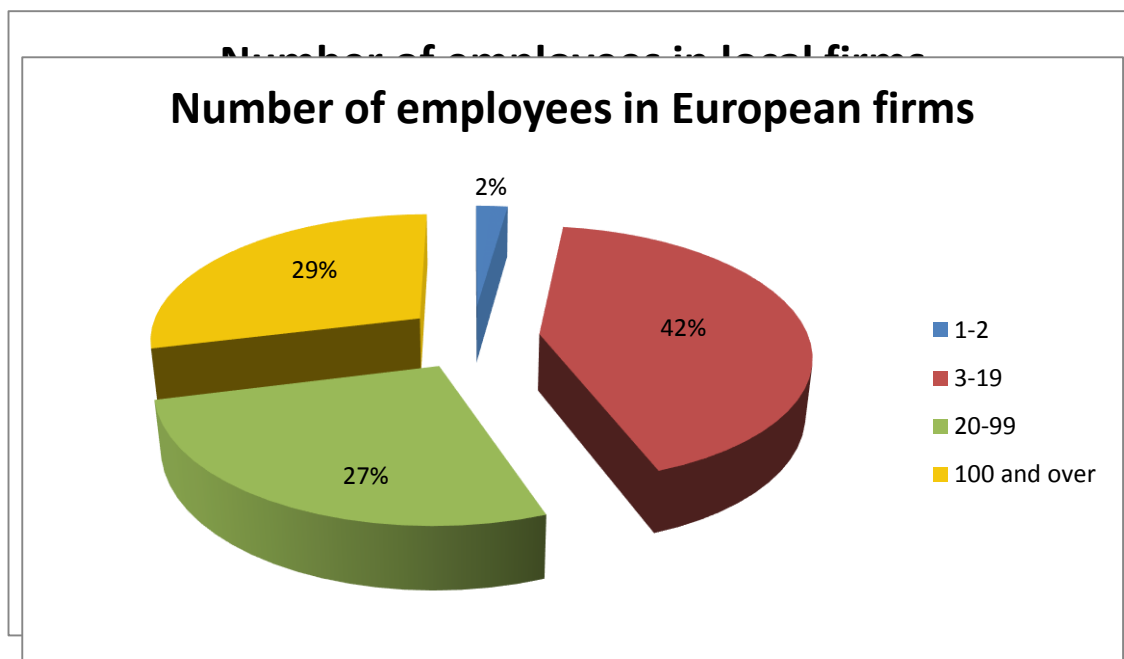


Table 1: Number of employees in local firms

Table 2: Number of employees in European firms

⁷ The Steering Committee on Economic Census (Ed.): op. cit., p. 19.

Regarding European companies, 54% are older than 5 years. For local businesses, this share comes to 73%. Thereby these digits mean that the sample (considering both groups of companies) consists of rather mature businesses. However the share of “young businesses” (1 or 2 years) is bigger among the European community (22%) than among Lao companies (6%). This can be explained by the fact that the setting up of foreign businesses in Lao PDR (European businesses in that case) has become more important in recent years.

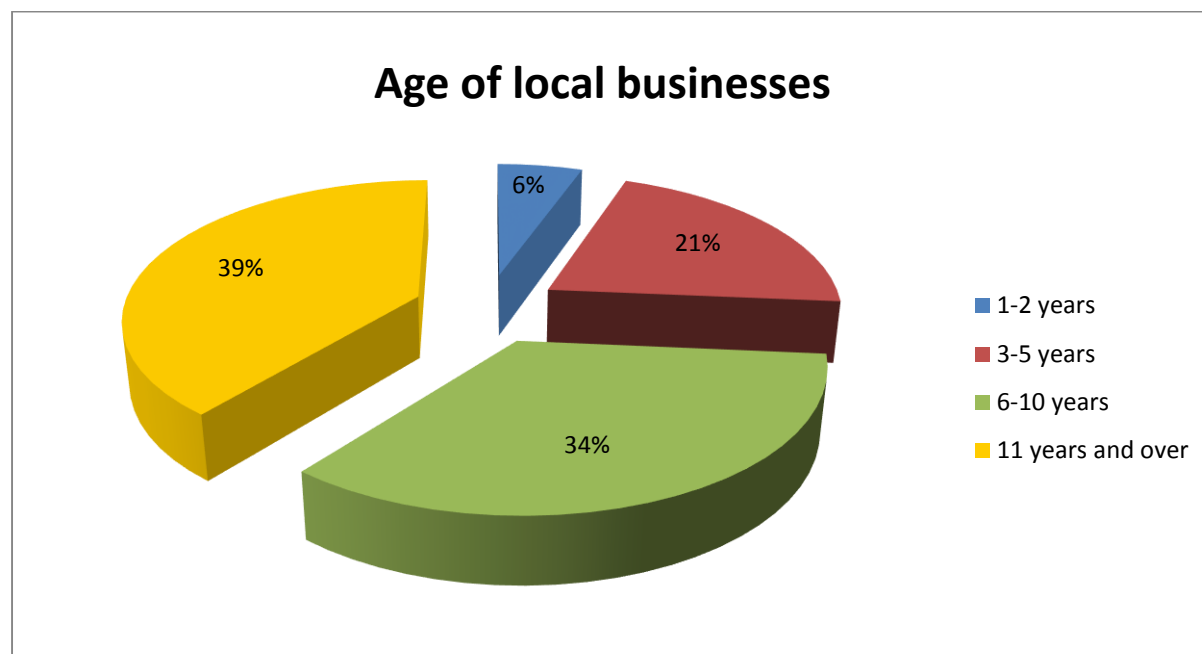


Table 3: Age of local businesses

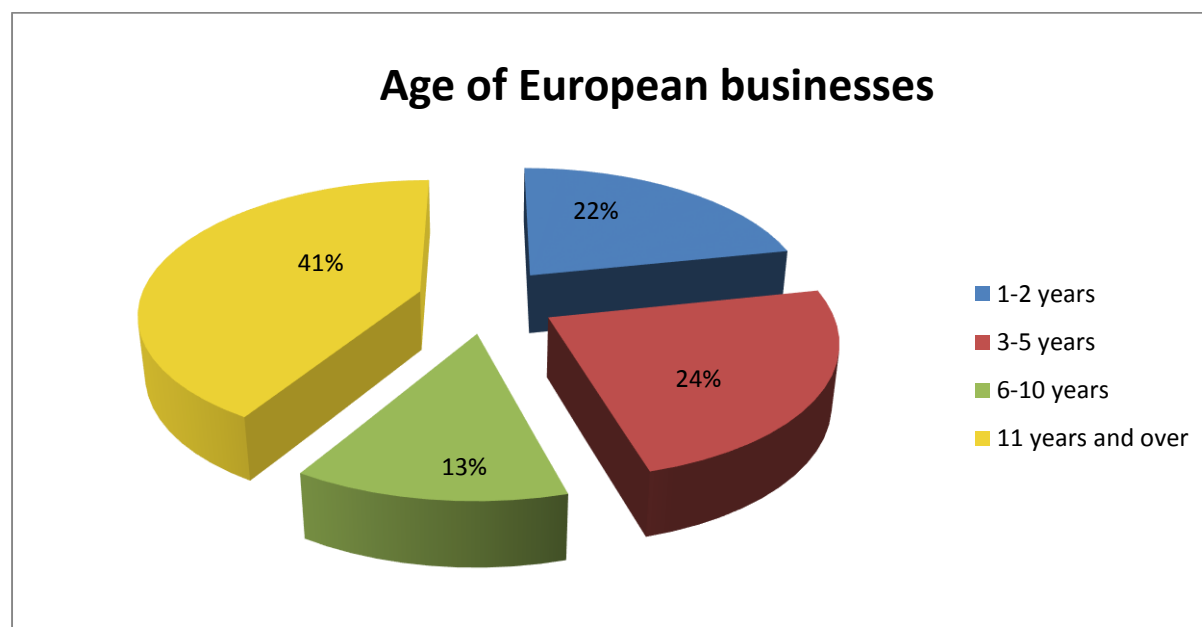


Table 4: Age of European businesses

Part II: Business Confidence July 2014 and Trends for the second semester of 2014

6. Assessment of the overall economic situation

There is no huge difference of perception between both groups of companies: half of local firms and half of European business judge the economic situation in Lao PDR regard as “average” while respectively 27% and 22% judge it as “good”, only a tiny minority has a pessimistic perception.

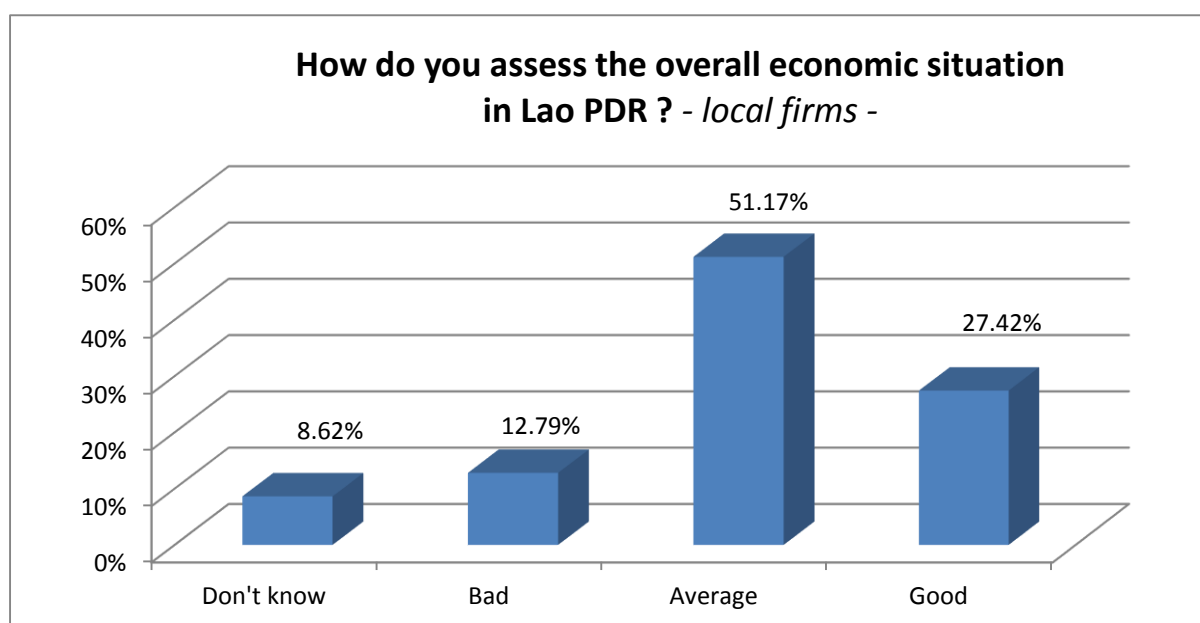


Table 5: Assessment of the overall economic situation – local firms’ perception

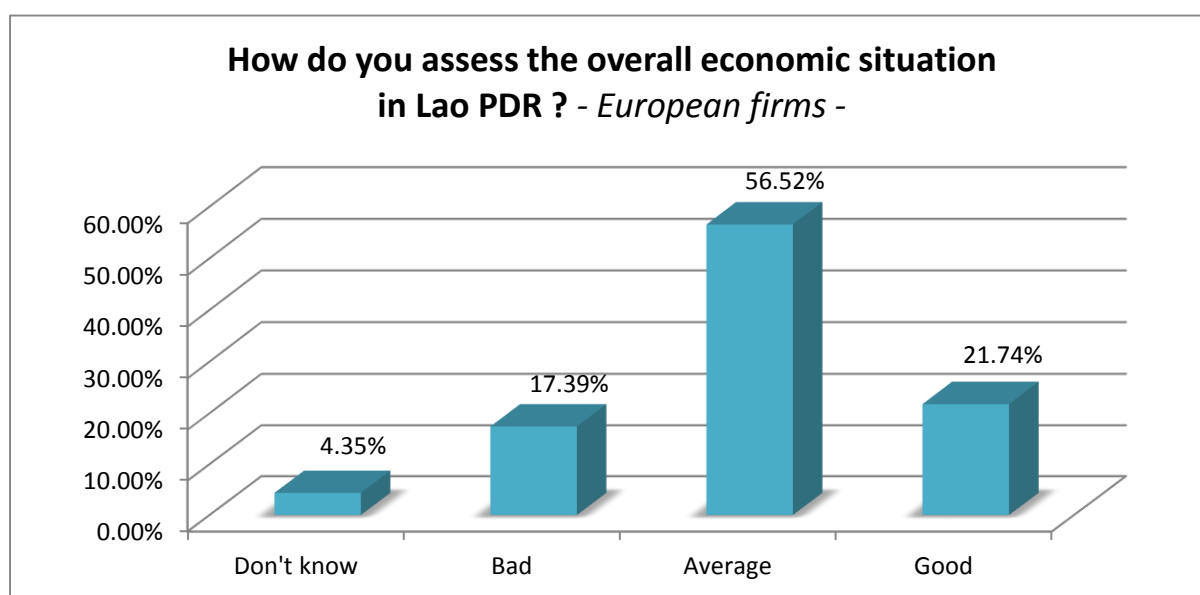


Table 6: Assessment of the overall economic situation – European firms’ perception

7. General business situation of the enterprises

Asked about the current situation of their enterprise, 65% of Lao companies state it as average; regarding the European firms, 44% have the same perception.

For the rest, optimism distinctively outweighs pessimism in both groups. For Lao companies, 26% regard it as good and 9% as bad; and for European firms, the good perception on their business situation is significantly more pronounced than for Lao companies - it comes to 44% of the answers.

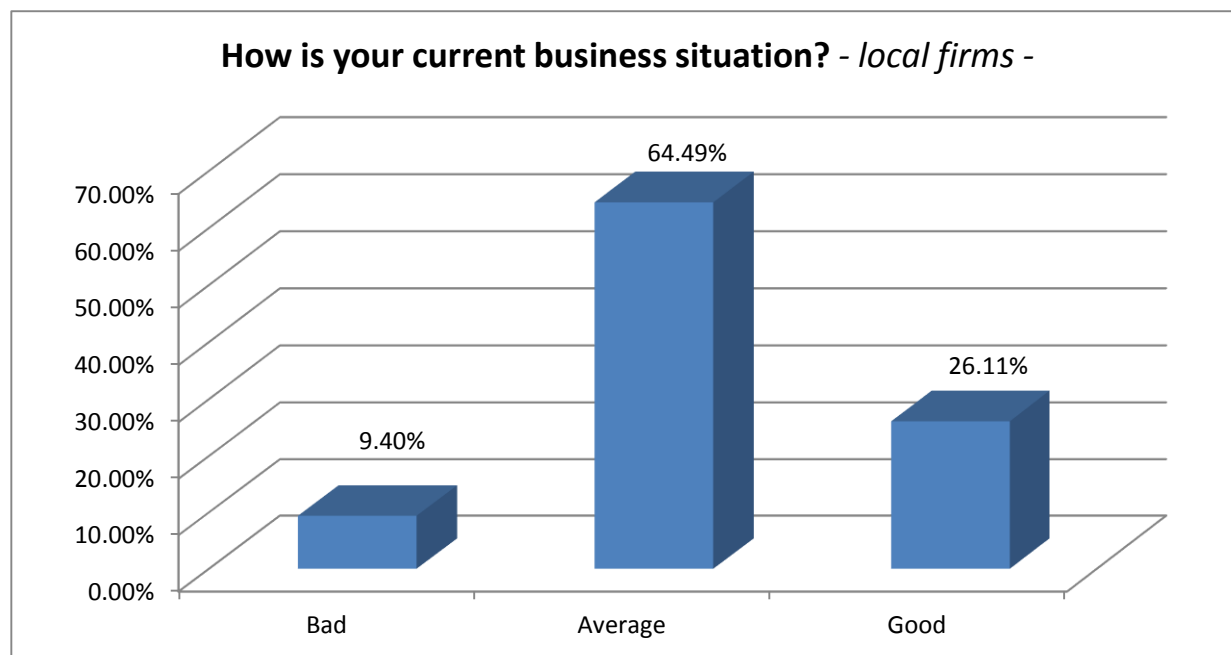


Table 7: Current business situation – local firms' perception

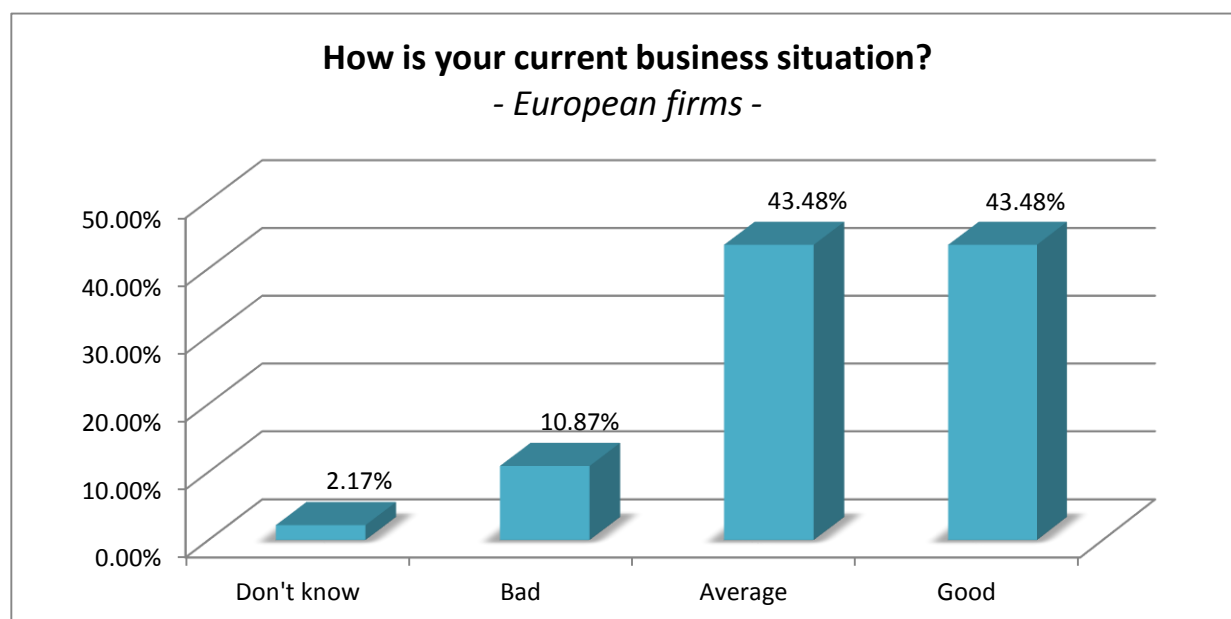


Table 8: Current business situation – European firms' perception

Regarding the Lao companies, if we cut out the “average” answers and compare just the “bad” with the “good” answers, it is interesting to note that about 36% more enterprises regard the country’s overall economic situation as “good” than as “bad”; and when it comes to their own business, the general judgment is noticeably more positive than the perception of the overall economic situation: the “good” answers outbalance the “bad” answers by 47%.

If we do exactly the same calculation for the European companies, we can notice that this better perception of their business than the overall economic situation of the country is even more emphasized: 11% more firms regard the Lao’s economic situation as “good” than as “bad”, and 60% more judge their own business situation as “good” than as “bad”.

Differentiating answers by region (only for Lao firms because 80% of European companies are located in Vientiane Province or Vientiane Capital), we can see that the answer “bad” is far from being the dominant perception in every province. The highest rate of “bad” perceptions regarding the business situation of companies is located in Bokeo (22%). At the opposite, the entrepreneurs in Champasack and Khammouan are the most satisfied – around 50% of the surveyed business people assess their situation as “good” in those provinces. A general mood can however be pointed out: the loudest color on this graph below is blue, which means that a majority of companies in each province judges is business situation as “average”. A perfect symbol of this particular mood is the group of companies located in Luang Namtha: 100% see their business situation as “average”.

