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Life Cycle and Vitality of Vietnamese Enterprises: Formation, Temporary Suspension and Market Withdrawal

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Abstract

This paper examines how Vietnamese enterprises enter, pause and leave the market over the decade 2015–2024, a period that begins with the entry into force of the 2014 Law on Enterprises and ends with the post-pandemic adjustment. Using official secondary data from the General Statistics Office and the Business Registration Management Agency, we assemble an annual series of five registration flows: Newly established firms, firms returning to operation, registered temporary suspensions, firms that have ceased operation and are awaiting dissolution, and completed dissolutions. The analysis is descriptive and follows the logic of business demography statistics rather than an econometric model. Over the decade, 1.32 million enterprises were newly registered and 0.43 million returned from dormancy, while 1.16 million withdrawal events were recorded. The withdrawal-to-entry ratio fell from 0.70 in

2015 to 0.47 in 2017, then rose almost continuously to 0.85 in 2024. Three features stand out. First, the dominant form of exit has shifted from formal closure to temporary suspension, whose share in all withdrawal events rose from 19% to 51%. Second, the pool of dormant firms is no longer clearing: Since 2021, returns to operation have been smaller than the previous year's suspensions in every year except 2022. Third, new firms have become lighter, with registered employment per new firm falling from 15.5 to 6.4 workers. Formal dissolution remains slow, as roughly three firms join the dissolution queue for every one that completes the procedure. We argue that the headline record in firm creation hides a weakening in firm vitality, and that the policy agenda should move from counting registrations towards supporting survival, orderly exit and re-entry.

Keywords: Business Demography, Firm Entry and Exit, Temporary Suspension, Dissolution, Firm Vitality, Vietnam

JEL Classification: L26; L25; D22; O53; K22

1. Introduction

Vietnam has become one of the more frequently cited examples of rapid enterprise formation among lower-middle-income economies. Between 2015 and 2024 the number of firms registered each year rose from about 95 thousand to more than 157 thousand, and almost every year was announced as a new record. Official targets reinforced this focus on numbers. Government Resolution 35/NQ-CP of 2016 aimed at one million active enterprises by 2020, and Resolution 10-NQ/TW of 2017 extended the ambition to 1.5 million by 2025 and two million by 2030. Registration counts therefore became a convenient, monthly indicator of how friendly the business environment was.

The stakes are considerable. At the end of 2017, enterprises operating with business results employed about 14.5 million workers, and the enterprise sector has been the main destination for workers leaving agriculture and household businesses. Yet the average enterprise has become smaller over time: The 2017 Economic Census found that a typical firm employed 27 workers, five fewer than in 2012. Whether the growing number of firms translates into more and better jobs therefore depends on what happens to firms after registration, a question that registration counts cannot answer.

Counting births, however, says little about how long firms live, how often they stop, or whether they come back. A high birth rate can coexist with a high rate of failure, and in that case the stock of productive firms grows slowly despite strong headline figures. The international literature on industry dynamics has long shown that entry and exit are closely linked, that most entrants are small and fragile, and that the economic value of entry depends on whether young firms survive and grow (Geroski, 1995; Caves, 1998; Bartelsman *et al.*, 2009)^[15, 7, 3]. In Vietnam, monthly statistical releases report both sides of this

process, yet public discussion usually focuses on one side at a time. The figure for "firms leaving the market" is often quoted as a single number, although it combines three very different situations: A firm that has paused for a fixed period, a firm that has stopped and is waiting to close, and a firm whose closure has been completed.

This paper brings these flows together in a single framework for the period 2015–2024. Our aim is to describe the life cycle of Vietnamese enterprises at the aggregate level and to judge the "vitality" of the enterprise sector, meaning its ability not only to create firms but to keep them active, to restart those that pause and to close those that fail in an orderly way. We deliberately avoid estimating a causal model. The available series are short, annual and administrative, and an econometric specification would add an appearance of precision that the data cannot support. Instead, we follow the indicator-based approach of business demography statistics (Eurostat-OECD, 2007) ^[12] and build a small set of ratios that can be read directly from official numbers.

The paper asks three questions. How did the volume and character of firm entry change over the decade? How did the composition of withdrawal change, in particular the balance between temporary suspension and final closure? And what do the links between suspension, return and dissolution reveal about the health of the enterprise sector after the COVID-19 shock?