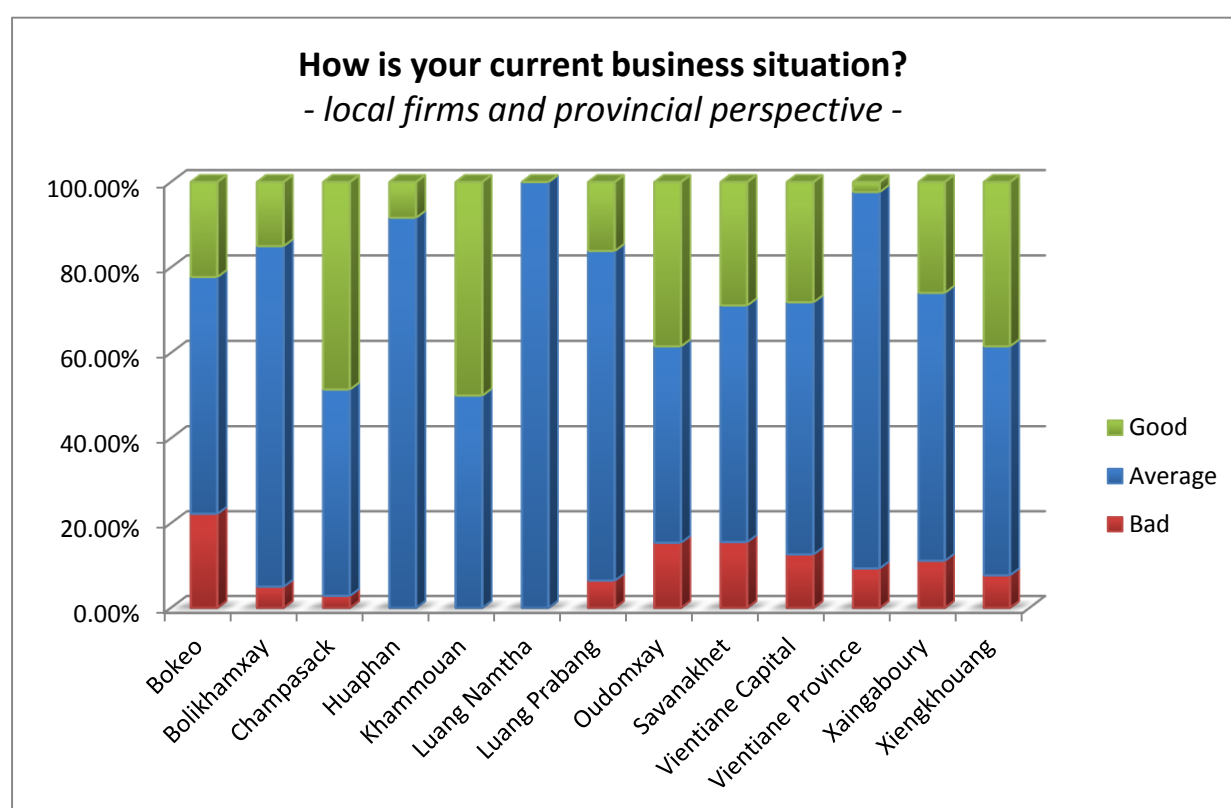


Table 9: Current business situation – local firms’ perception, provincial perspective

Again, if we look at the business situation over the last six months, we can argue that there is no huge gap between European and local firms and that the result is quite positive. Indeed, approximately the business situation improved for 45% of companies, both Lao and European. The rate of business situations that did not change in the last 6 months is a bit more important for Lao companies: 44%, against 37% for European firms. And finally 11% of local businesses “deteriorated” in the last 6 months, against 17% for the European ones.

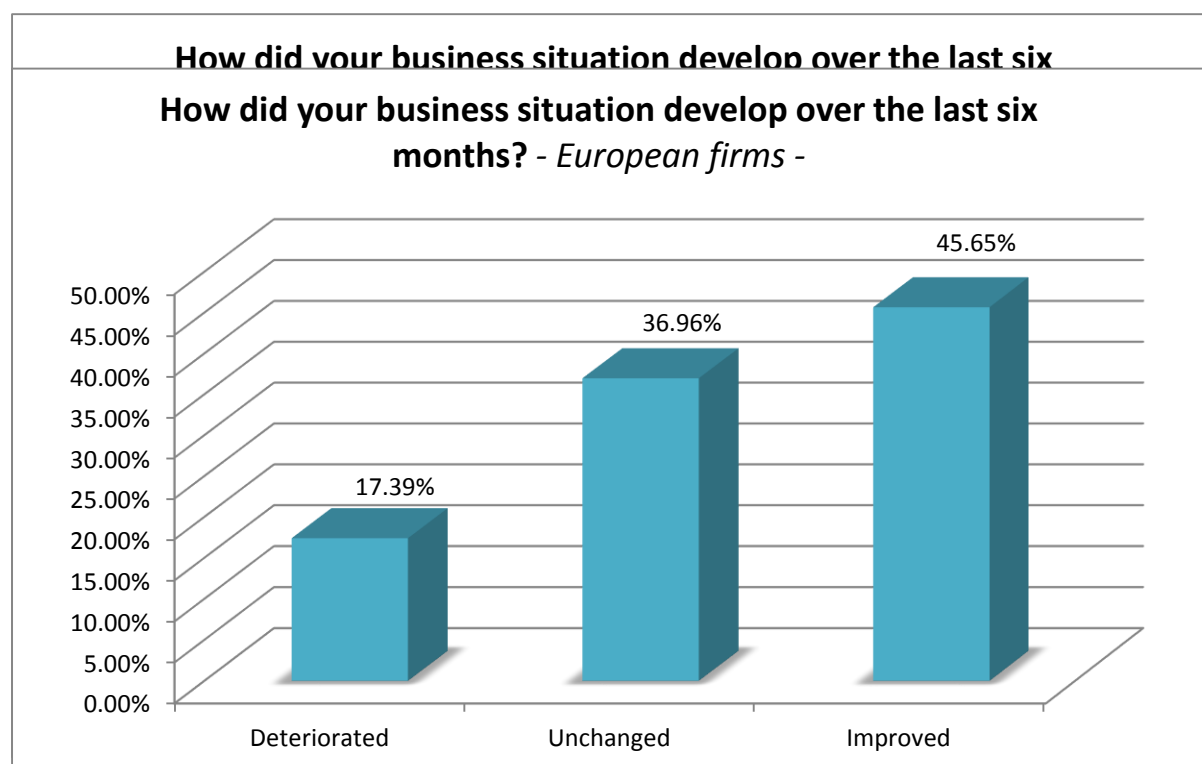


Table 10: Development of business situation over the last six months – local firms’ perception

Table 11: Development of business situation over the last six months – European firms’ perception

If we look into the region (for the Lao companies), especially the enterprises in Champasack (57%) and Khammouan (58%) see improvements – i.e. the ones that consider their current business situation as good. But also firms in Xiengkhouang (69%) and Luang Namtha (63%) see improvements even if a majority of firms in these provinces consider their current situation as “average”. The provinces with the highest percentage of entrepreneurs that consider their business situation has deteriorated in the first half of 2014 are Vientiane Province (28%) and Vientiane Capital (15%).

When it comes to the assessment of what the next 6 months will bring for the business situation, tendencies are quite similar in both groups: 70% of local companies and 60% of European ones expect an improvement; respectively, 21% and 33% don’t expect any change; and less than 5% in both groups of companies fear a deterioration.

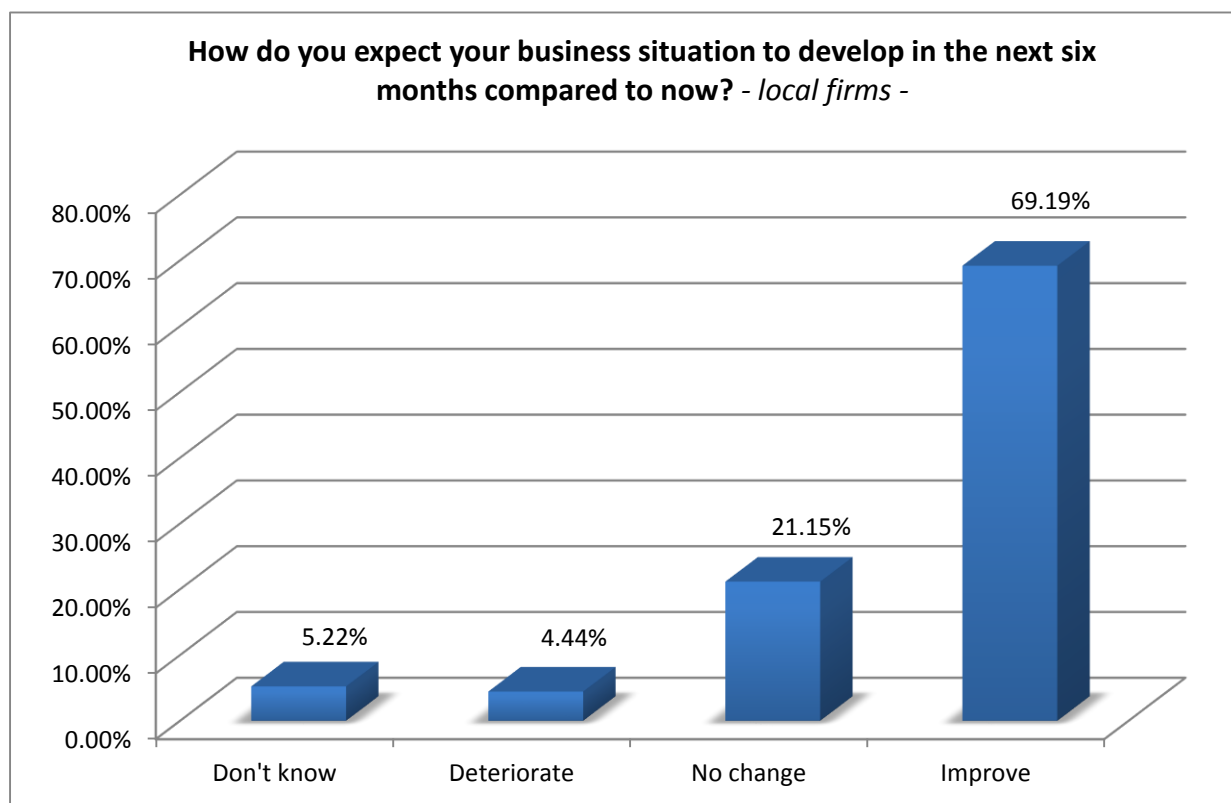


Table 12: Expected development of the business situation during the next 6 months – local firms' perception

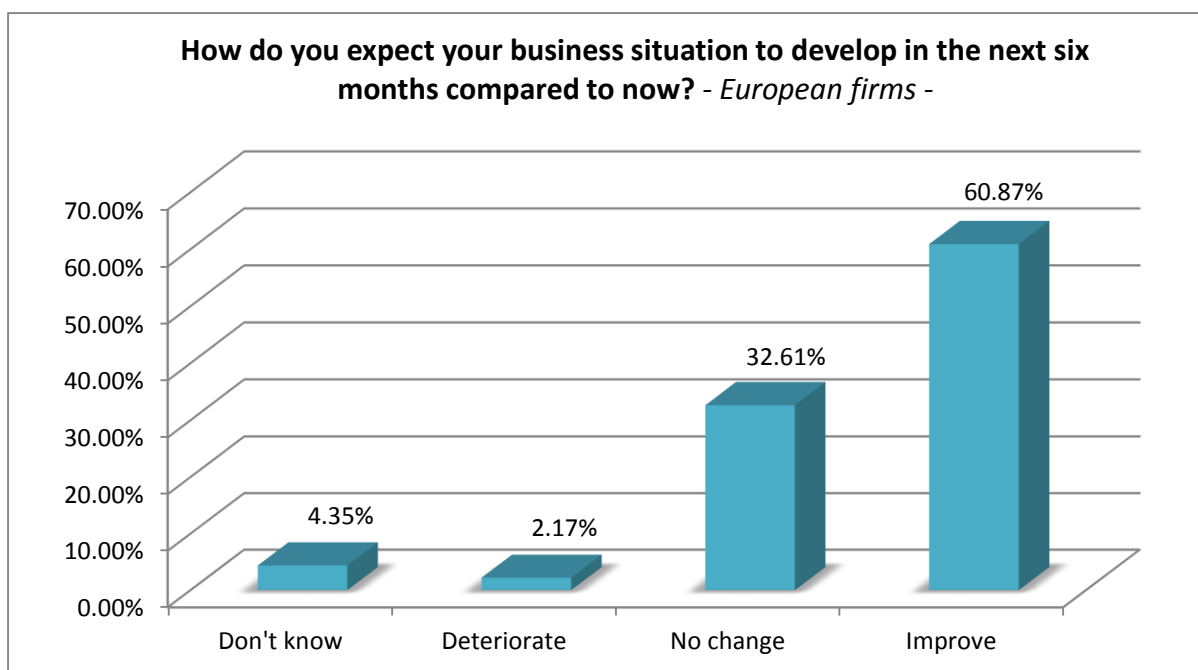


Table 13 : Expected development of the business situation during the next 6 months – European firms' perception

If we study again the regions (for the Lao companies), optimism is especially strong in Luang Namtha and Oudomxay, where 100% of companies expect an improvement of their business situation. The highest rate of companies expecting a deterioration of their business in the second half of 2014 is located in Xiengkhouang (23%).

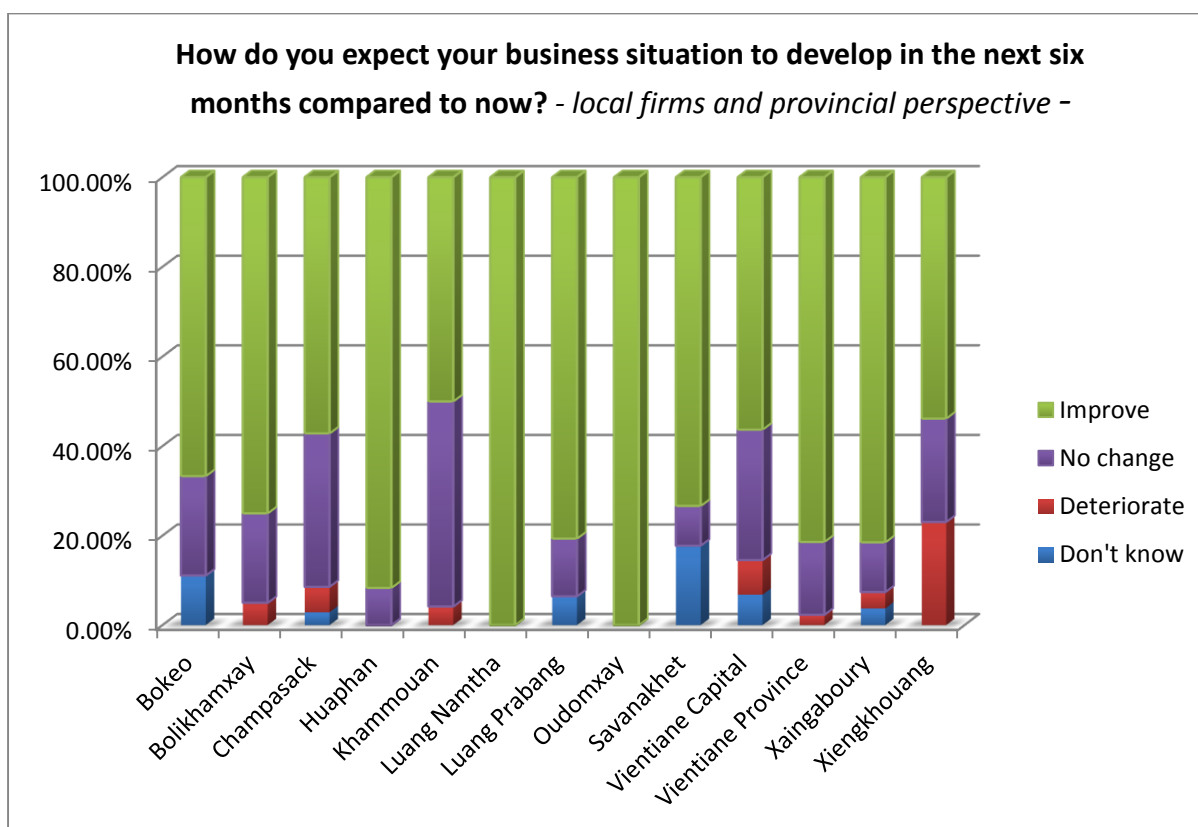


Table 14 : Expected development of the business situation during the next 6 months – local firms’ perception, provincial perspective

8. Turnover

Whereas the “general business situation” is a rather complex issue with many influencing factors (probably including wishes, hopes and fears), the turnover is a more tangible figure.

By comparing the two groups of companies surveyed, we can notice this time a substantial difference: whereas the Lao firms are 33% to declare that their turnover increased in the last six months, the European companies are 50% to recognize so. And in return, around 50% of local enterprises had a turnover stay unchanged against 28% for European firms. Regarding the companies declaring a turnover that has decreased in the past six months, the rate is approximately the same for both groups (between 15 and 20%).

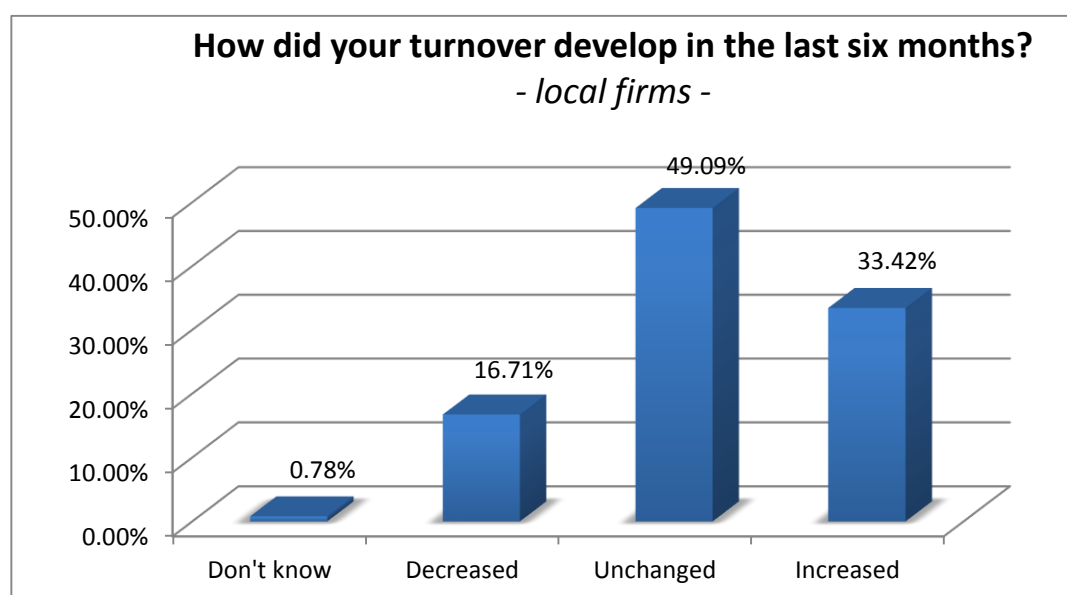


Table 15: Development of turnover over the last six months – local firms’ perception

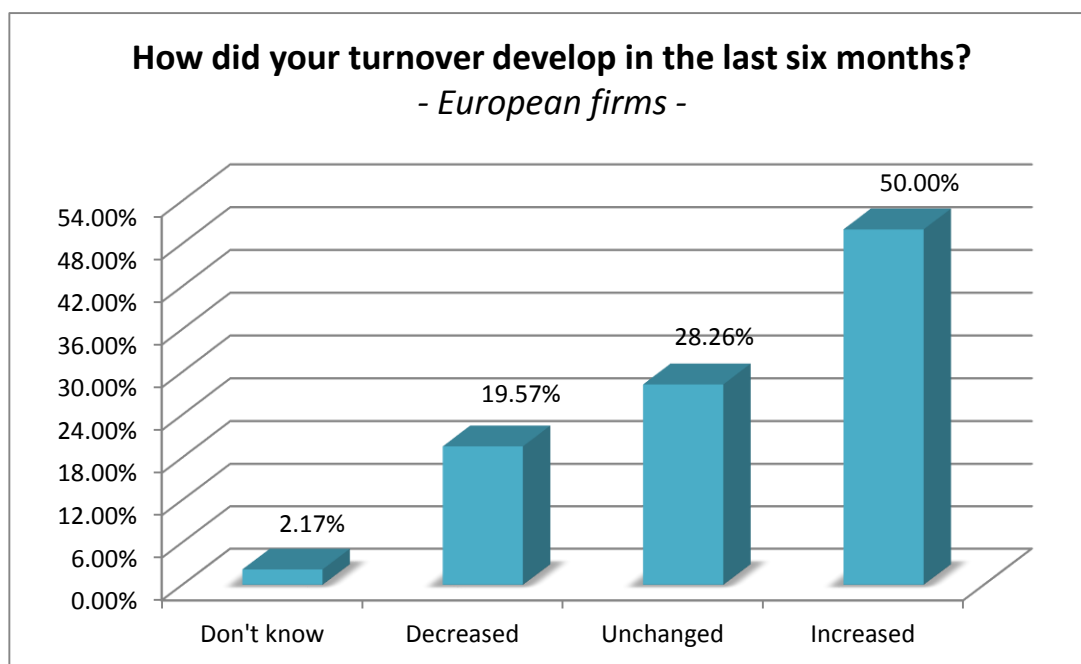


Table 16: Development of turnover over the last six months – European firms’ perception

If we look into the provinces (for the Lao companies), very positive was the development of the turnover in Luang Namtha (63% increased and no decrease). At the opposite, the biggest turnover decreases have occurred in Vientiane Province (35%) and Vientiane Capital (22%) – which reminds us, as we have seen above, that those two regions declared the highest rate of business deterioration in the first half of 2014 as well.