The contribution is threefold. Empirically, we assemble a consistent ten-year series of the five registration flows that Vietnamese statistics report, and we document the definitional breaks that users of these data should know about. Conceptually, we treat temporary suspension as a distinct stage of the firm life cycle rather than as a footnote to exit, which matters in an economy where suspension has become the most common way of leaving the market. For policy, we show that the period of record registrations was also a period of rising dormancy and slow formal exit, and we draw implications for the private-sector agenda launched in 2025.

The rest of the paper is organised as follows. Section 2 reviews the literature on firm demography and on Vietnamese enterprises. Section 3 describes the institutional setting. Section 4 presents the data and the indicators. Section 5 reports the results. Section 6 discusses their meaning, and Section 7 concludes with policy implications and limitations.

2. Literature review

2.1 Entry, exit and the life cycle of firms

Modern thinking about firm demography starts from the idea that firms learn about their own efficiency only after entering the market. In Jovanovic's (1982) ^[20] model, entrants are uncertain about their cost level; those that discover they are efficient grow and stay, while the others shrink and exit. This "passive learning" view predicts that exit rates are highest among young and small firms and fall with age, a pattern that has been confirmed in many countries. Hopenhayn (1992) ^[19] placed entry and exit in an industry equilibrium, showing that a steady stream of entrants and a matching stream of exits can coexist even in a stable industry, because selection continuously replaces weaker firms with stronger ones.

Empirical surveys summarise several regularities that are useful for reading aggregate data. Entry and exit rates are

positively correlated across industries and over time; entrants are typically much smaller than incumbents; and a large proportion of new firms disappear within a few years (Geroski, 1995; Caves, 1998) ^[15, 7]. Audretsch and Mahmood (1995) ^[2] found that the hazard of failure for new establishments depends strongly on start-up size and on the technological environment. Cross-country work at the OECD and World Bank shows that these regularities hold in emerging economies too, although the speed of selection and the size of surviving firms vary with institutions (Bartelsman *et al.*, 2009) ^[3]. Work on the United States has added that it is the young, not simply the small, that create most net jobs, and that a decline in the start-up rate weakens long-run dynamism (Haltiwanger *et al.*, 2013; Decker *et al.*, 2014) ^[17, 8]. OECD evidence points to a similar decline in business dynamism across many advanced economies since the early 2000s (Calvino *et al.*, 2020) ^[6].

Two lessons follow for the present study. Entry should be judged together with survival, because a large share of entrants is expected to leave. And the size of entrants matters: An economy that generates many very small firms may show high entry and high exit at the same time, with limited net gain in productive capacity.

2.2 Institutions that shape entry and exit

Regulation influences both ends of the life cycle. Djankov *et al.* (2002) ^[11] showed that the cost and number of procedures needed to start a business vary greatly across countries and are associated with larger informal sectors rather than better outcomes. Klapper *et al.* (2006) ^[21] found that entry regulation reduces the creation of new firms, especially in industries that would naturally have high entry. Reforms that simplify registration usually raise registered entry, partly because they bring informal businesses into the formal sector (Klapper and Love, 2016) ^[22].

Exit is shaped by insolvency law and by the ease of closing a company. When liquidation is slow or costly, failing firms tend to linger. Djankov *et al.* (2008) ^[10] documented large differences in the efficiency of debt enforcement around the world. Adalet McGowan *et al.* (2018) ^[1] linked weak insolvency regimes to the survival of "zombie" firms that are unable to cover their interest costs, and showed that these firms absorb resources that could support healthier competitors. Caballero *et al.* (2008) ^[5] made a similar argument for Japan, where continued lending to insolvent firms depressed entry and productivity. A slow exit channel therefore does not only delay closure; it can reduce the vitality of the whole enterprise population.

2.3 Temporary suspension and hibernation

Most of the literature treats exit as a single, permanent event. Yet many legal systems, including Vietnam's, allow a firm to register a temporary stop in business activity while keeping its legal identity. The COVID-19 pandemic made this "hibernation" option highly visible. Didier *et al.* (2021) ^[9] described firms in hibernation as businesses that cut activity to a minimum in order to preserve their organisational capital and relationships until conditions improve. Gourinchas *et al.* (2020) ^[16] estimated that, without support, the pandemic would have pushed the failure rate of small and medium-sized enterprises well above normal levels across many countries. These studies suggest that temporary suspension can be a rational way to survive a shock, but also that prolonged hibernation may simply

postpone exit. Which of these two interpretations applies is an empirical question that depends on how many suspended firms eventually return.