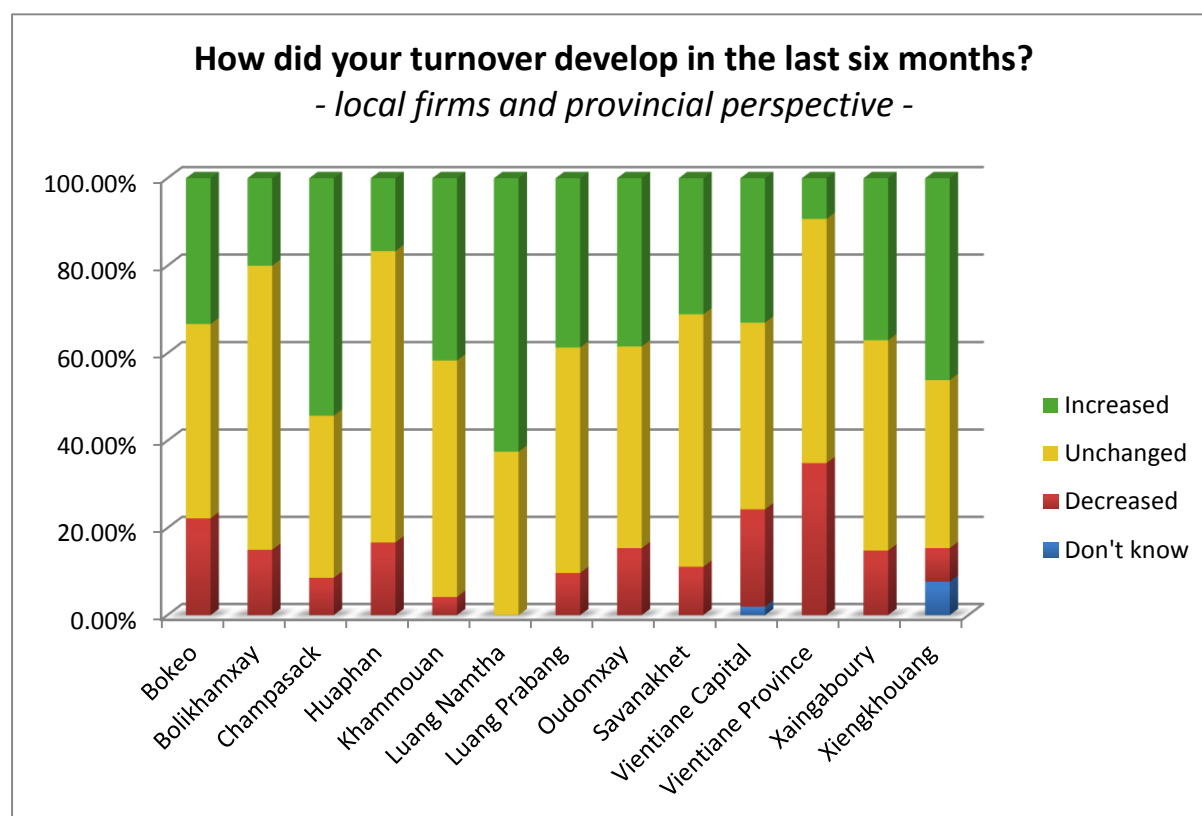
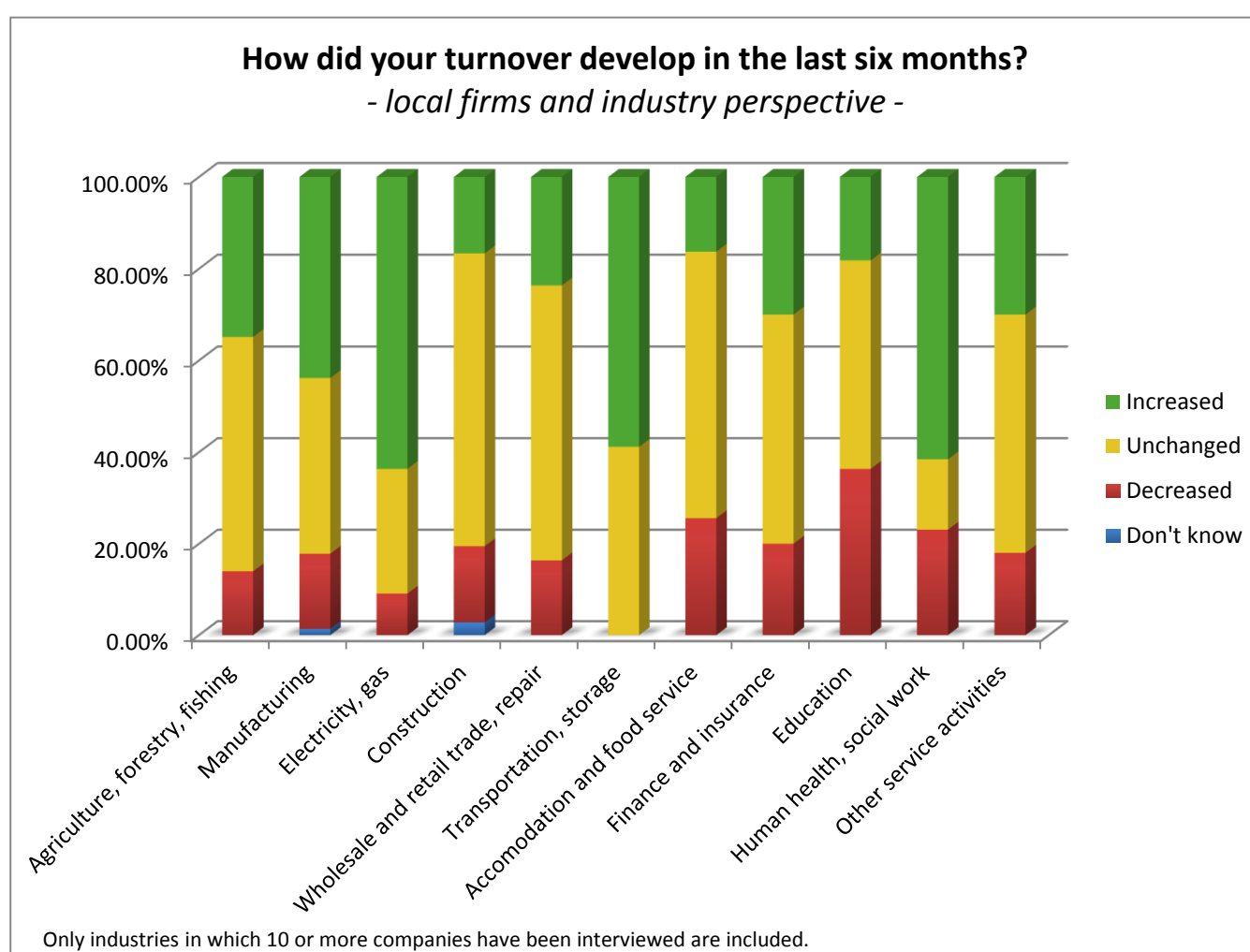


Table 17: Turnover development – local firms’ perception, provincial perspective

Looking at the different industries (again for Lao firms only because we do not have enough data to represent European firms that way), the results of the majority of the industries are rather positive, especially with “electricity and gas” (the turnover has increased by 64%), “human health, social work” (62%) and “transportation, storage” (59%, and no decrease). However, “education”, where the turnover has decreased by 36%, and “accommodation and food service”, the core of the tourism industry where the turnover has decreased by 26%, can be considered as the worst



performers in terms of turnover development during the first half of 2014.

Table 18: Turnover development per industry during the last 6 months – local firms’ perception

To get a simpler but clearer picture the “decreased” answers have been subtracted from the “increased” answers while omitting the “don’t know” and “unchanged” answers, again among the different industries. This calculation gives the graph below:

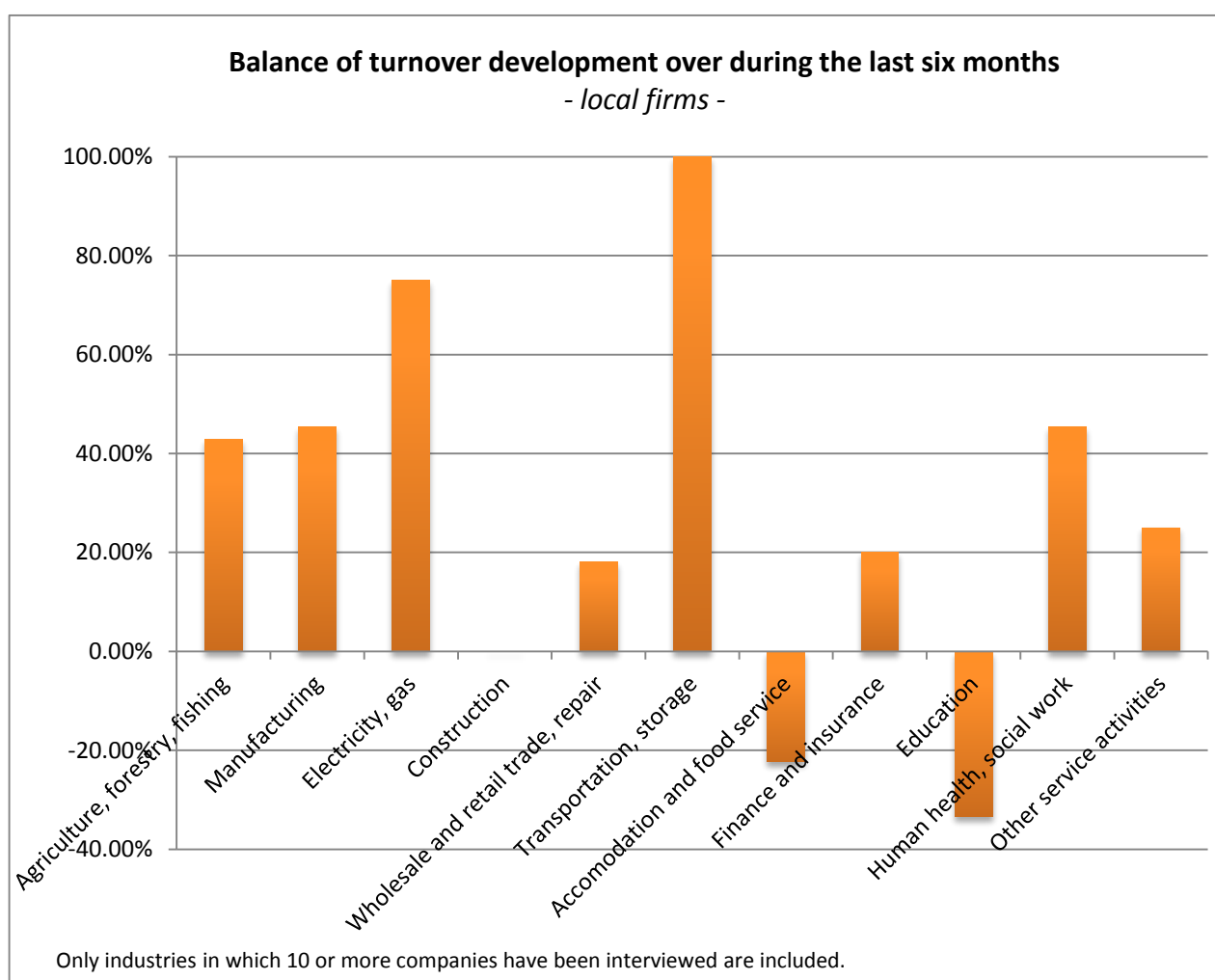


Table 19: Balance of turnover development during the last 6 months – local firms’ perception

With this balance, we emphasize the perfect performance of the transportation and storage sector (the balance of turnover development comes to 100%). Electricity and gas is among the top performers, but we clearly see that the education sector and accommodation and food service are in trouble at this period of the year, while all the other industries, albeit construction less so (the balance is at 0%), show a fine turnover development.

Moreover, most of the entrepreneurs, both groups considered (local and European companies), reckon that the positive developments in the recent past will continue into an even brighter future: more than half of them expect turnovers to rise in the rest of year 2014. There is no obvious difference between Lao and European firms but we can still notice that the second ones are a bit more optimistic for their future. Indeed, 67% of them expect an increase of their turnover, against 54% for Lao firms. Furthermore, no European companies foresee a deterioration of their turnover in the next six months whereas a bit less than 5% of local firms expect such a situation.

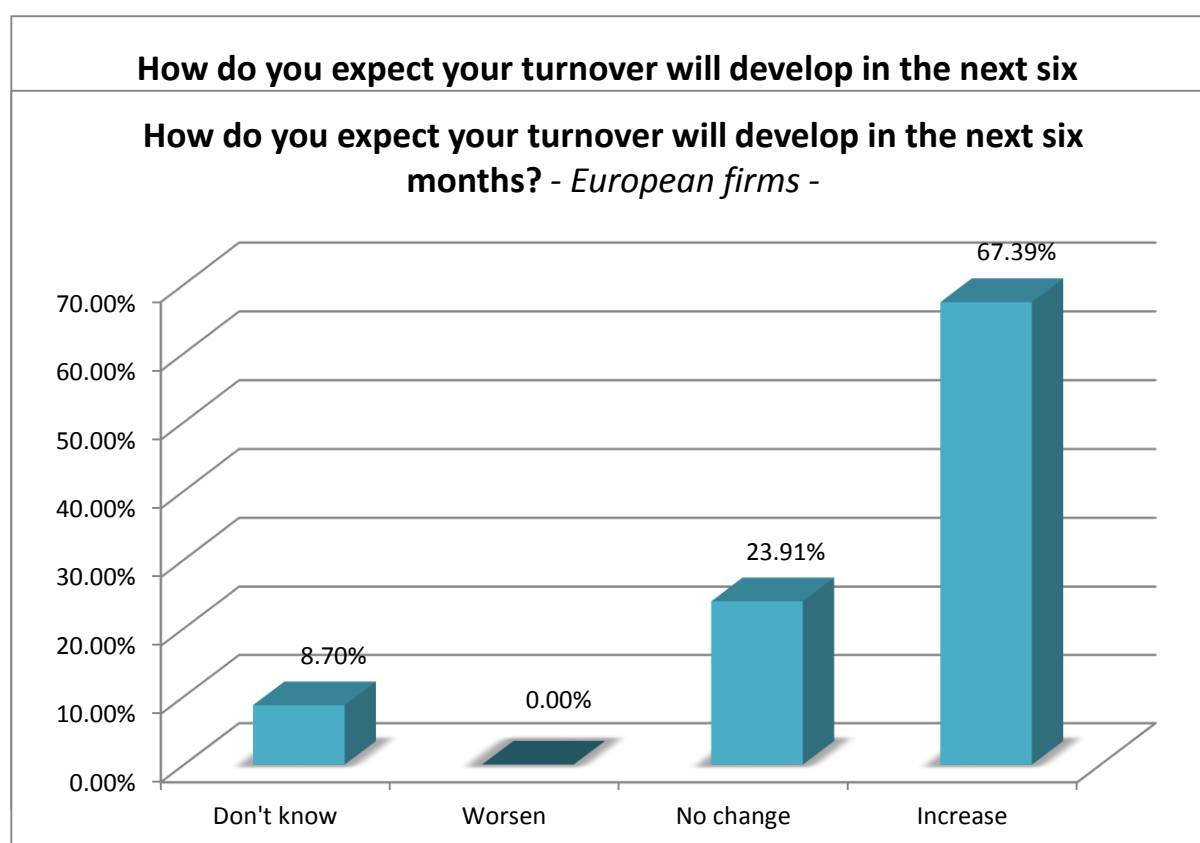


Table 20: Expected turnover development over the next six months – local firms' perception

Table 21: Expected turnover development over the next six months – European firms' perception

9. Profits

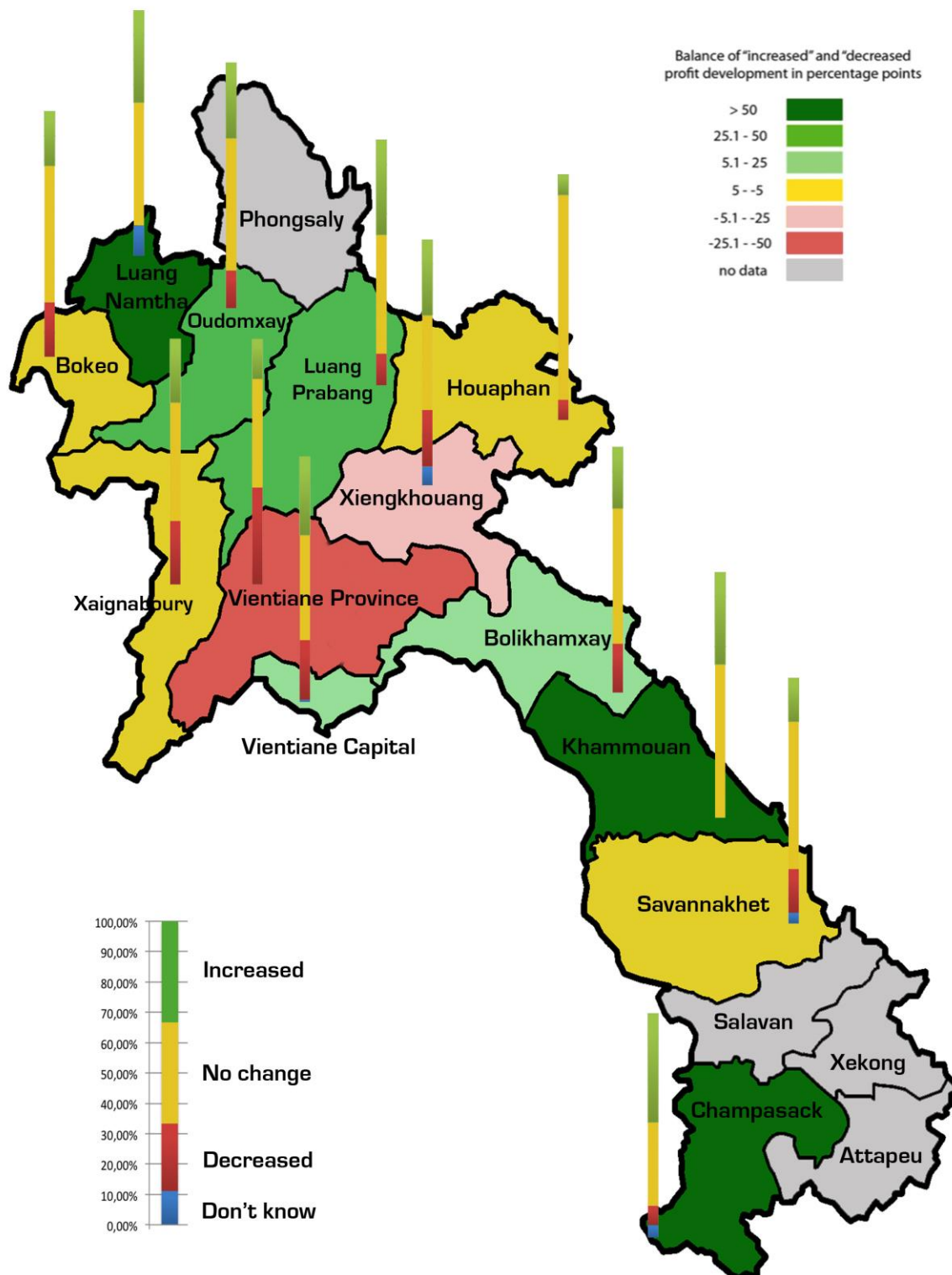
During the first six months of 2014, the profits of the two groups of companies surveyed (Lao and European) stayed more or less stable. Indeed, the highest rates of answers concern the “unchanged” option regarding profit development: 49% of the answers for Lao companies and 39% for European firms.

The rest of the results gives a positive insight into the profit development for the past period: 29% of Lao firms declare that profits “increased” against 20% declaring that profits “decreased”; and for European companies these percentages respectively come to 35% and 20%.

Looking at the individual provinces (and so at Lao firms only), Champasack has the best results in terms of profit developments on the past six months (near 50% of the surveyed companies reported profit increases), followed by Luang Prabang (with 39% of “increased” answers). Worse off are the companies situated in Vientiane Province where 40% of firms record declining profits. And finally, the province of Khammouan shows the highest rate of companies declaring that their situation, in terms of profits, did not change (63%) in the past six months. Moreover this province is the only one, with Luang Namtha, where no enterprises declare that profits decreased.

Figure 1: Profit development of Lao companies in the first half of 2014

Profit development of Lao companies in the first half of 2014



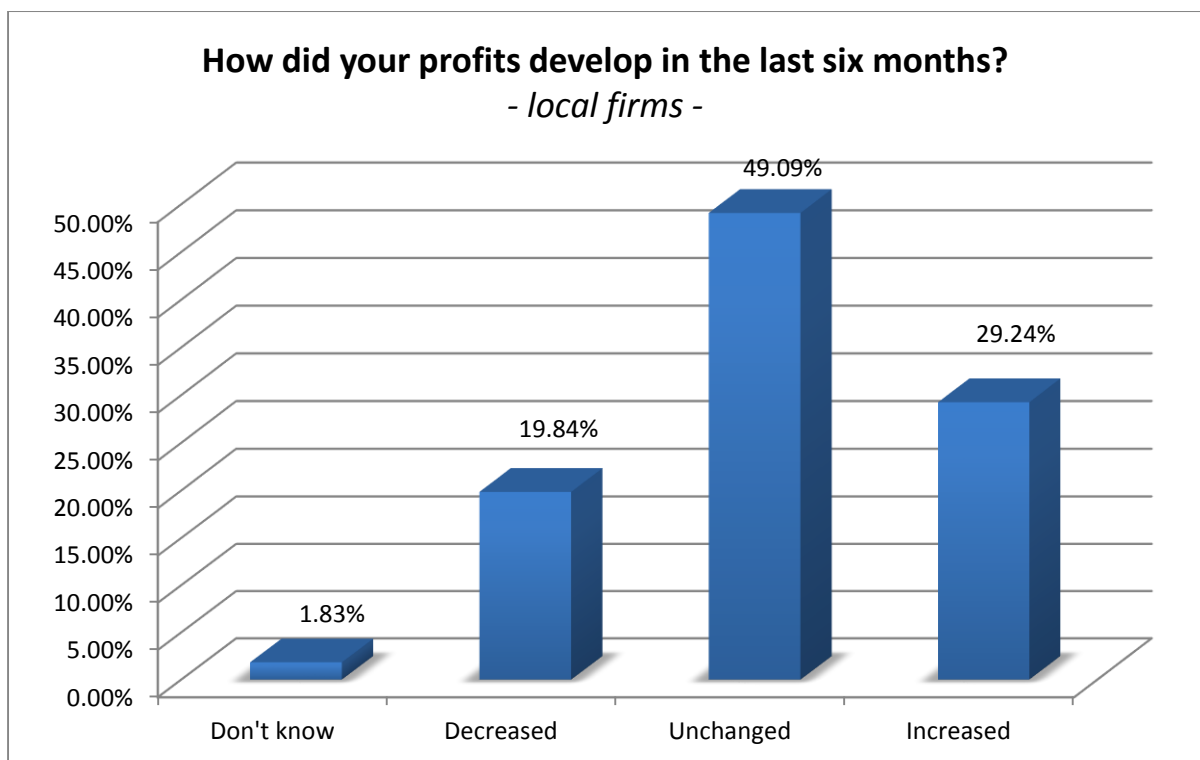


Table 22: Profit development over the last six months – local firms' perception

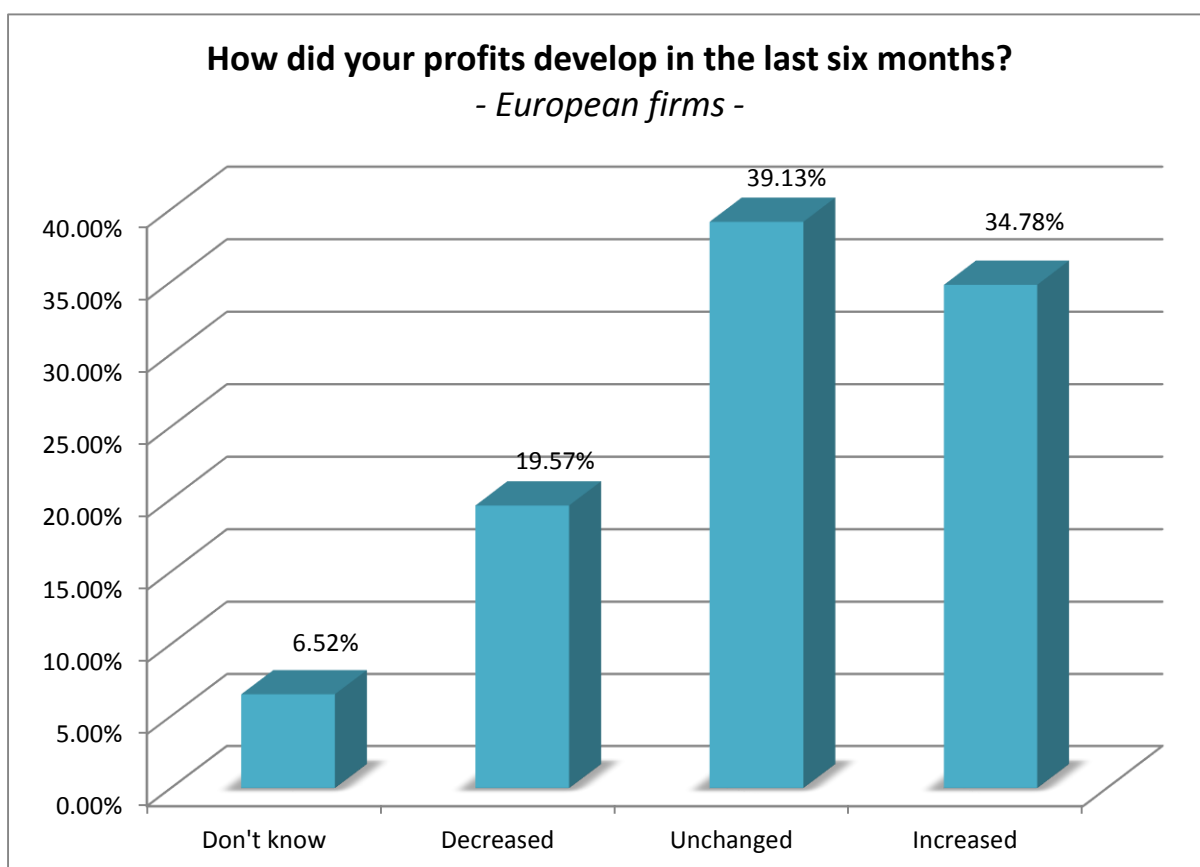


Table 23: Profit development over the last six months – European firms' perception

Let's have now a deeper look now into the group of Lao companies distributed regarding the industry. The development of profits in the individual industries reflects the turnover development, albeit with some variations. In transportation/storage and electricity/gas, we find the most important increase of profits, which corresponds exactly with the respective turnover we analyzed above. In accommodation/food service and education, profits are the worst considering all sectors, which is related again with the respective turnover development. In all other industries turnover increased more than profits, a fact that gives an indication of reduced profit margins.

To simplify and clarify the findings, the group of Lao companies that reported reduced profits has been deducted from the group of Lao companies that reported increased profits in the first half of 2014. Overall there is an improvement across the board, which means for most sectors that the profit situation has increased, except again for transportation/storage and electricity/gas, but also for construction. Indeed, an important variation occurs in construction because in terms of profit the balance comes to -20% (whereas in terms of turnover development the balance was at 0%).

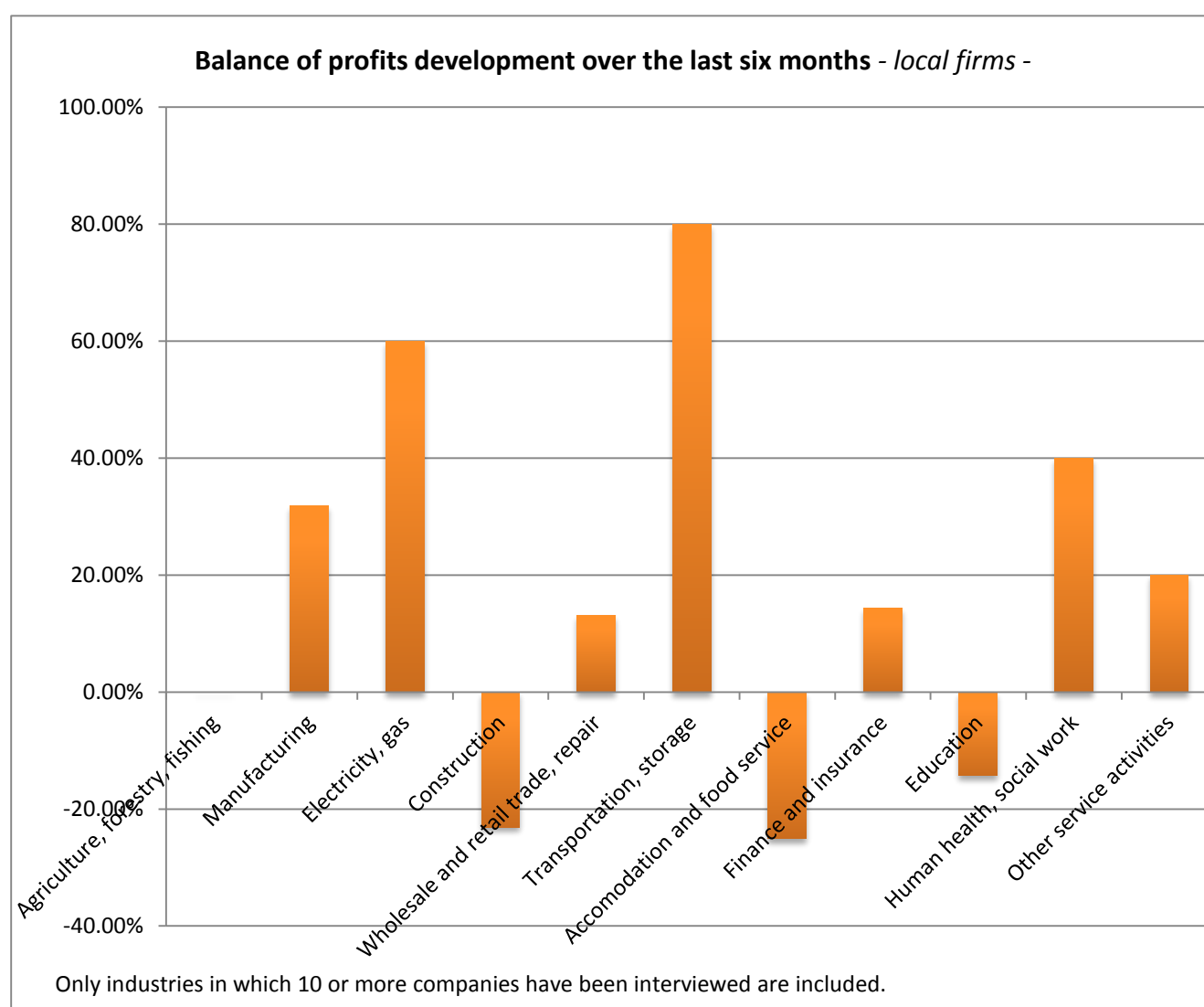


Table 24: Balance of profit development over the last six months – local firms' perception

The profit prospects for the next half year are reckoned as bright by most of the companies surveyed, similar to the expectations regarding turnover development, both for local and European companies which present similar answers: both groups considered, more than a half (between 50% and 54%) expect their profits to expand, around 30% plan no change in their profits, and between 7% and 9% fear them to shrink.

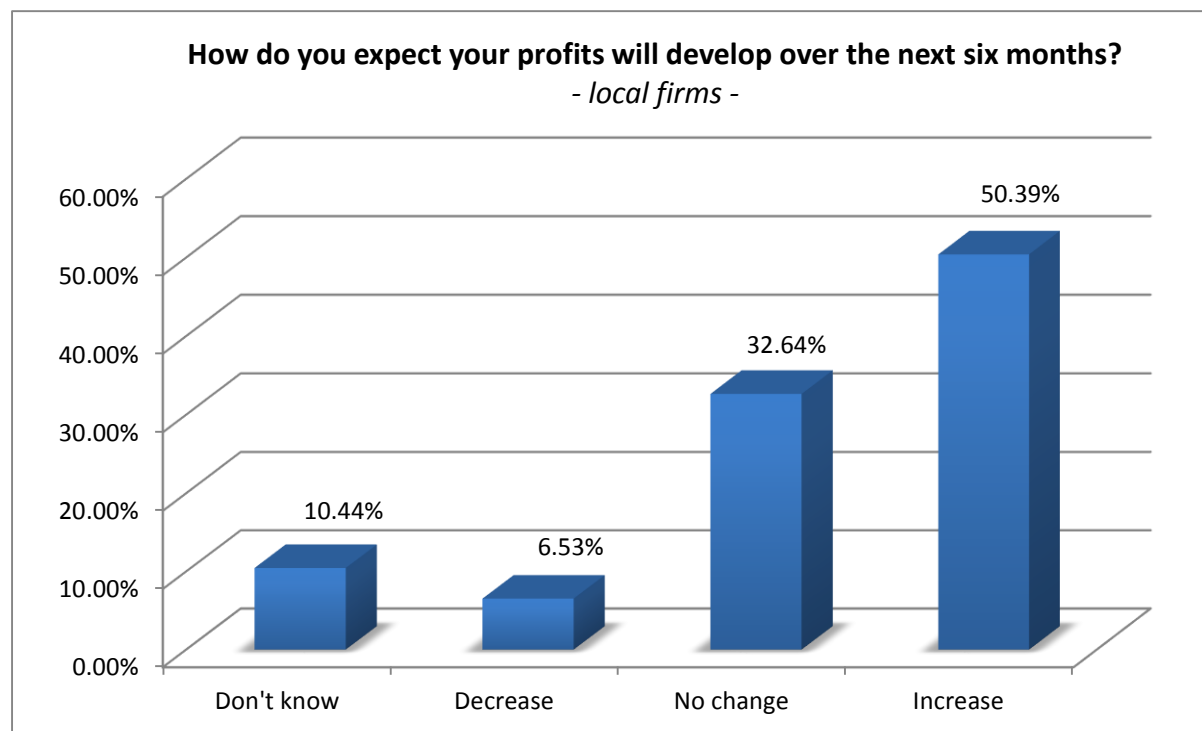


Table 25: Expected profit development over the next six months – local firms' perception

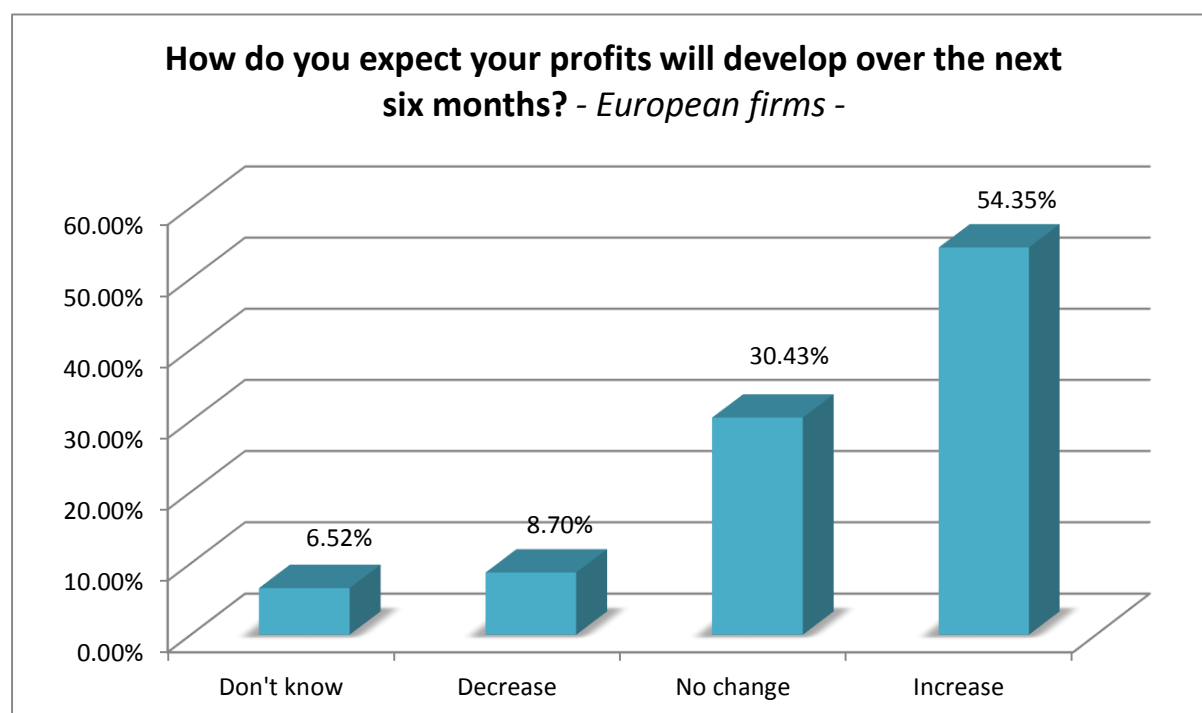


Table 26: Expected profit development over the next six months – European firms' perception

Regarding the distribution of Lao firms among provinces, optimism about future profit prospects is generally widespread, except in Bokeo and Vientiane Capital which are the only two provinces where less than 40% of companies expect rising profits in the rest of the year.

Oudomxay is a perfect example of optimism: all the companies surveyed located in that province (that is to say 100%) foresee an increase of their profits in the next six months. Slightly behind follow provinces with also a high degree of optimism, as in Vientiane Province where 84% of the companies expect an increase in their profits, or in Luang Namtha where they are 63% to expect the same. The expectations in Xiengkhouang are more mixed than in the provinces we just cited above: rising profits anticipate 46% but on the other hand some 23% of the enterprises fear dwindling profits.