2.4 Evidence on Vietnamese enterprises

Research on Vietnamese firms has paid more attention to performance and growth than to demography. Using surveys of small and medium manufacturing firms, Hansen *et al.* (2009) ^[18] found that firm growth and survival were associated with size, age and some forms of government support. Rand and Torm (2012) ^[29] showed that formalisation brought benefits in terms of investment and access to credit, which helps explain why registration reforms attract household businesses into the enterprise sector. Studies of credit and institutions highlighted the role of connections and local governance in firm outcomes (Malesky and Taussig, 2009; Rand and Tarp, 2012) ^[23, 28]. McCaig and Pavcnik (2018) ^[24] documented how export opportunities moved workers from household businesses into the enterprise sector, a reminder that enterprise formation in Vietnam is part of a broader structural shift.

Studies that analyse the national flows of entry, suspension and dissolution are much rarer. Official publications such as the annual Vietnam Enterprise White Book (General Statistics Office, 2019–2023) ^[14] describe the number of active enterprises and their financial results, and monthly reports present flows, but these sources rarely connect the flows with one another or follow them consistently over a decade. This paper fills part of that gap by building a ten-year account of entry and withdrawal and by reading it through the concepts of the international literature.

2.5 Analytical framework

Drawing these strands together, we describe the life of a registered enterprise as a sequence of five possible states rather than a simple line from birth to death. A firm is born when it is registered. It then operates, and during operation it may pause through a registered suspension. From suspension it can return to operation, which we call re-entry, or it can move towards closure. Closure itself has two steps in the Vietnamese system: The firm first stops and enters a waiting status, and only later completes dissolution and disappears from the registry. Some firms skip the formal steps altogether and simply stop trading without notifying anyone.

This framework has two advantages for an aggregate study. It makes clear that the official flows measure transitions between states, not the number of firms in each state, so they must be interpreted as movements of a population. It also allows us to ask where in the cycle the pressure lies. If the bottleneck is at birth, the problem is one of entry barriers. If many firms move into suspension and few come back, the problem lies in the operating environment of existing firms. If firms pile up in the waiting status, the exit channel is the constraint. A healthy, or "vital", enterprise sector in this sense is one where births are steady, pauses are short and mostly followed by return, and failed firms leave quickly. The indicators in Section 4 are designed to show which of these conditions holds in each period.

The framework also clarifies what we cannot observe. Because we do not have firm-level records, we cannot say how long an individual firm stays in suspension or how many times it moves between states. Our indicators therefore describe the balance between flows at the level of

the whole economy. This is the same level at which policy targets are set, which makes the approach useful for policy assessment even though it is less precise than cohort analysis.

3. Institutional setting

3.1 The legal framework for entering the market

The study period opens with the Law on Enterprises No. 68/2014/QH13, which took effect on 1 July 2015. The law separated the business registration certificate from the investment certificate, removed the requirement to state business lines on the certificate, and allowed firms to decide their own seal. Decree 78/2015/ND-CP standardised registration procedures and supported the move to online registration through the National Business Registration Portal. The Law on Enterprises No. 59/2020/QH14, effective from 1 January 2021, continued this direction, and Decree 01/2021/ND-CP replaced the earlier decree on registration. Together these reforms lowered the time and cost of starting a firm and made the registration system the main source of real-time information on business demography.

3.2 Three ways of leaving the market

Vietnamese statistics distinguish three forms of withdrawal, and their legal meaning differs.

Registered temporary suspension is a voluntary, reversible pause. The firm notifies the registration office in advance and stops business activity for a defined period, during which some reporting and tax obligations are reduced. Each period may last up to one year. Under the 2015 decree the total consecutive suspension was capped at two years, while the 2021 decree no longer set such a ceiling, so a firm can in practice renew its suspension repeatedly. When the period ends the firm returns to active status unless it chooses to close.