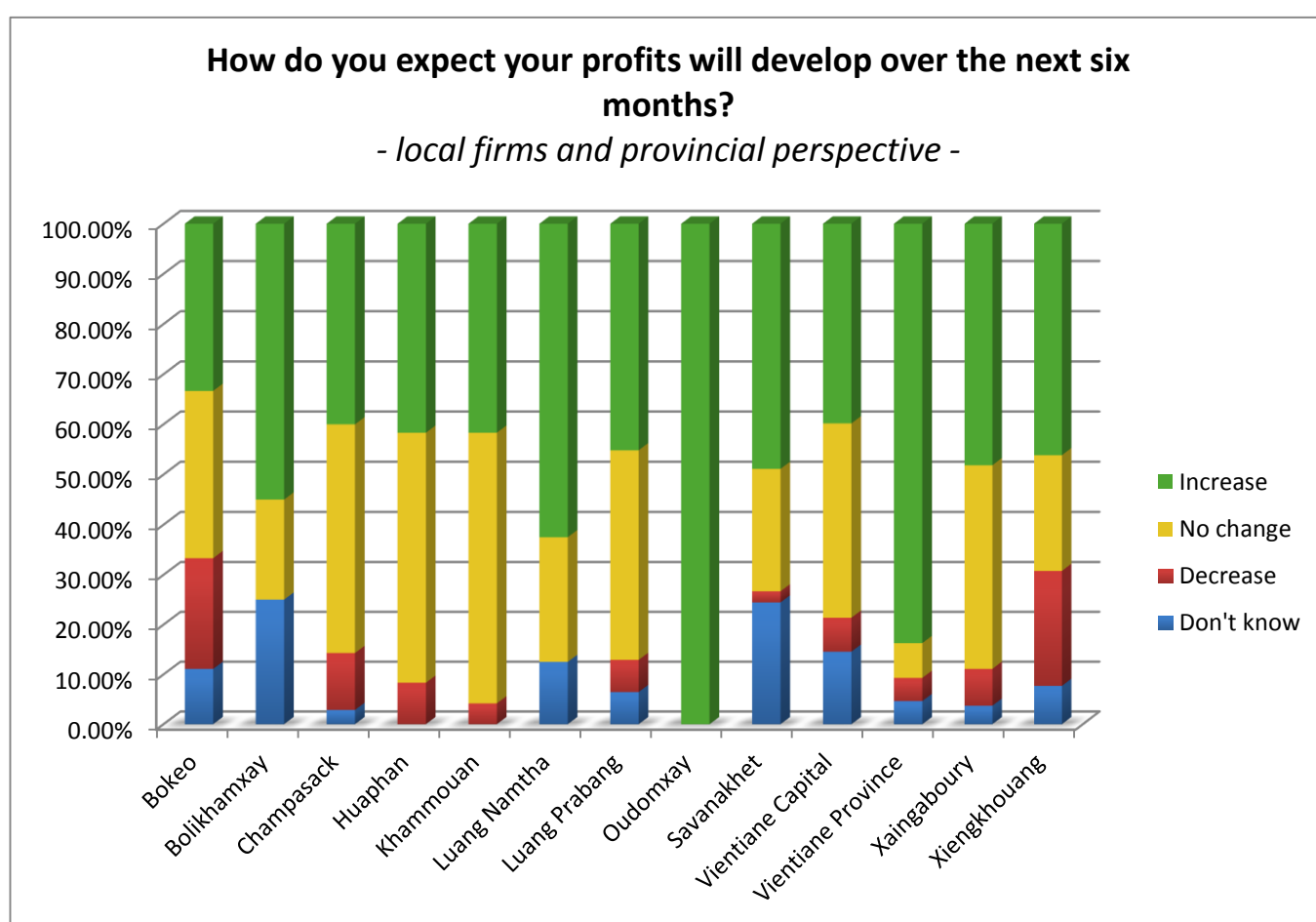


Table 27: Expected profit development over the next six months – local firms' perception, provincial perspective

10. Financial situation

The financial situation of the interviewed businesses, both Lao and European, has stayed quite stable in the last six months: around 46%/47% of companies of both groups declare that their financial situation did not change. For the rest of the results, the situation remains positive for all companies: 34% of local firms saw their financial situation improving in the first half of 2014 against 19% of companies declaring a deterioration; and for European enterprises those percentages are quite similar (respectively 35% and 17%).

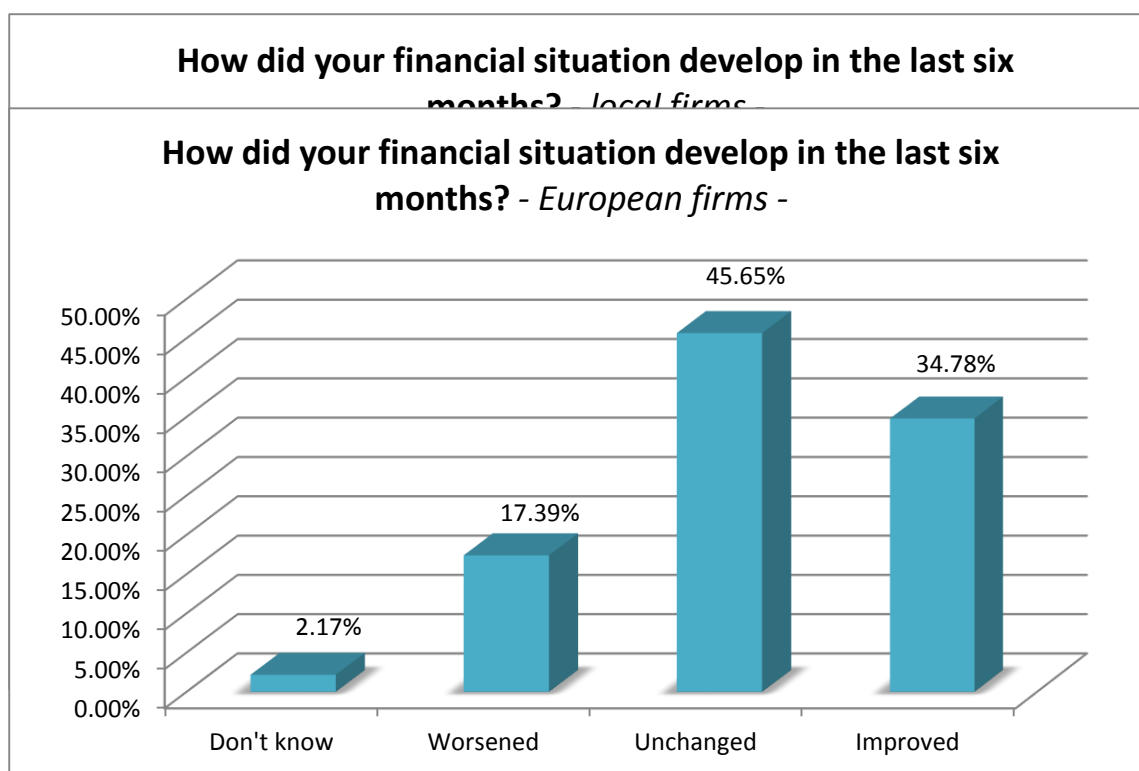


Table 28: Development of financial situation over the last six months – local firms' perception

Table 29: Development of financial situation over the last six months – European firms' perception

The future is seen optimistic for a majority of companies, both local and European firms considered: the Lao enterprises that reckon their financial situation will improve over the next six months make up for about 55% of the total (50% for European companies), those who expect no change constitute 31% (37% for European companies) and those who assume a deterioration are around 7% (4% for European companies). Looking at the provincial level for the Lao companies surveyed, the picture is clearly mixed. In Oudomxay, everyone asked expects an improvement of his financial situation in the rest of the year. However, in Bokeo only 22% hope to see improvements of their financial situation against 33% who fear some deterioration.

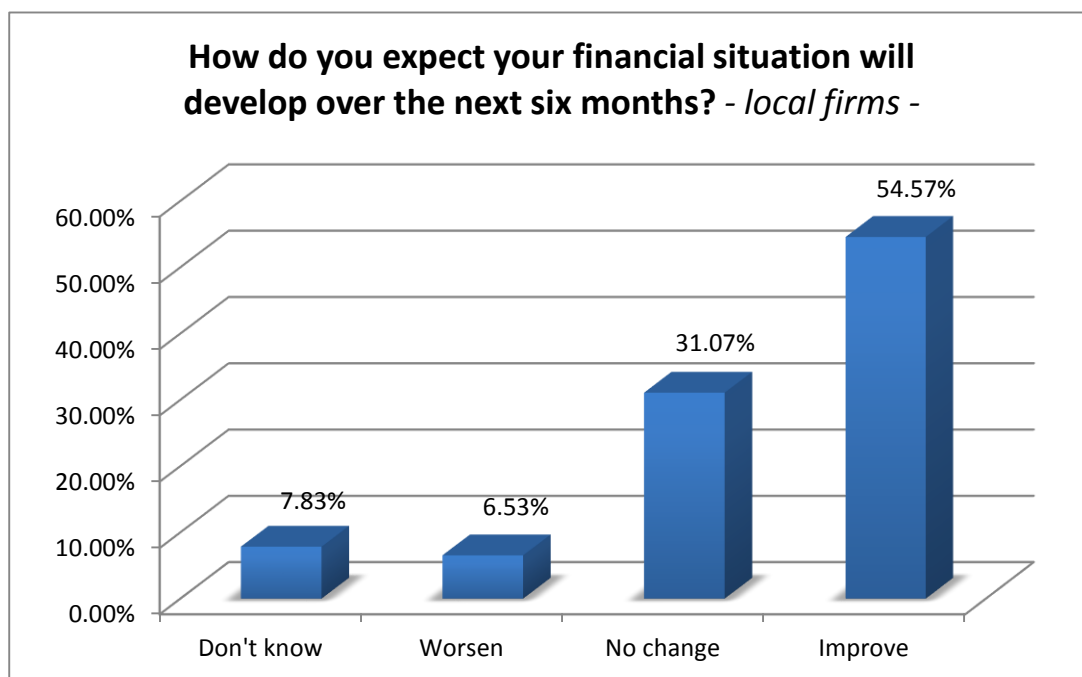


Table 30: Expectation of financial development over the next six months – local firms' perception

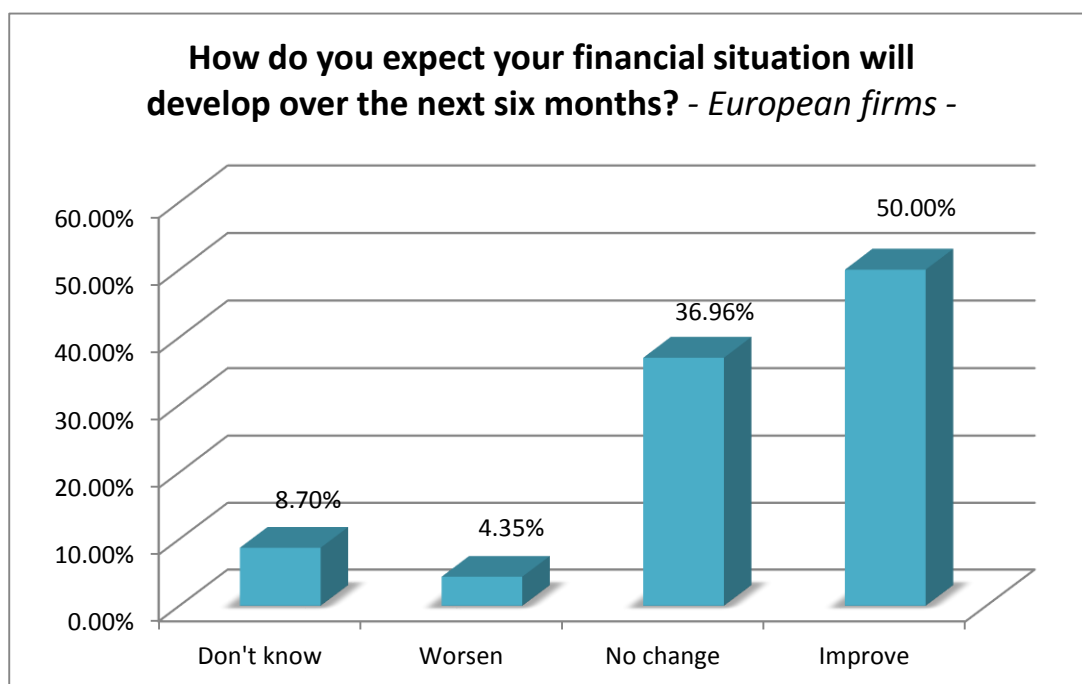


Table 31: Expectation of financial development over the next six months – European firms' perception

11. Investments

In the past six months, 68% of the surveyed Lao companies invested in their businesses whereas 32% did not. However, there is an important difference with European companies on that same period because, compared to Lao firms, only 57% invested in their business and almost 40% did not (but the result remains positive).

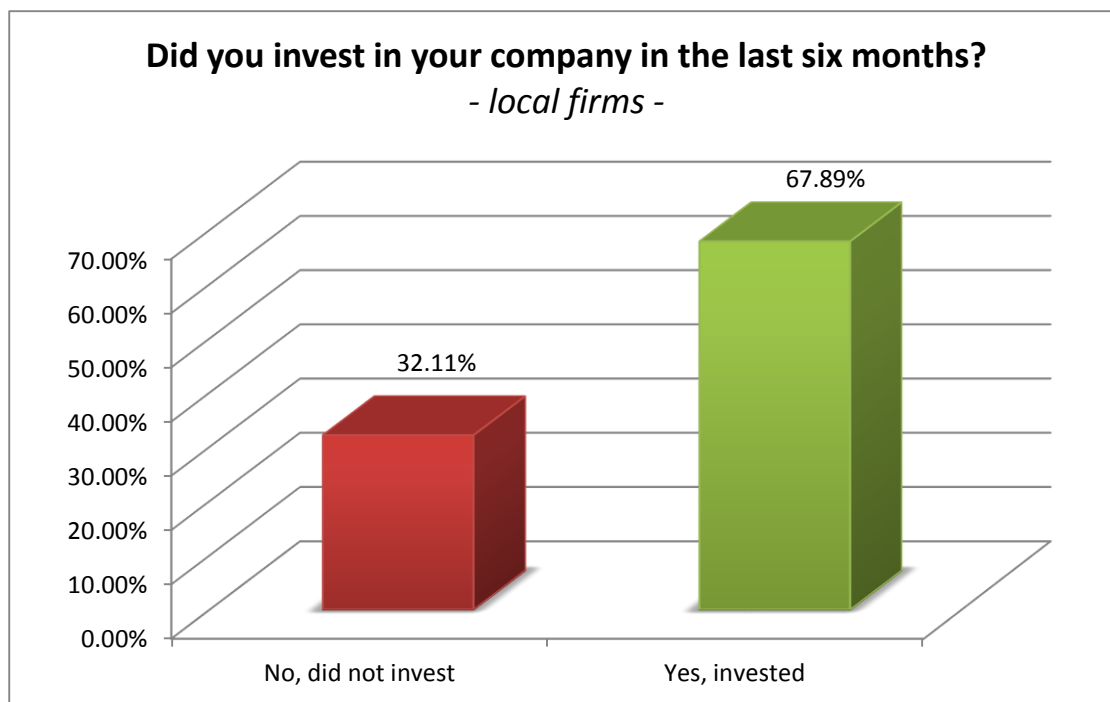


Table 32: Investment in the last six months – local firms' answers

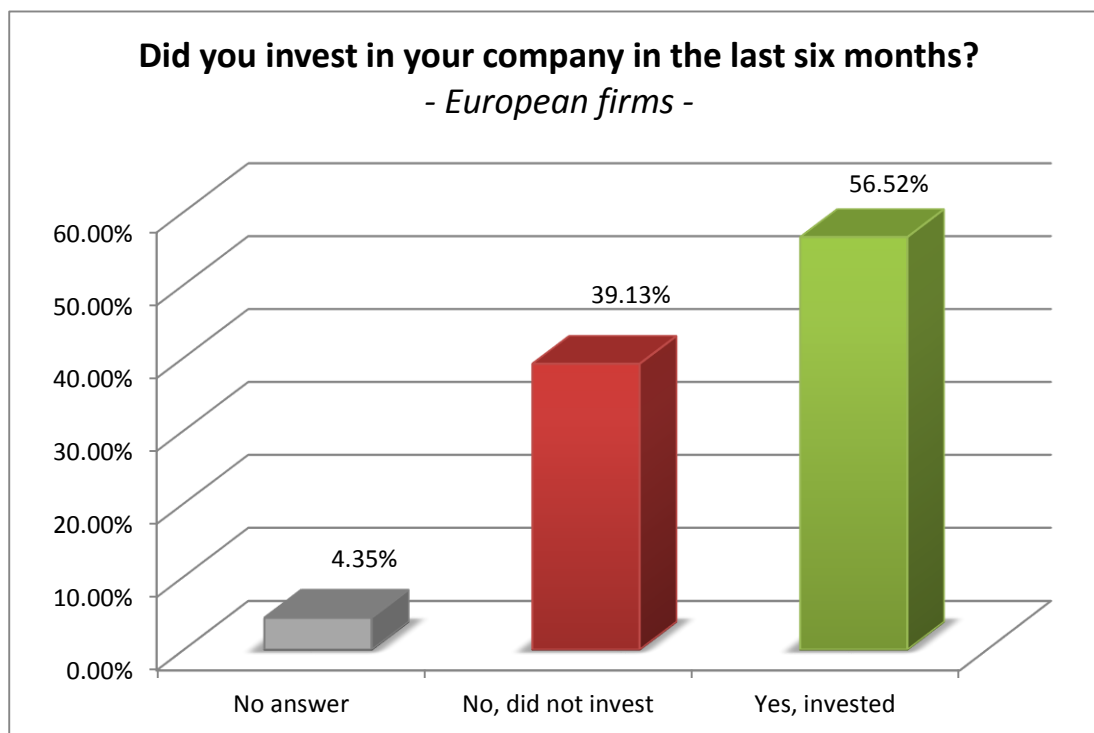


Table 33: Investment in the last six months – European firms' answers

If we study the provincial level, Luang Namtha has the highest rate of companies that invested in their business in the past six months, that is to say 100%. Vientiane Province (88%), Xiengkhouang (85%) and Xaengaboury (81%) followed this clear tendency during the first half of 2014, and the rest of provinces show a clear majority of companies that invested as well. Nevertheless, this is not so obvious for Savanakhet that presents a unique situation because the result is mixed: 49% of companies invested, 51% did not.

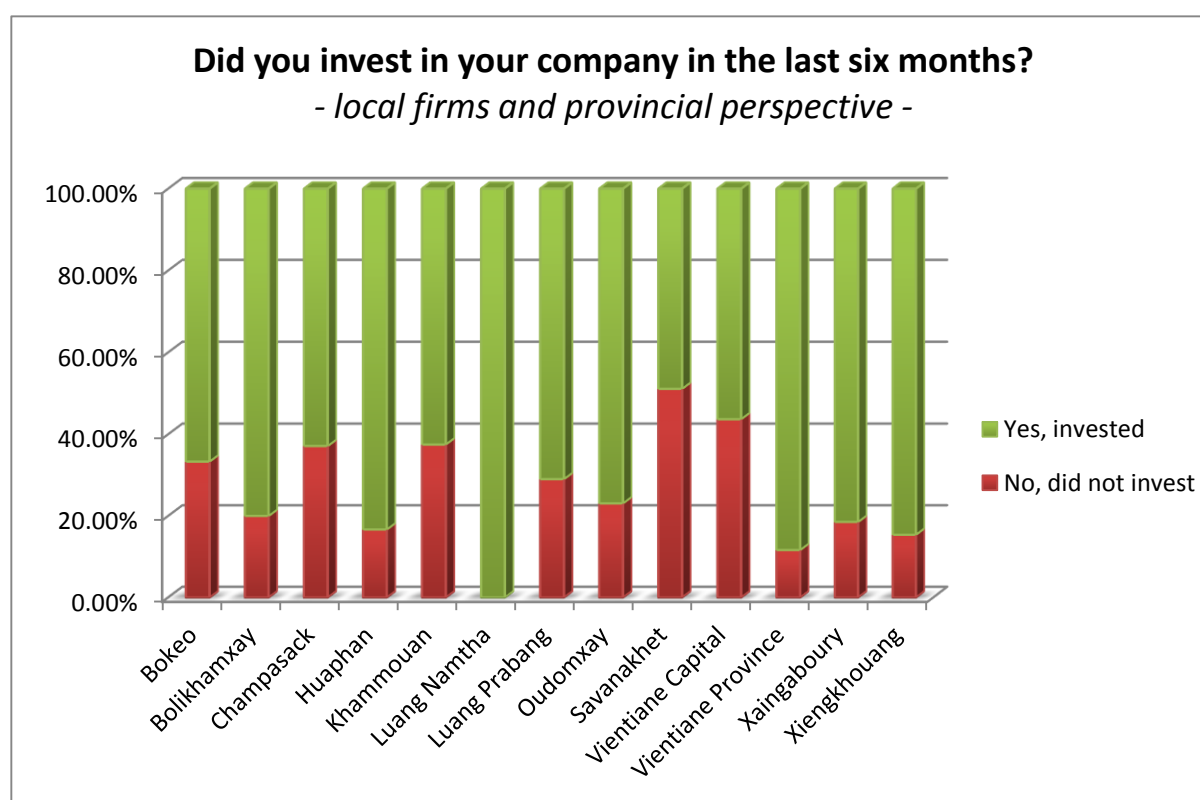


Table 34: Investment in the last six months – local firms and provincial perspective

Future plans establish a real difference of vision between Lao and European firms. Whereas 70% of local firms plan to invest in the second half of 2014 (and so 30% do not), only 50% of European companies plan to invest on the same period (48% do not, and 2% did not answer the question).

Again there are some disparities if we look at the distribution of Lao firms between the provinces. Indeed, 100% of enterprises in Luang Namtha plan to invest in the next six months, whereas only 54% plan to do so in Vientiane Capital. Nevertheless, in each province at least a majority of companies plan to invest during the rest of the year.

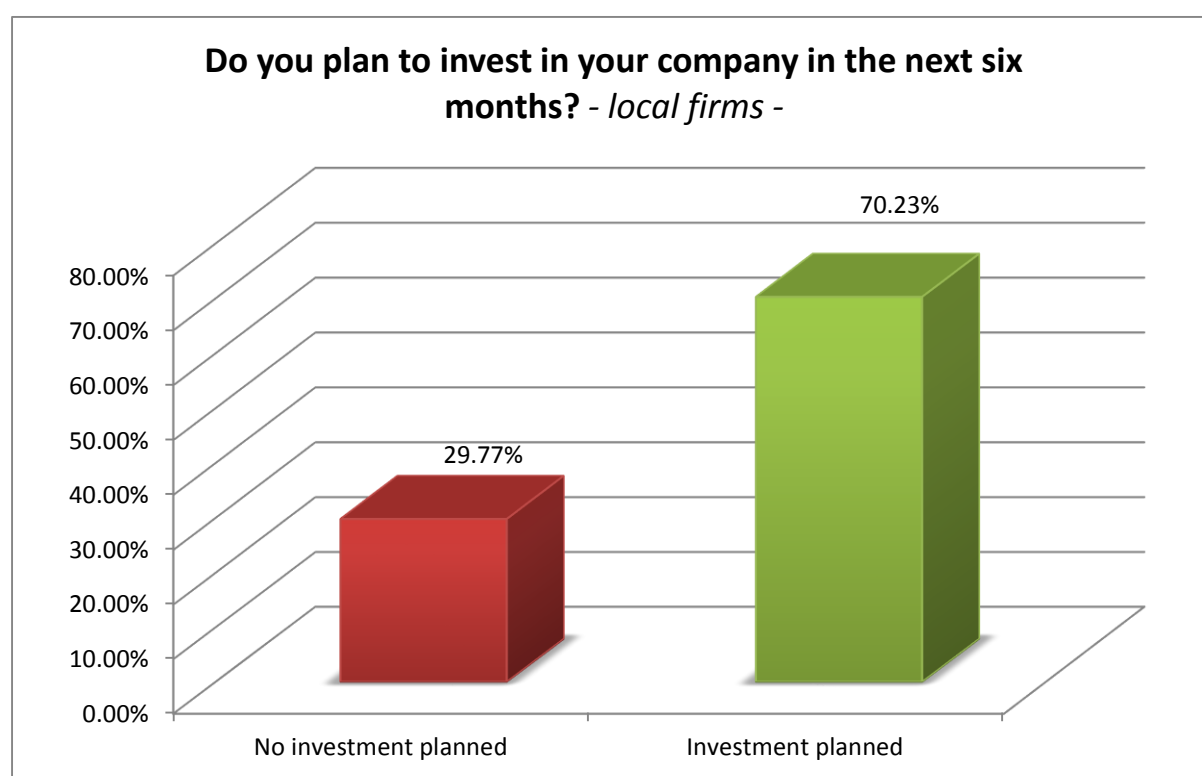


Table 35: Planned investment for the next six months – local firms' perception

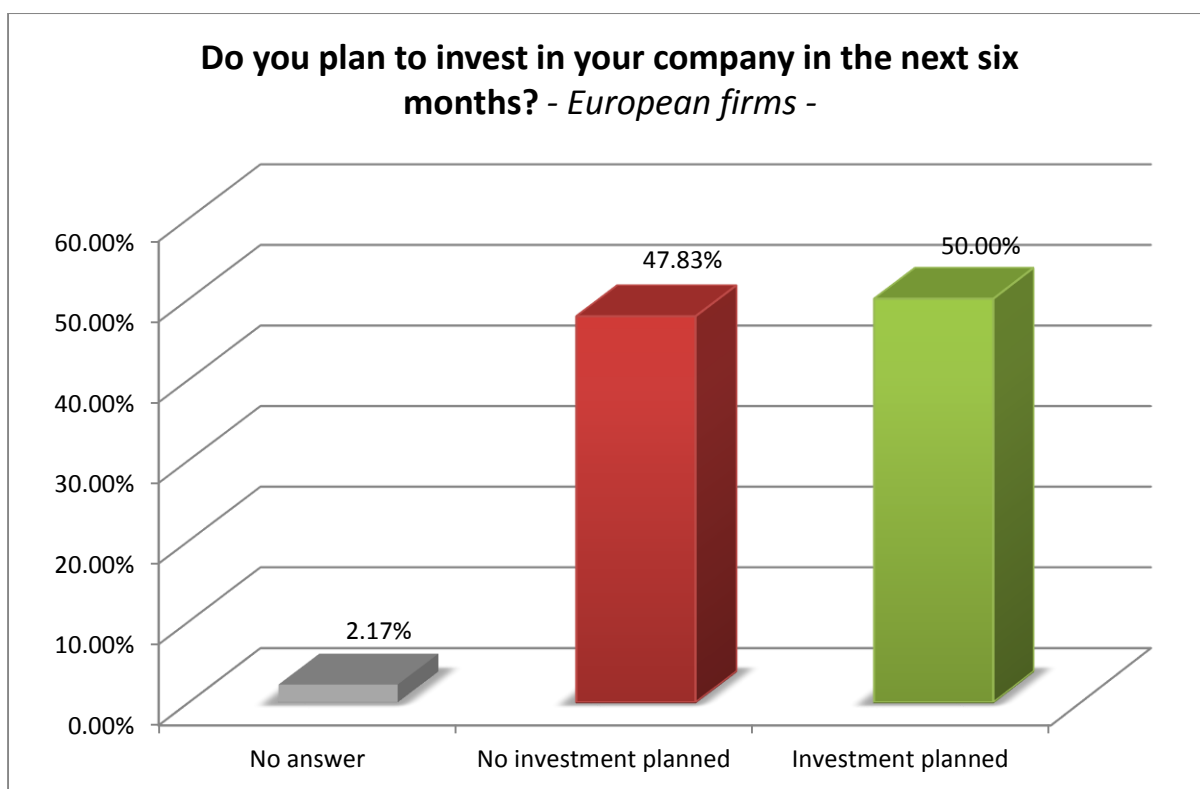


Table 36: Planned investment for the next six months – European firms' perception

12. Employment

The employment development in the first half of 2014 differs for Lao companies and for European ones. Only 21% of the first ones record an increase in their staff, against 41% for the second group. Moreover, only 9% of local firms lost employees in the first semester of 2014 against 24% for European companies. In conclusion those results show that the staff turnover stayed more stable for local firms than for European companies

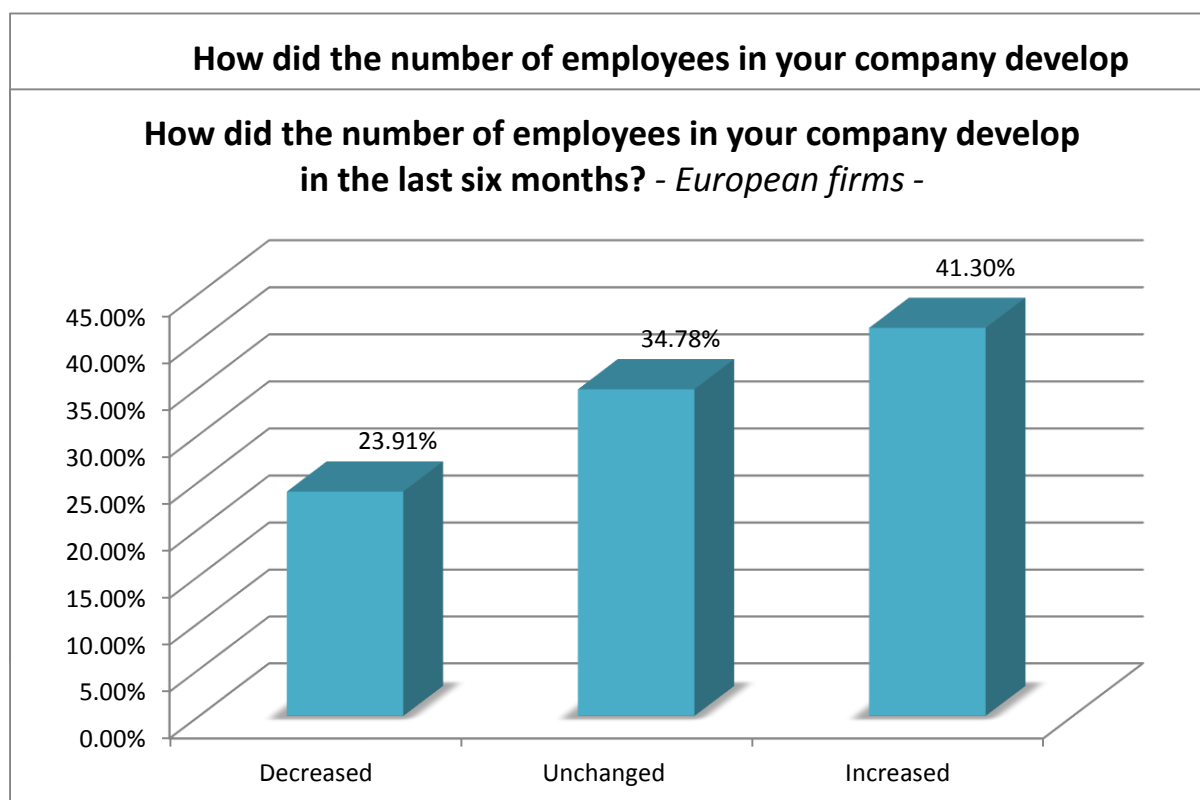


Table 37: Development of employment over the last six months – local firms' perception

Table 38: Development of employment over the last six months – European firms' perception

The regionally disaggregated picture for Lao firms does not show important differentiations between the provinces: even if specificities can be noticed, we can easily see that the main tendency in every province is that the number of employees in the companies surveyed did not change in the last six months.

The percentage of companies that report an increase of staff is substantially higher than the average in Xiengkhouang (46%), Huaphan (42%) and Khammouan (42%).

On the other hand the percentage of companies that report shrinking employment is especially important in Savanakheth where only 4% of companies declare that their staff increased against 18% saying that their staff decreased.

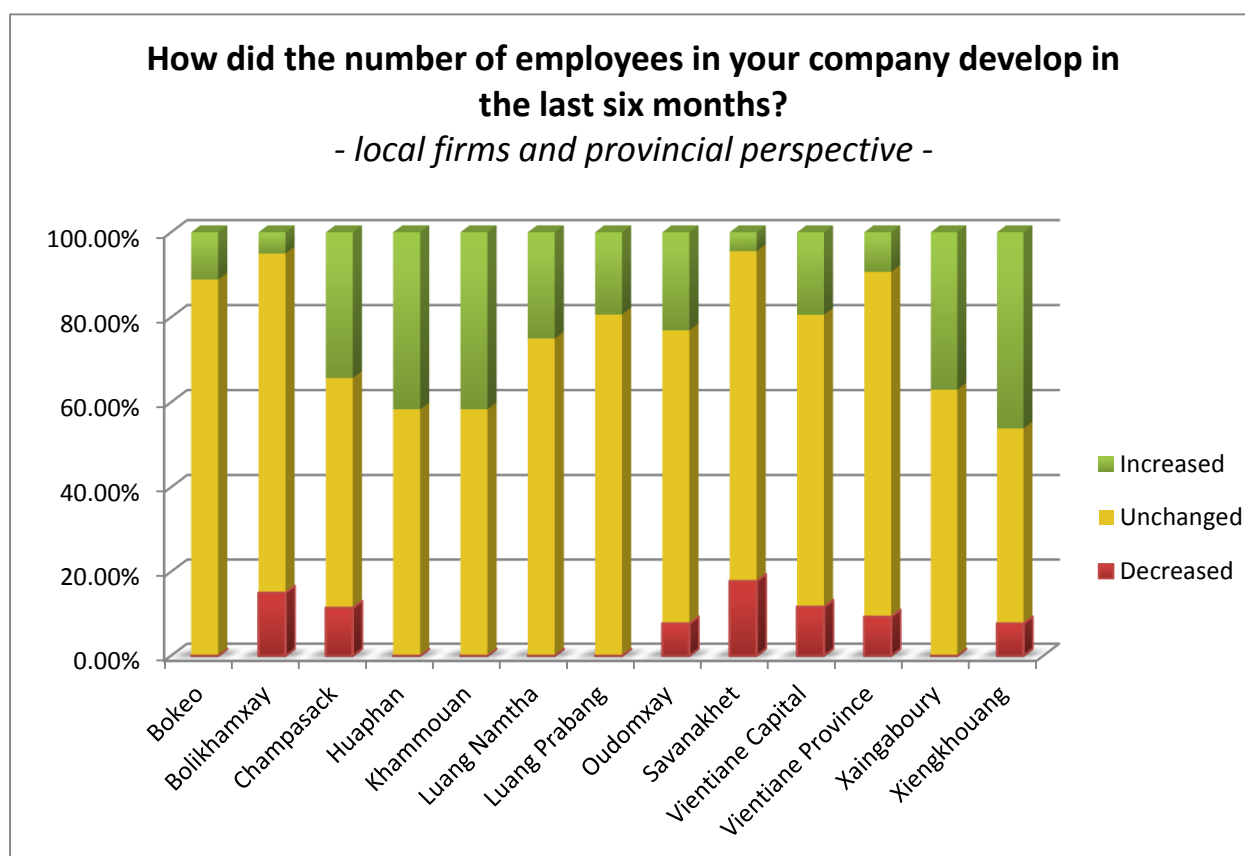


Table 39: Development of employment over the last six months – local firms’ perception, provincial perspective

Considering the expectations regarding the development of the number of employees in the rest of the year, there is again the same perspective difference between Lao firms and European firms. Only 41% of the first ones plan an increase of their staff, against 57% for the second ones. Indeed, in both groups only 5 to 7% of companies expect a decrease in their number of employees, but the difference comes from the fact that a clear majority of local firms plans no change whereas only 37% of European companies expect the same.

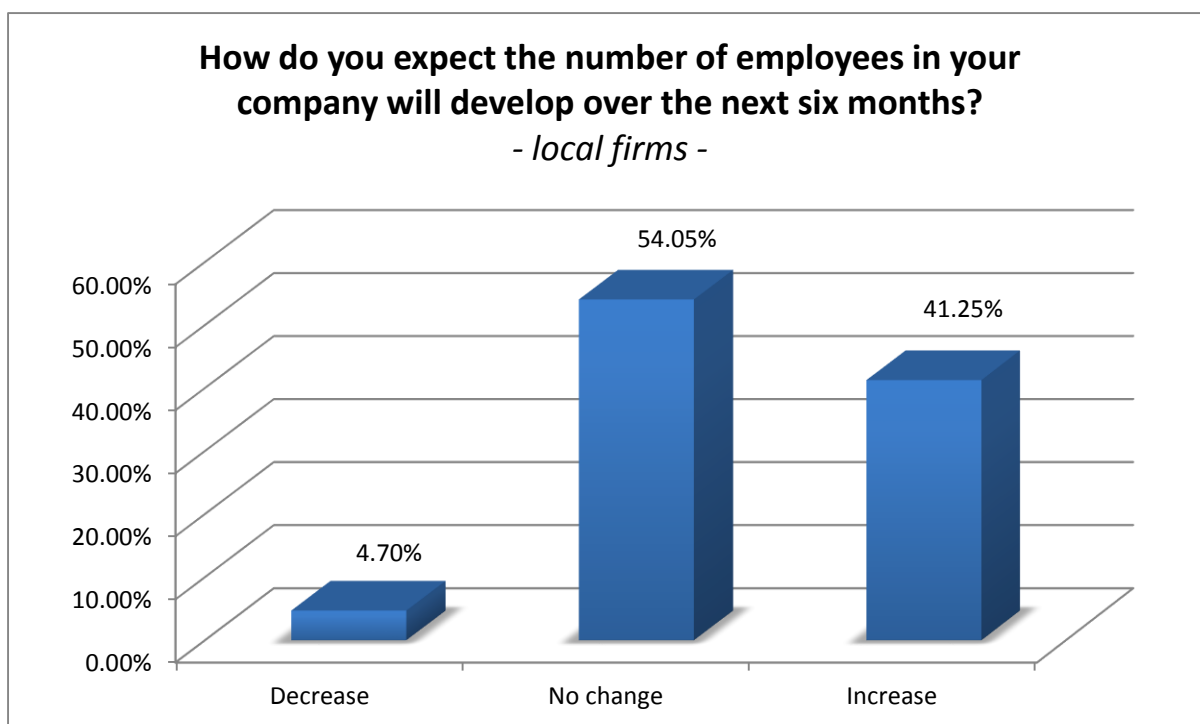


Table 40: Expected development of employment over the next six months – local firms' perception

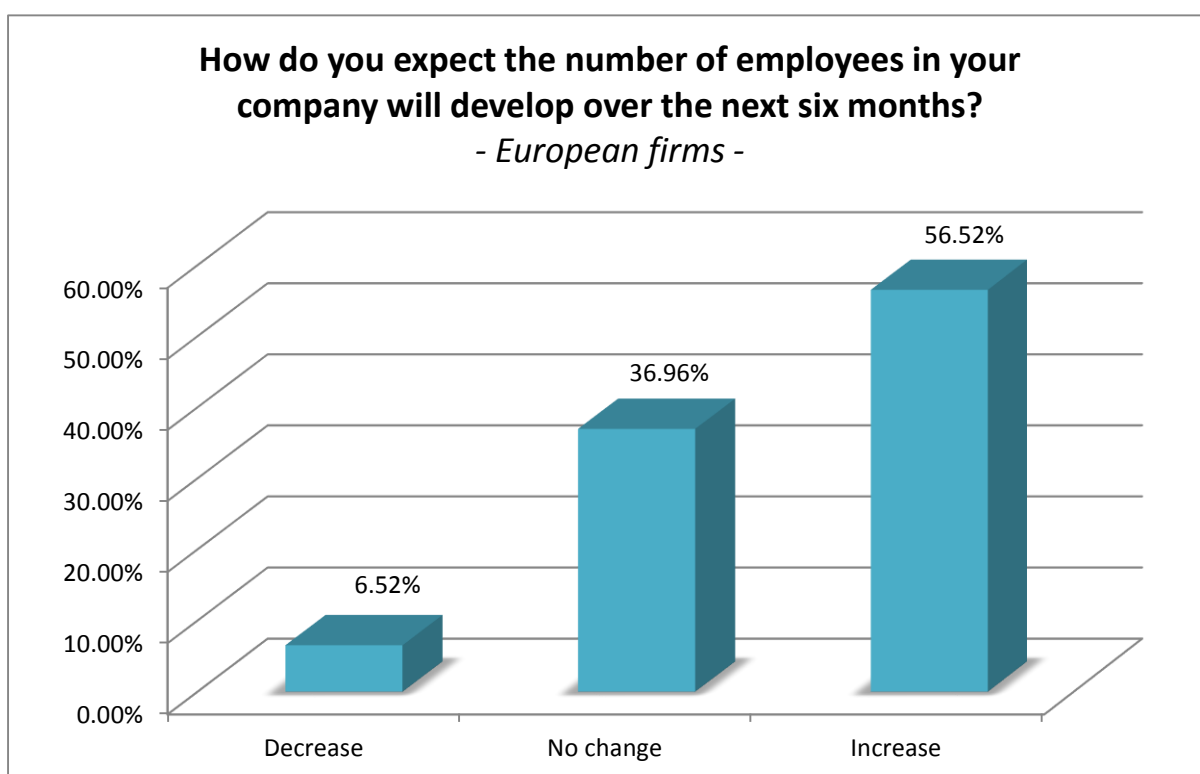


Table 41: Expected development of employment over the next six months – European firms' perception

13. ASEAN Economic Community

Since the ASEAN Economic Community shall be established in 2015, we have decided to add two questions to the questionnaire, related to this upcoming situation. The first one was about the impact of the AEC on the business of the firms surveyed. Not surprisingly, there is a significant difference of vision between Lao firms and European ones. Indeed, only 17% of local companies expect a positive impact of the AEC on their business and 27% fear a negative impact. They prefer to say, by almost 40%, that this economic community will have no impact on their business. Regarding European companies, the highest proportion (41%) expect a positive impact and only 11% assume a negative impact; 22% think that the AEC will not have any impact at all. And finally, a common tendency is that a high proportion of companies is not aware of this matter and surveyed firms prefer to say they do not know about it: this includes 17% of Lao firms and 26% of European firms.