The second category covers firms that have stopped operating and are waiting to complete dissolution. It includes firms that have announced their dissolution but not yet settled their tax and other obligations, and firms whose registration certificates have been revoked by the authorities. Before 2018 this category was reported together with firms that stopped without notifying the registry, under the label "suspended without registration or awaiting dissolution". From 2018, local registration offices carried out a data standardisation programme that moved many long-inactive firms into the waiting status; in 2019 alone, about 17.7 thousand firms in this category were those whose certificates were revoked under that programme.

Completed dissolution is the final legal exit. The firm has paid its debts, settled its taxes, closed its tax code and been removed from the registry. Dissolution is distinct from bankruptcy, which is governed by the Law on Bankruptcy No. 51/2014/QH13 and remains rare in practice. Because dissolution requires the clearance of tax obligations, it can take many months and is often seen by small firm owners as a burden.

3.3 Policy targets and shocks

Policy during the decade pursued an ambitious target for the number of firms. Resolution 35/NQ-CP (2016) set the goal of one million active enterprises by 2020, a target that was not met. Resolution 10-NQ/TW (2017) defined the private economy as an important driver of growth and set longer-

term targets. The COVID-19 pandemic then imposed two large shocks: A first wave in 2020, which disrupted demand and supply chains, and a far more severe fourth wave in mid-2021, with prolonged lockdowns in Ho Chi Minh City and the southern provinces. Resolution 128/NQ-CP of October 2021 marked the shift to "safe and flexible adaptation", after which registrations recovered. The years 2023 and 2024 were shaped by weak external demand, tighter credit conditions and a downturn in the real estate market. In May 2025, after our study period, Resolution 68-NQ/TW set a new goal of two million enterprises by 2030.

4. Data and Method

4.1 Data sources

The analysis relies entirely on secondary, publicly available data. Annual flows come from the year-end socio-economic reports of the General Statistics Office (GSO, later the National Statistics Office under the Ministry of Finance) and from the annual business registration reports of the Business Registration Management Agency (BRMA) of the former Ministry of Planning and Investment. Both draw on the National Business Registration Database. Where the two sources report slightly different totals for the same year, we use the figure published closest to the end of the year and keep the choice consistent. Information on the stock of active enterprises is taken from the Vietnam Enterprise White Book and from the 2017 Economic Census. Breakdowns by firm size, age and sector are cited from the same official releases where they were published.

The five annual flows are defined in Table 1. All counts refer to enterprises registered under the Law on Enterprises and exclude household businesses, cooperatives and the representative offices of foreign firms.

Table 1: Registration flows used in the study

Flow	Official definition (summary)	Remarks on the series
Newly established	Enterprises granted a first registration certificate in the year	Available for all years; capital and workers declared at registration
Returning to operation	Enterprises resuming activity after a registered or unregistered stop	Reported annually by GSO and BRMA
Registered temporary suspension	Enterprises notifying a temporary stop for a defined period (up to one year per period)	Reversible; strong January peak
Ceased, awaiting dissolution	Enterprises that have stopped and are completing dissolution, incl. revoked certificates	Before 2018 combined with stops not notified to the registry; affected by the 2018–2019 data clean-up
Completed dissolution	Enterprises that have finished dissolution and left the registry	Final legal exit; bankruptcy reported separately and rare

Source: Authors' summary based on GSO and BRMA reporting conventions and the Laws on Enterprises 2014 and 2020

4.2 Indicators

Because the aim is description rather than causal inference, we use simple ratios that have a clear meaning. Total entry is the sum of newly established and returning firms, and total withdrawal is the sum of the three withdrawal flows. The withdrawal-to-entry ratio shows how many firms leave, in any form, for each firm that enters; a value close to one means the enterprise sector is barely growing in net terms.

The withdrawal-to-birth ratio compares withdrawal only with new registrations. The suspension share is the proportion of withdrawal events that take the reversible form of registered suspension. The dissolution backlog ratio divides firms entering the waiting status by completed dissolutions and indicates how fast the formal exit channel clears. The re-entry ratio divides the number of returning firms in a year by the number of registered suspensions in the previous year; since most suspensions last a year or less, a value below one indicates that the dormant pool is growing. Finally, the average registered capital and the average registered employment of new firms describe the scale at which firms enter.

Two cautions apply to all indicators. Registration flows count events, not firms: The same firm may suspend, return and suspend again within the decade, so the flows cannot be summed into a measure of firm survival. And the indicators are built from administrative records that respond to legal changes as well as to economic conditions. We therefore read them alongside the institutional events described in Section 3 and divide the decade into three phases: An expansion phase (2015–2019), a pandemic phase (2020–2021) and a post-pandemic phase (2022–2024).

4.3 Data adjustments

Three adjustments were necessary. For 2015, the GSO reported a combined figure of 71,391 firms that had to suspend operations; the GSO leadership indicated that about 55.7 thousand of these were firms stopping without registration or waiting to dissolve, and we use this split. For 2017, registered suspensions (21,684) are taken from the official release and the remaining category is obtained as the difference from the published combined total of 60,553. Figures for 2022–2024 are published in thousands with one decimal place, and we use them in that form. These adjustments do not change any of the trends discussed below.

4.4 Consistency checks

To check the compiled series, we compared our derived totals with the aggregate figures that the statistical agencies themselves published. For 2016, the sum of the three withdrawal flows (73,145) is identical to the total reported by the BRMA. For 2020, our total of 101.8 thousand matches the 101.7 thousand reported by the GSO, and for 2021 the total of 119.8 thousand matches the reported 119,828. The totals for 2022 (143.2 thousand), 2023 (172.6 thousand) and 2024 (197.9 thousand, against 197,861 in the BRMA report) also agree with the published aggregates within rounding. Total entry, the sum of new and returning firms, matches the published figures of 136,789 for 2016, 153,307 for 2017, 165.3 thousand for 2018, 177.5 thousand for 2019, 179 thousand for 2020, 208.3 thousand for 2022, 217,706 for 2023 and 233.4 thousand for 2024. These checks give us confidence that the series is internally consistent, although they cannot remove the definitional breaks discussed above.

A second check concerns the meaning of registered capital. Because capital is declared rather than paid in, the figure can be inflated by a small number of very large registrations. We therefore place more weight on registered employment, which is less sensitive to a few large projects, when interpreting changes in the scale of entrants.

5. Results

5.1 Formation: A decade of record entry

Table 2 reports the annual flows. Over the ten years, 1,317.9 thousand enterprises were newly registered. Registrations rose from 94.8 thousand in 2015 to 138.1 thousand in 2019, an average annual increase of almost 10%. The 2014 Law on Enterprises is the most obvious factor behind this jump: 2015 registrations were 26.6% higher than in 2014, and 2016 was the first year in which more than 100 thousand

firms were created. The pandemic interrupted the trend. Registrations fell slightly in 2020 and dropped by 13.4% in 2021 to 116.8 thousand, the lowest level since 2016. Recovery was quick, with 148.5 thousand registrations in 2022 and a record 159.3 thousand in 2023. The 2024 figure of 157.2 thousand was slightly lower but still the second highest in the decade. Over the full period, new registrations grew at a compound rate of 5.8% per year.

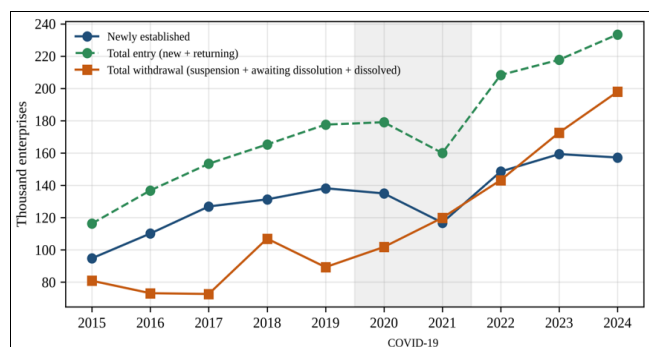
Table 2: Annual registration flows of Vietnamese enterprises, 2015-2024