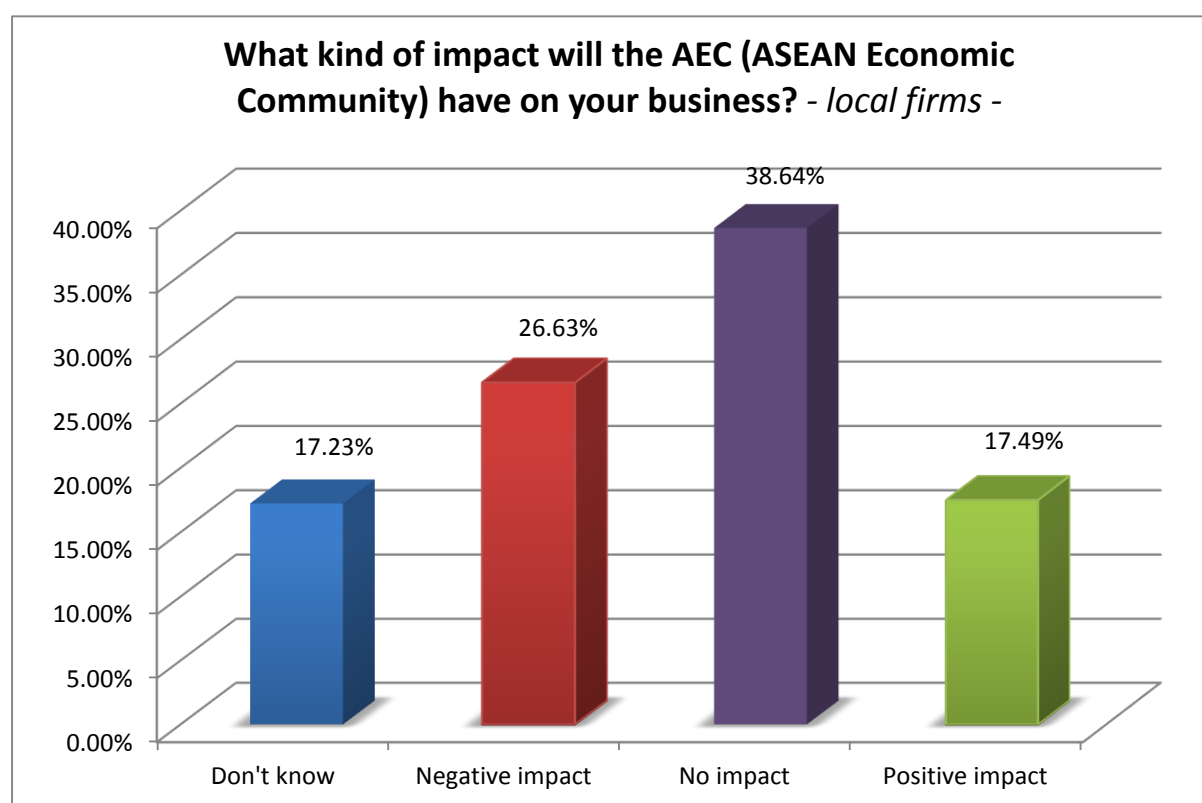


Table 42: Impact of the AEC on businesses – local firms' perception

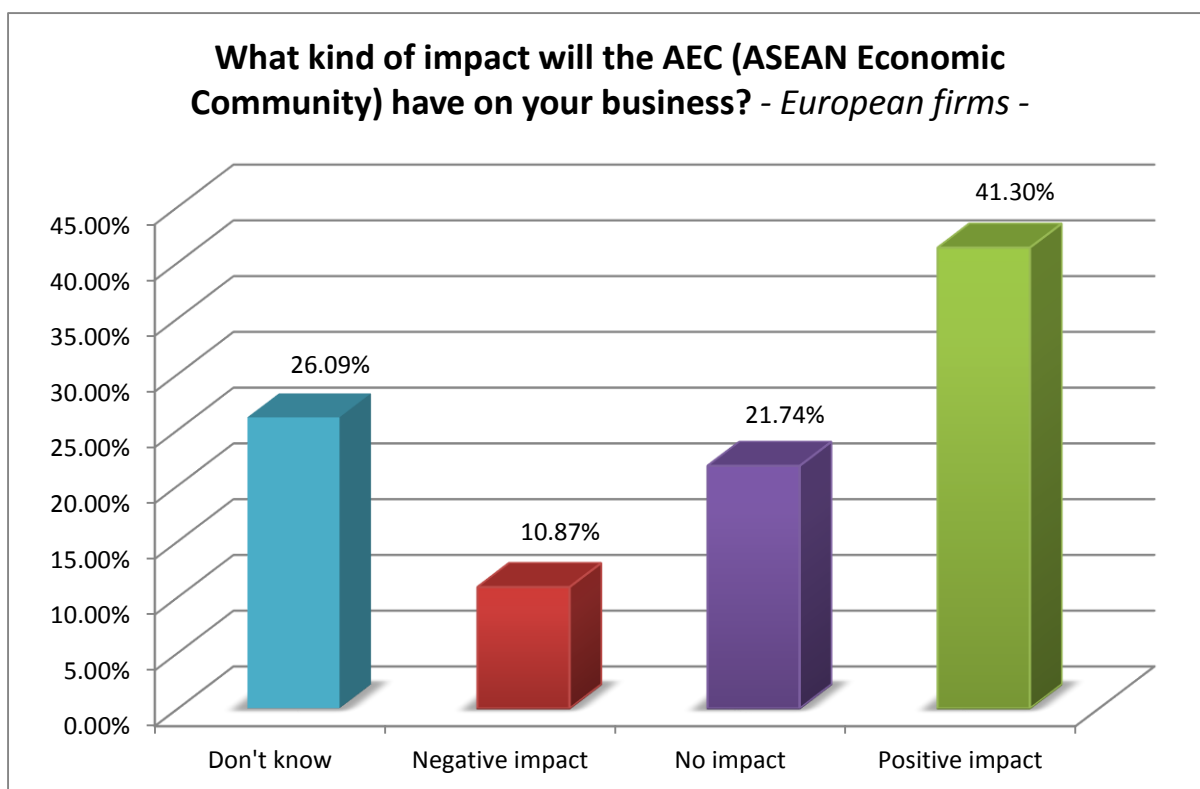


Table 43: Impact of the AEC on businesses – European firms' perception

Now considering the provinces (only for Lao firms), the disparities are huge on this question about the AEC. In Khammouan 75% of companies expect a positive impact and no firms fear a negative impact. At the opposite, in the provinces of Huaphan and Luang Namtha 75% of companies expect a negative impact of the AEC on their business. Between, we can find provinces as Oudomxay where a large majority (70%) expects a positive impact but all the others (30%) fear a negative impact. And also provinces as Bolikhamxay and Champasack where respectively 65% and 54% of companies prefer to declare that the AEC will have no impact on their businesses.

If we distribute Lao companies into an industry perspective, this time the disparities are less important. Overall, the main tendency in every sector stays the expectation of no impact of the AEC on businesses. The finance and insurance area show the highest rate of positive expectations (30%), and in transportation and storage almost a half of companies (47%) fear a negative impact of the AEC on their businesses.

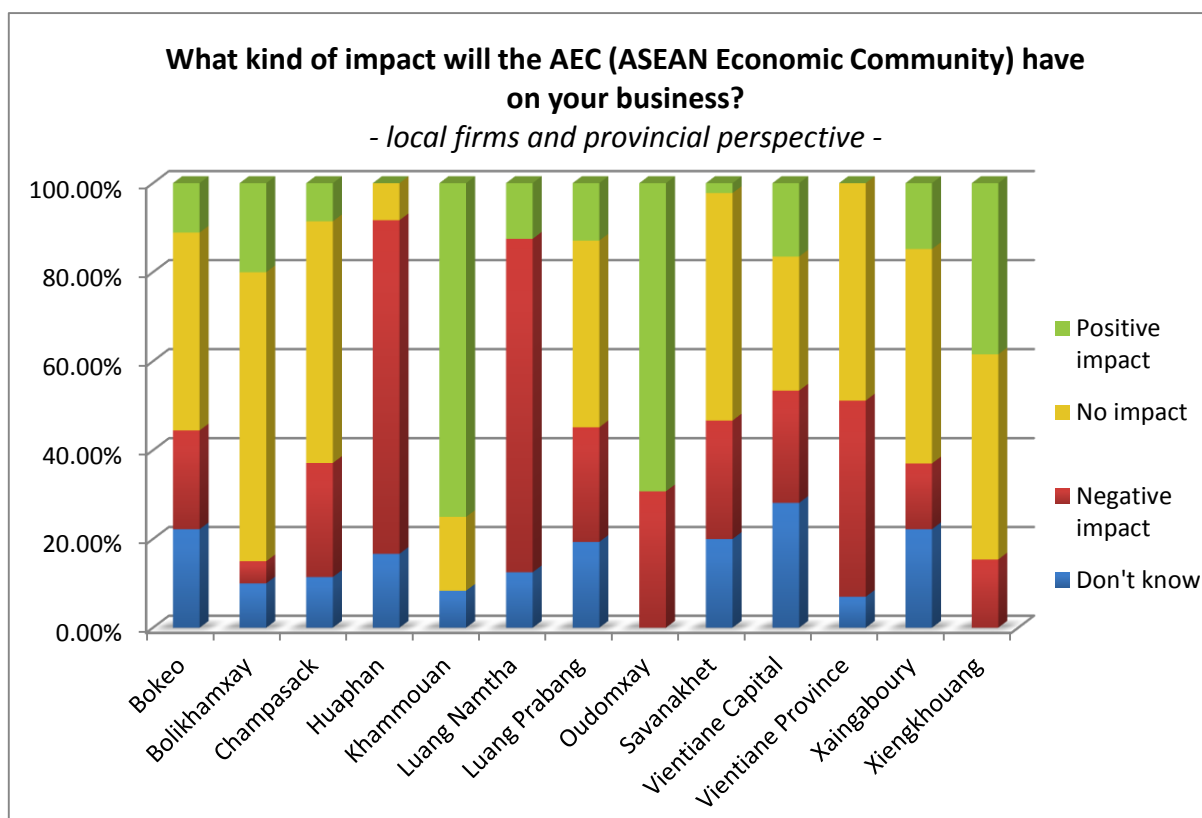
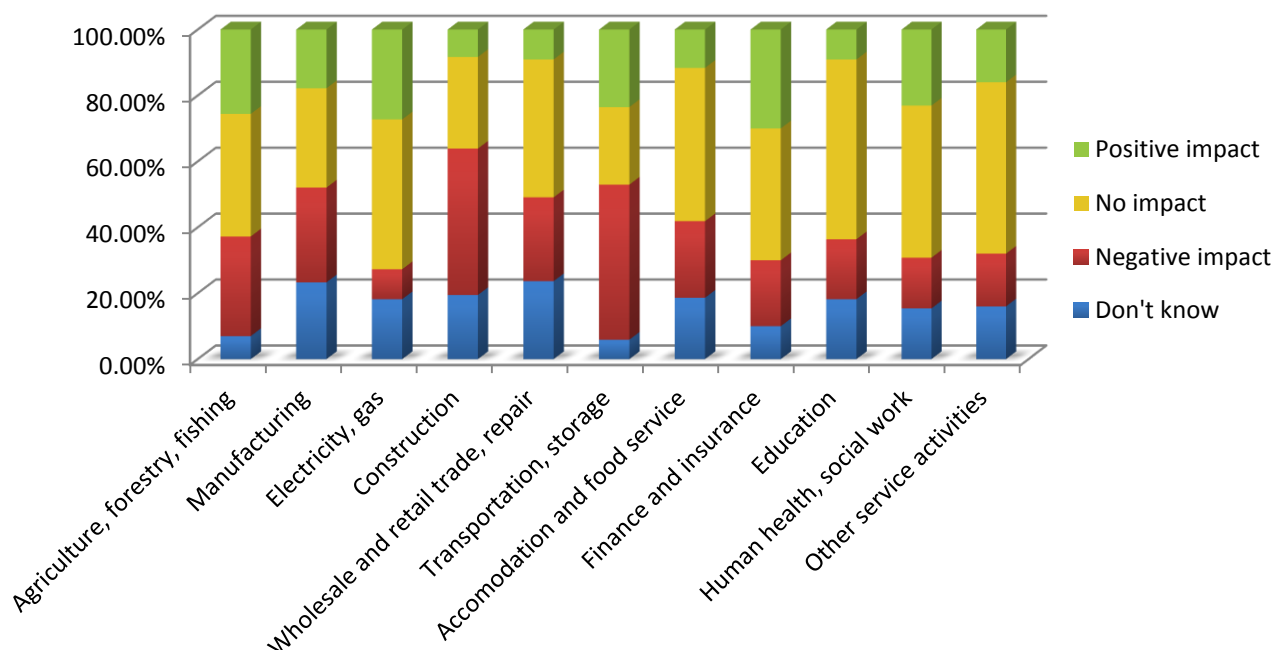


Table 44: Impact of the AEC on businesses – local firms’ perception and provincial perspective

What kind of impact will the AEC (ASEAN Economic Community) have on your business?

- local firms and Industry perspective -



Only industries in which 10 or more companies have been interviewed are included.

Table 45: Impact of the AEC on businesses – local firms' perception and industry perspective

The second question was in order to know if the companies feel adequately prepared for the ASEAN Economic Community. Again, the main tendency is "somewhat" because 43% of local firms and 48% of European firms prefer to declare that they are only a bit prepared. However, the proportion of businesses very well prepared is much more important among local firms: 29% declare this, against 13% for European firms (and so 16% of Lao companies announce they are totally not prepared against 24% for European companies).

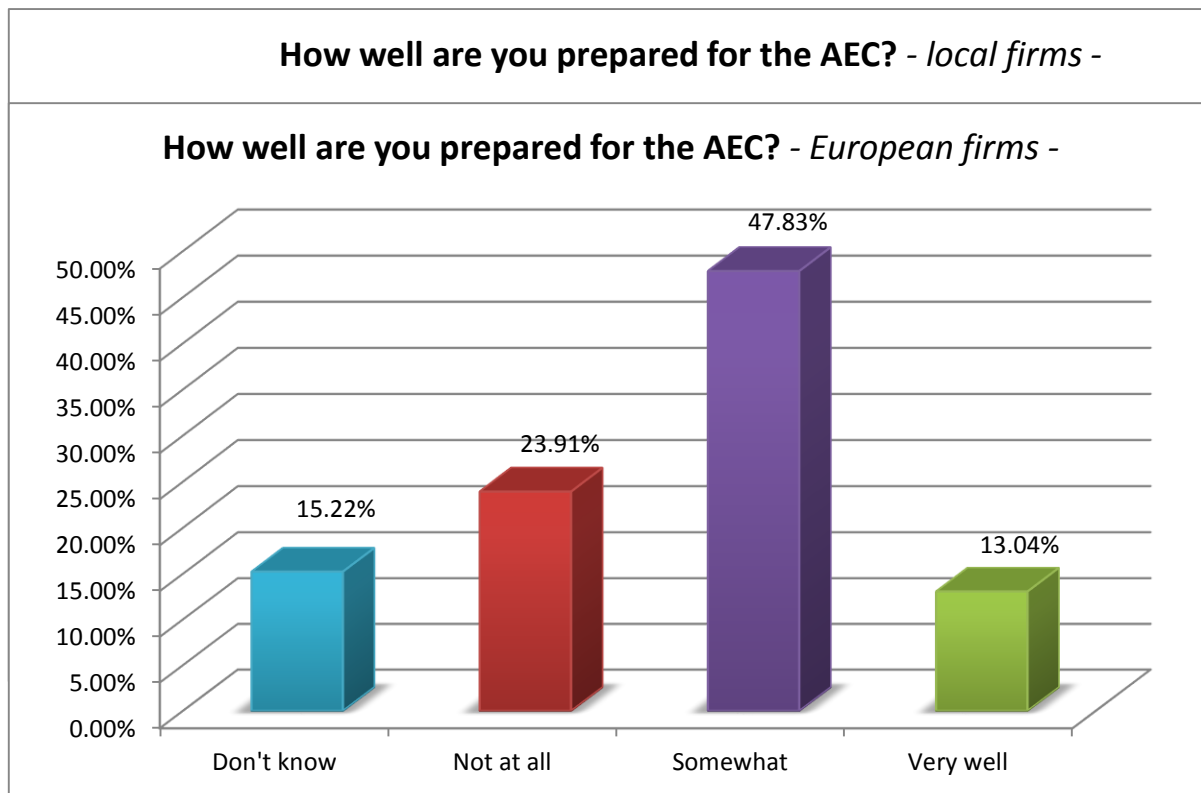


Table 46: Preparation for the AEC – local firms’ perception

Table 47: Preparation for the AEC – European firms’ perception

By looking into the provinces again for local firms, they are very well prepared in Luang Namtha (88%), Oudomxay (85%) and Khammouan (83%): these are the highest rates. In Huaphan, 67% of companies feel they are not prepared at all. And in provinces as Bokeo, Champasack and Bolikhamxay a large majority (more than 60%) declare that they are only a bit prepared to the AEC.