Year	New	Return	Total entry	Suspension	Await. dissol.	Dissol-ved	Total with-drawal	Capital (VND trn)	Workers (thou.)
2015	94.8	21.5	116.3	15.6	55.7	9.5	80.9	602	1,472
2016	110.1	26.7	136.8	19.9	40.8	12.5	73.1	891	1,268
2017	126.9	26.4	153.3	21.7	38.9	12.1	72.7	1,296	1,162
2018	131.3	34.0	165.3	27.1	63.5	16.3	107.0	1,478	1,107
2019	138.1	39.4	177.6	28.7	43.7	16.8	89.3	1,730	1,254
2020	134.9	44.1	179.0	46.6	37.7	17.5	101.8	2,236	1,043
2021	116.8	43.1	159.9	55.0	48.1	16.7	119.8	1,611	854
2022	148.5	59.8	208.3	73.8	50.8	18.6	143.2	1,591	981
2023	159.3	58.4	217.7	89.1	65.5	18.0	172.6	1,520	1,052
2024	157.2	76.2	233.4	100.1	76.2	21.6	197.9	1,547	1,002
Total	1,317.9	429.7	1,747.6	477.7	520.9	159.6	1,158.2	14,501	—

Note: Counts in thousand enterprises; capital and workers are those declared by newly established firms. 2015 split and 2017 awaiting category derived as explained in Section 4.3; 2022–2024 published in rounded form.

Source: GSO year-end socio-economic reports and BRMA annual registration reports

Firms returning from suspension form a second, faster-growing source of entry. Their number rose from 21.5 thousand in 2015 to 76.2 thousand in 2024, a compound annual growth rate of 15.1%. As a result, returning firms accounted for 18.5% of total entry in 2015 but 32.6% in 2024. In other words, almost one in three firms counted as "entering the market" in 2024 was not new but an existing firm resuming activity. Total entry reached 233.4 thousand in 2024, double the 2015 level (Fig 1).



Source: Authors' compilation from GSO and BRMA annual reports

Fig 1: Entry and withdrawal flows of Vietnamese enterprises, 2015-2024 (thousand enterprises)

The character of entrants changed as well. Average registered capital per new firm rose from VND 6.3 billion in 2015 to a peak of VND 16.6 billion in 2020, then fell back to VND 9.8 billion in 2024 (Fig 4). The 2020 peak reflects a composition effect: During the first pandemic year, fewer small service firms were registered while several large projects in energy and real estate were. Registered capital is a declaration at entry and is not paid-in capital, so these values should be read as indicating the intended scale of new firms rather than actual investment. Registered employment shows a clearer pattern. The total number of

workers declared by new firms fell from 1.47 million in 2015 to about one million in 2024, even though the number of new firms rose by two-thirds. Average registered employment per new firm therefore dropped from 15.5 to 6.4 workers. New Vietnamese firms have become more numerous but considerably smaller in terms of jobs.

The sectoral composition of entry is dominated by services. In 2017, wholesale and retail trade together with the repair of motor vehicles accounted for 35.8% of new registrations, and in 2023 about three-quarters of new firms operated in services. Real estate was the most volatile sector: Registrations in this industry grew by over 40% in 2018 but fell by 45% in 2023, when only 4,725 real estate firms were created.

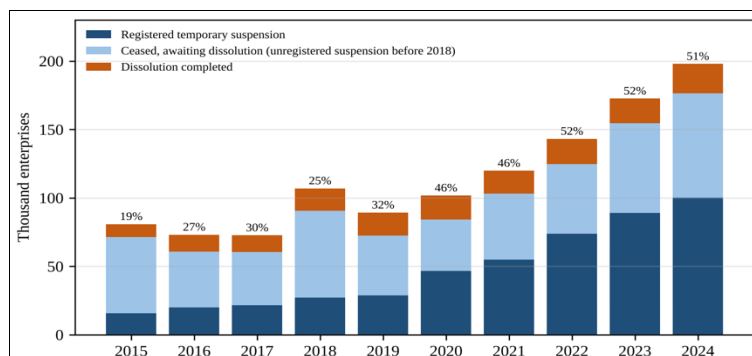
5.2 Withdrawal: Rising volume and changing form

Withdrawal events grew faster than entry. Total withdrawal rose from 80.9 thousand in 2015 to 197.9 thousand in 2024, a compound annual growth rate of 10.5%, almost twice the growth rate of new registrations. Over the decade, 1,158.2 thousand withdrawal events were recorded, consisting of 477.7 thousand registered suspensions, 520.9 thousand firms entering the waiting status and 159.6 thousand completed dissolutions.

The path was not smooth. Withdrawal declined in 2016 and 2017, partly because registration offices had not yet begun the clean-up of inactive firms, and then jumped to 107.0 thousand in 2018. This jump was largely administrative. The data standardisation programme moved many firms that had been inactive for years into the "awaiting dissolution" status, so that this category rose by 63.4% in a single year. After this one-off adjustment, withdrawal increased steadily: 101.8 thousand in 2020, 119.8 thousand in 2021, 143.2 thousand in 2022, 172.6 thousand in 2023 and 197.9 thousand in 2024. The increase after 2021 cannot be attributed to data cleaning, because it is driven mainly by voluntary suspensions.

The composition of withdrawal shifted decisively (Fig 2 and Table 3). In 2015, registered suspensions made up only 19.4% of withdrawal events, while firms stopping without registration or awaiting dissolution accounted for 68.9%. The share of registered suspension climbed to 32.2% in 2019, jumped to 45.8% in 2020, and has remained above 50% since 2022. In 2024 the BRMA reported that 50.6% of the 197,861 firms leaving the market chose short-term suspension. The number of registered suspensions rose from 15.6 thousand to 100.1 thousand, a compound growth rate of about 23% per year, the fastest of any flow in our data.

Completed dissolutions grew more slowly, from 9.5 thousand in 2015 to 21.6 thousand in 2024. Their share in total withdrawal stayed between 10% and 19% throughout, and has been at its lowest levels, around 10–11%, in 2023 and 2024. Compared with new registrations, completed dissolutions have been remarkably stable at 10–14 per 100 new firms. Final exit is therefore a relatively small and steady flow, while the bulk of the adjustment in the enterprise sector happens through the reversible or unfinished forms of withdrawal.



Source: Authors' compilation from GSO and BRMA annual reports

Note: before 2018 the middle category includes firms that stopped without notifying the registry

Fig 2: Composition of withdrawal events, 2015–2024 (thousand enterprises; labels show the share of registered temporary suspension)

Table 3: Demographic indicators of the enterprise sector, 2015–2024

Year	W / E	W / N	Susp. share (%)	Dissol. share (%)	Backlog ratio	Re-entry ratio	Return share (%)	Capital per firm (VND bn)	Workers per firm
2015	0.70	0.85	19.4	11.7	5.89	—	18.5	6.3	15.5
2016	0.53	0.66	27.2	17.1	3.27	1.71	19.5	8.1	11.5
2017	0.47	0.57	29.8	16.7	3.21	1.33	17.3	10.2	9.2
2018	0.65	0.81	25.4	15.3	3.89	1.57	20.6	11.3	8.4
2019	0.50	0.65	32.2	18.9	2.60	1.45	22.2	12.5	9.1
2020	0.57	0.75	45.8	17.2	2.16	1.53	24.6	16.6	7.7
2021	0.75	1.03	45.9	14.0	2.87	0.93	26.9	13.8	7.3
2022	0.69	0.96	51.5	13.0	2.73	1.09	28.7	10.7	6.6
2023	0.79	1.08	51.6	10.4	3.64	0.79	26.8	9.5	6.6
2024	0.85	1.26	50.6	10.9	3.53	0.85	32.6	9.8	6.4

Note: W / E = total withdrawal / total entry; W / N = total withdrawal / new enterprises. Backlog ratio = firms entering the awaiting-dissolution status / completed dissolutions. Re-entry ratio = returning firms / registered suspensions of the previous year.

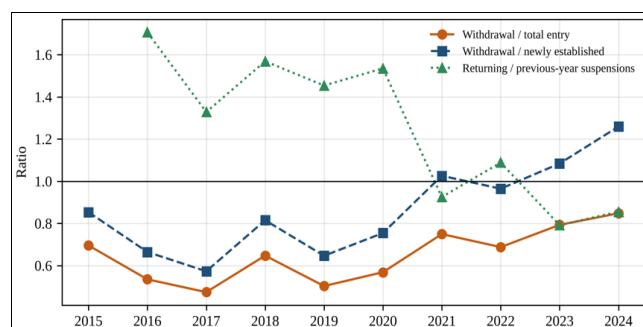
Source: Authors' calculations

The profile of withdrawing firms is consistent across years. Firms with registered capital below VND 10 billion accounted for 93.1% of dissolutions in 2016, 91.2% in 2018 and about 90% of suspensions and pending dissolutions in 2021. Young firms are strongly represented: In January 2024, 44.6% of the firms that registered a suspension had been in operation for less than five years. By sector, wholesale and retail trade is the largest source of withdrawal in absolute terms, accounting for 35.7% of firms awaiting dissolution in 2021, followed by construction (12.9%) and manufacturing (12.0%). These patterns match the international finding that exit is concentrated among small and young firms (Geroski, 1995; Haltiwanger *et al.*, 2013) [15, 17].