How well are you prepared for the AEC?
- local firms and provincial perspective -

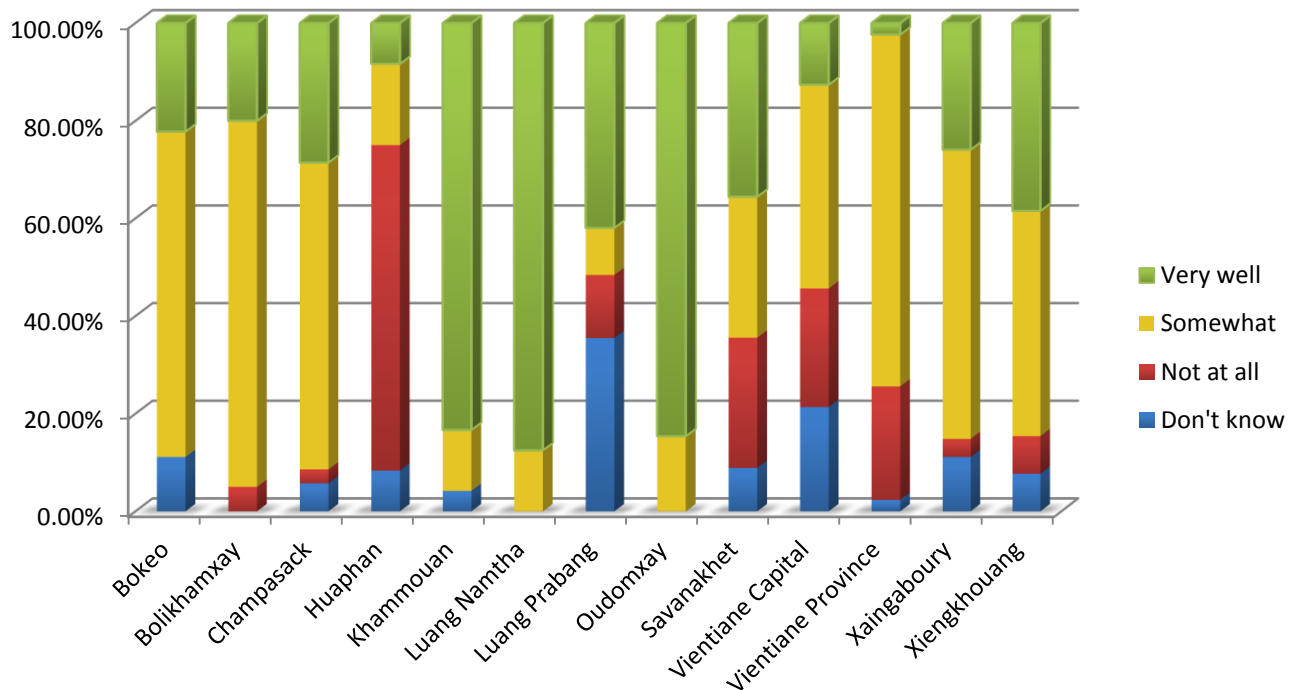
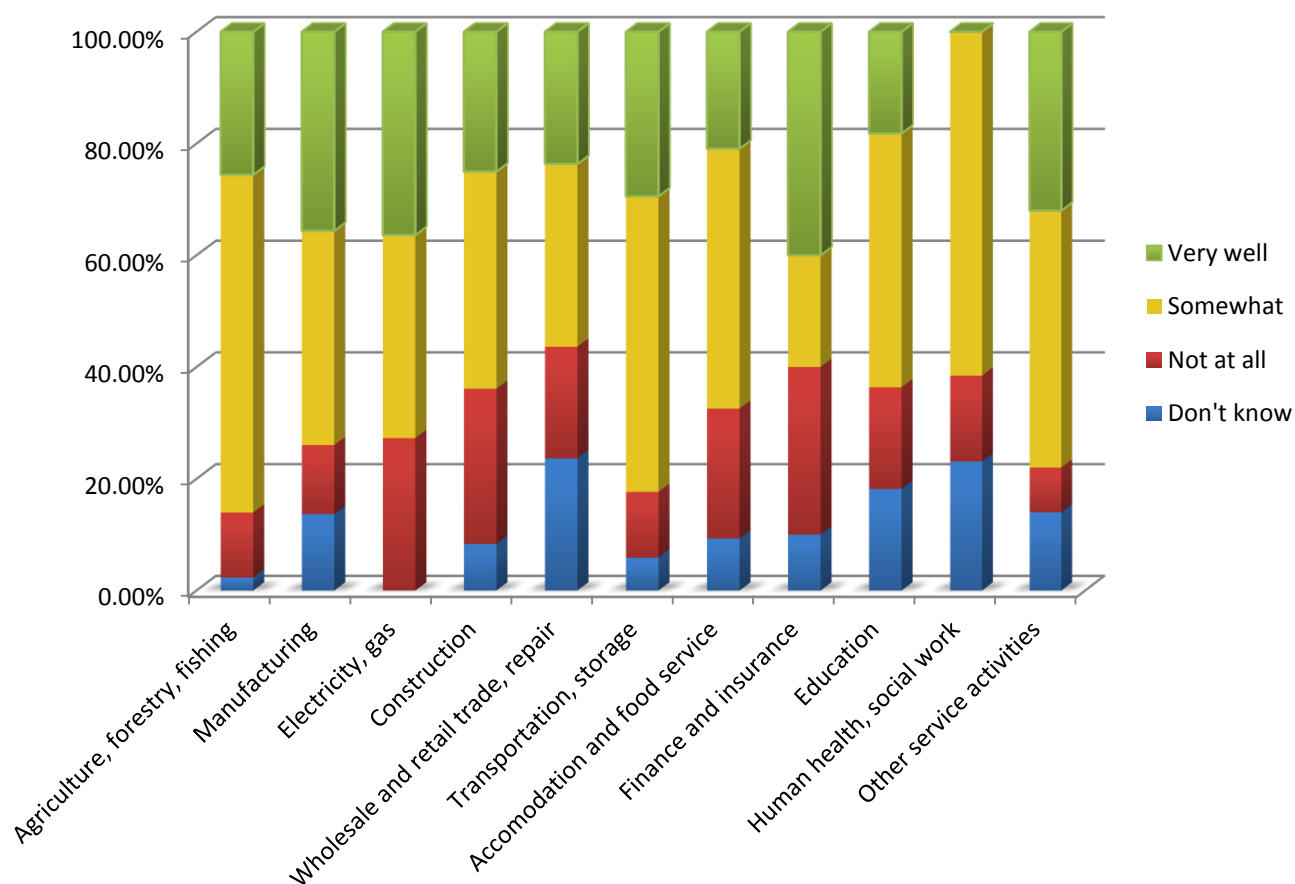


Table 48: Preparation for the AEC – local firms’ perception and provincial perspective

If we study the same local companies into an industry perspective, we can notice that the differences are less important between industry sectors than between provinces. Again we find the highest rate of businesses well prepared to the AEC in the finance and insurance sector (40%). These companies are followed by electricity/gas (36%) and manufacturing sectors (36%). However, even if the finance and insurance sector has the highest proportion of well-prepared businesses, it also has the highest rate of businesses not prepared at all (30%). Finally businesses a bit prepared stay dominant in almost all provinces.

How well are you prepared for the AEC? - local firms and Industry perspective -



Only industries in which 10 or more companies have been interviewed are included.

Table 49: Preparation for the AEC – local firms' perception and industry perspective

14. Exports

Out of the 383 Lao companies surveyed, 144 were engaged in exports; among European companies, only 15 were concerned. Despite the differences between both groups, all results are in the end positive. Indeed, about 31% of local companies declare an increase in exports in the first half of 2014 against 19% announcing a decline. For European companies those statistics come respectively to 33% and 27%. Actually the main tendency for local firms and European firms is the domination of stable exports during the last six months: 47% of Lao companies report an unchanged situation and 40% of European companies state the same.

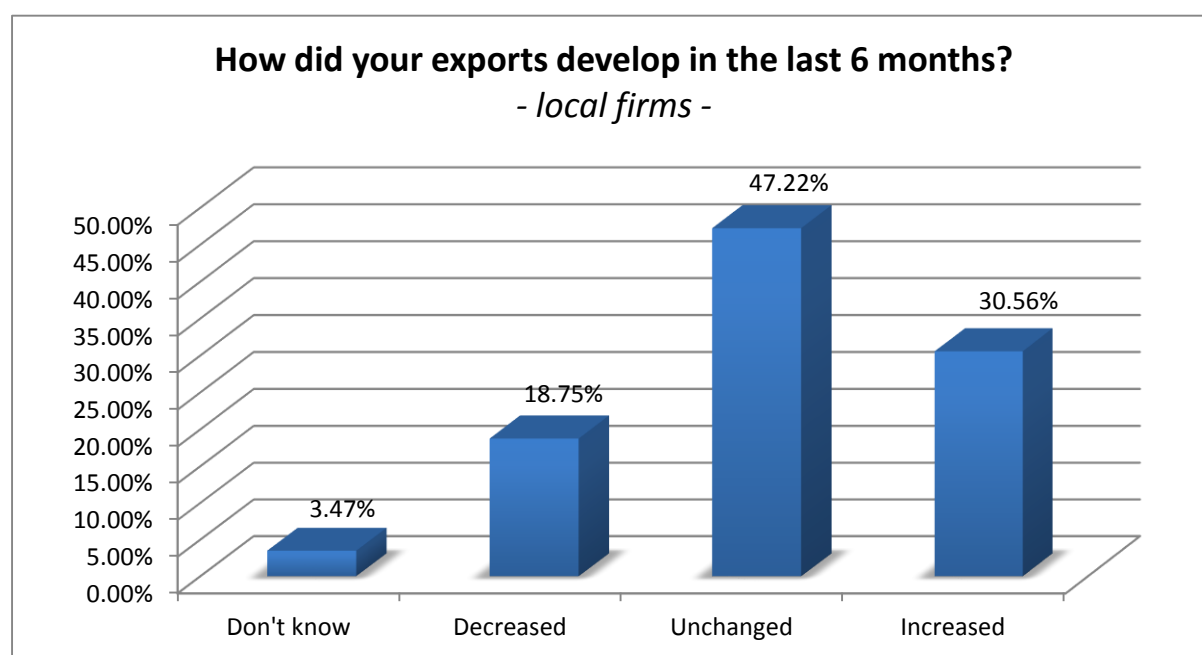


Table 50: Export development over the last six months – local firms' perception

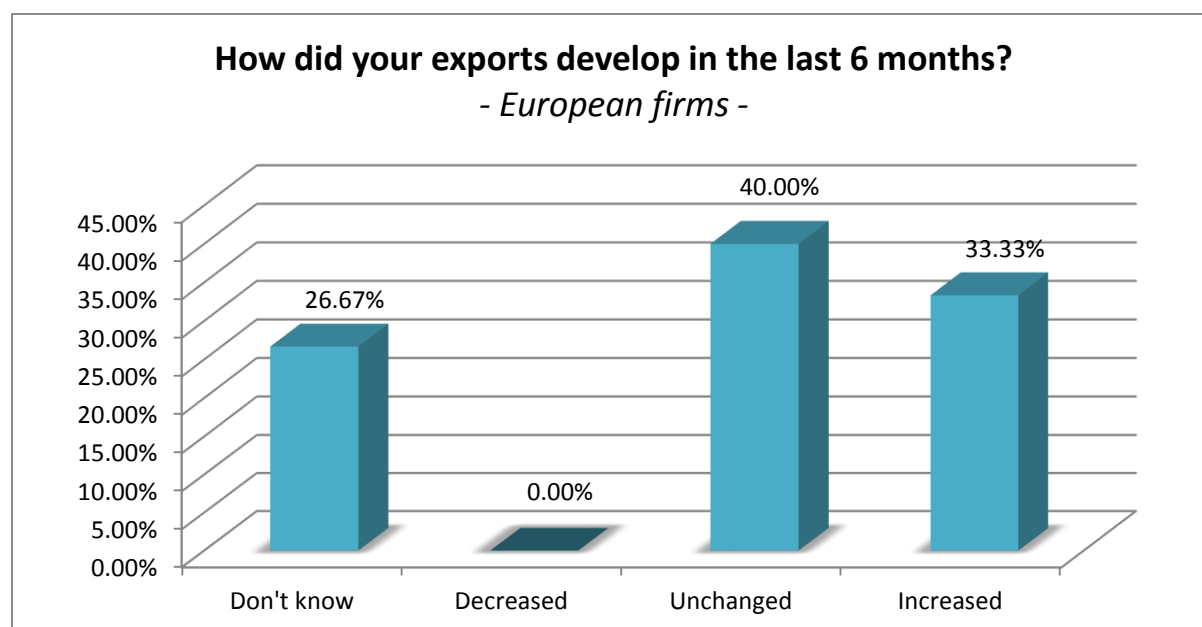


Table 51: Export development over the last six months – European firms' perception

Future expectations for exports are optimistic, for both Lao and European companies, because a large majority expects an increase in exports: 53% of European companies and 61% of Lao firms. The

tendency of no change seems to remain important even for the rest of the year because it is the second strongest expectation (found among 23% of Lao firms and 27% of European firms). However the conclusion is again positive and reassuring: only some 7% of Lao companies anticipate a deterioration in exports, and no European companies is expecting such a decrease.

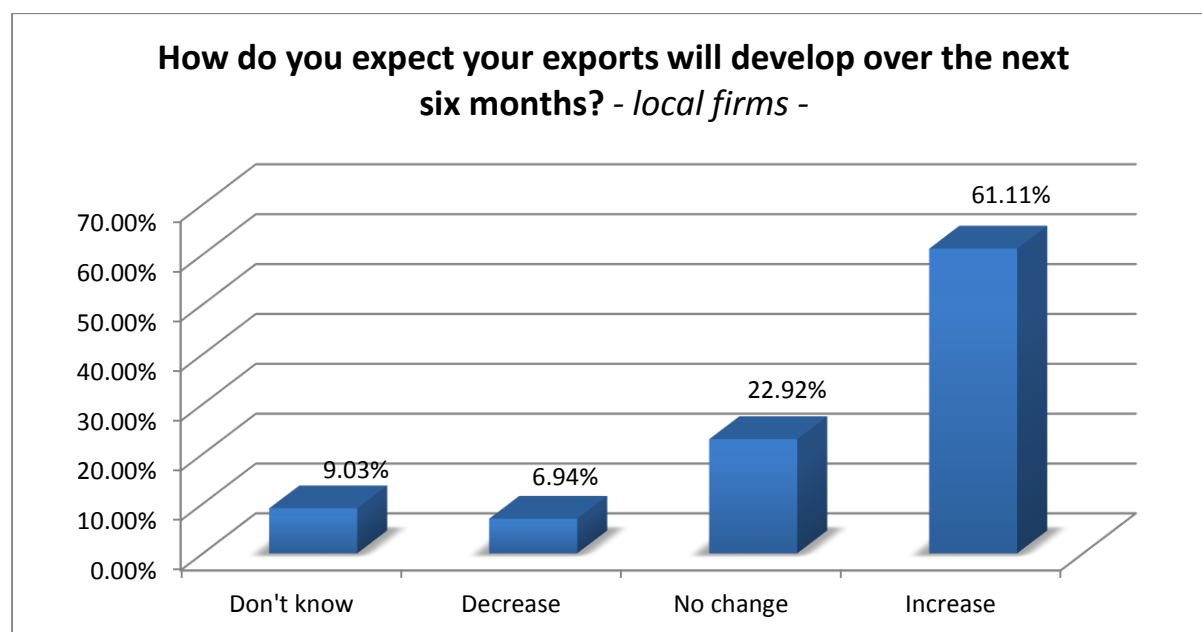


Table 52: Export expectations for the next six months – local firms' perception

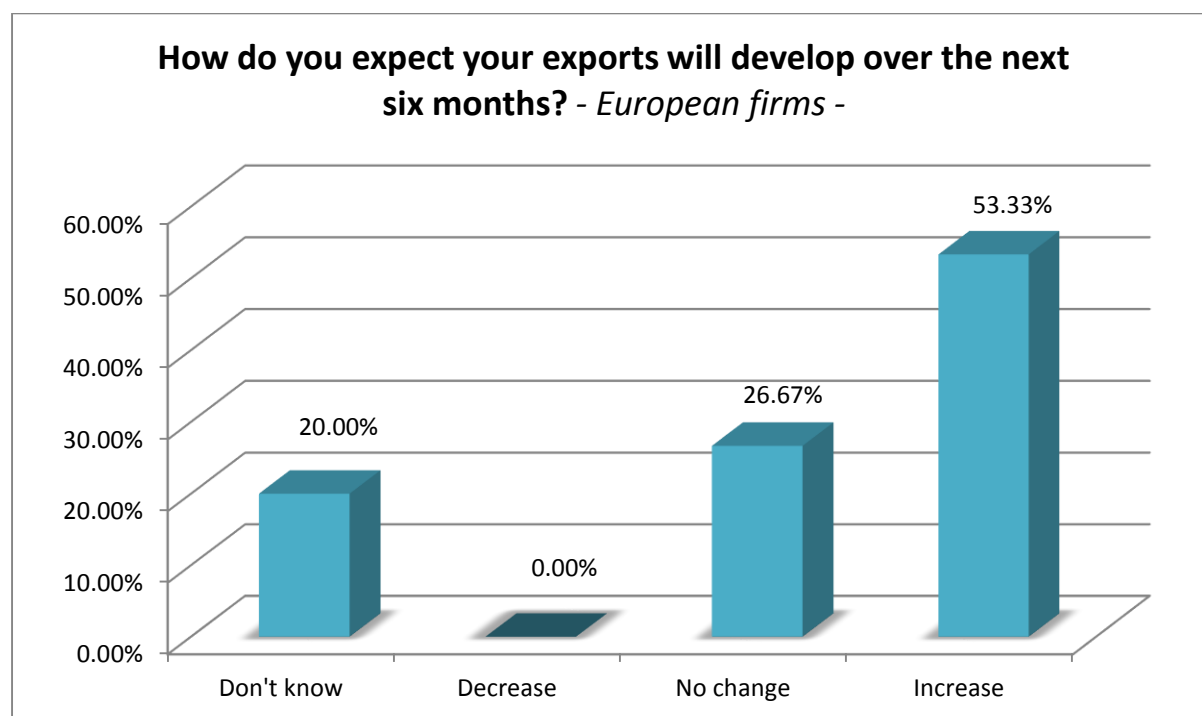


Table 53: Export expectations for the next six months – European firms' perception

Figure 2: Questionnaire

Business Confidence Index Questionnaire

juin-14



Filling in the questionnaire helps us and the government to better assess the economic development in Lao PDR and thus create a better business environment for you.

We assure you that the information you provide will not be used to identify individual companies and will be treated with the strictest confidence.

Company name:
Phone number:

Address:

Province: _____

Industry

Agriculture, forestry, fishing
Mining and quarrying
Manufacturing
Electricity, gas
water supply, sewerage, waste
Construction
Wholesale and retail trade, repair
Transportation, storage
Accommodation and food service

Information and communication
Finance and insurance
Real estate
Professional, scientific, technical
Administrative and support service
Education
Human health, social work
Arts, entertainment, recreation
Other service activities

Current number of employees

1-2	3-19	20-99	100 and over

How is your current business situation?

good	average	bad	don't know

How did your business situation develop over the last six months?

improved	unchanged	deteriorated	don't know

How did your turnover develop in the last 6 months?

increased	unchanged	decreased	don't know

How did your profits develop in the last 6 months?

increased	unchanged	decreased	don't know

How did your financial situation develop in the last 6 months?

improved	unchanged	worsened	don't know

Did you invest in your company in the last six months?

yes	no

How did the number of employees in your company develop in the last six months?

increased	unchanged	decreased

What impact will the AEC (ASEAN Economic Community) have on your business?

positive	no impact	negative	don't know

In case you are an exporter:

How did your exports develop in the last 6 months?

increased	unchanged	decreased	don't know

How many years is your business old?

1-2	3-5	6-10	11 and over

How do you assess the overall economic situation of Lao PDR?

good	average	bad	don't know

How do you expect your business situation to develop in the next six months compared to now?

improve	no change	deteriorate	don't know

How do you expect your turnover will develop in the next six months?

increase	unchanged	worse	don't know

How do you expect your profits will develop over the next six months?

increase	no change	decrease	don't know

How do you expect your financial situation will develop over the next six months?

improve	no change	worsen	don't know

Do you plan to invest in your company in the next six months?

yes	no

How do you expect the number of employees in your company will develop over the next six months?

increase	no change	decrease

How well are you prepared for the AEC?

very well	somewhat	not at all	don't know

How do you expect your exports will develop over the next six months?

increase	no change	decrease	don't know

Thank you for your cooperation!

This publication has been supported by:



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