5.3 The balance between entry and withdrawal

The withdrawal-to-entry ratio summarises the balance between the two sides (Fig 3). It fell from 0.70 in 2015 to 0.47 in 2017, the most favourable year of the decade, when roughly one firm left for every two that entered. Leaving

aside the administrative spike of 2018, the ratio stayed close to 0.5 until 2019. It rose to 0.57 in 2020 and 0.75 in 2021. After a brief improvement in 2022 (0.69), it climbed to 0.79 in 2023 and 0.85 in 2024, its highest value in the period. Averaged over each phase, the ratio was 0.56 in 2015–2019, 0.65 in 2020–2021 and 0.78 in 2022–2024 (Table 4).



Source: Authors' calculations from GSO and BRMA data

Fig 3: Balance indicators of enterprise dynamics, 2015–2024

Comparing withdrawal only with new registrations gives an even starker picture. In 2021, 2023 and 2024, the number of withdrawal events was larger than the number of newly established firms, with ratios of 1.03, 1.08 and 1.26 respectively. In 2021 this was widely reported as the first year since 2016 in which more firms left the market than were created. That it happened again in 2023 and 2024, years of record or near-record registrations, attracted much less attention.

The net balance of entry over withdrawal stayed positive in every year, but its size varied considerably. It peaked at 88.3 thousand in 2019 and fell to 35.5 thousand in 2024, almost exactly its 2015 level, even though gross entry had doubled in between. The enterprise sector therefore expanded through a process of increasing turnover: More firms entered, more firms left, and the net gain did not grow.

Table 4: Enterprise dynamics by phase (annual averages unless stated)

Indicator	2015–2019 Expansion	2020– 2021 Pandemic	2022–2024 Post- pandemic	2015– 2024 Decade
New enterprises (thousand)	120.2	125.9	155.0	131.8
Returning enterprises (thousand)	29.6	43.6	64.8	43.0
Total entry (thousand)	149.8	169.5	219.8	174.8
Registered suspensions (thousand)	22.6	50.8	87.7	47.8
Awaiting dissolution (thousand)	48.5	42.9	64.2	52.1
Completed dissolutions (thousand)	13.4	17.1	19.4	16.0
Total withdrawal (thousand)	84.6	110.8	171.2	115.8
Net balance, entry minus withdrawal (thousand)	65.3	58.7	48.6	58.9
Withdrawal / entry (pooled)	0.56	0.65	0.78	0.66
Suspension share of withdrawal (% pooled)	26.7	45.8	51.2	41.2
Backlog ratio (pooled)	3.61	2.51	3.31	3.26
Returning share of entry (% pooled)	19.8	25.7	29.5	24.6
Capital per new firm (VND bn, pooled)	10.0	15.3	10.0	11.0
Workers per new firm (pooled)	10.4	7.5	6.5	8.5

Note: "Pooled" ratios divide period sums rather than averaging annual ratios.

Source: Authors' calculations from Table 2

5.4 Dormancy, re-entry and the dissolution queue

Two further indicators help to interpret these flows. The first is the re-entry ratio, which compares returning firms with the previous year's registered suspensions. From 2016 to 2020 this ratio was well above one, between 1.33 and 1.71. At that time, the number of firms returning to operation each year was larger than the number that had registered a suspension a year earlier, suggesting that the dormant pool was being reabsorbed (the excess reflects returns from firms that had stopped without registration). The pattern reversed after the pandemic. The ratio fell to 0.93 in 2021, recovered briefly to 1.09 in 2022 as lockdowns ended, and then dropped to 0.79 in 2023 and 0.86 in 2024. Although the

absolute number of returning firms hit a record in 2024, it was not enough to offset the much larger wave of suspensions registered the year before. The stock of dormant firms is therefore accumulating.

The second indicator is the dissolution backlog ratio. Across the decade, 520.9 thousand firms entered the "awaiting dissolution" status, compared with 159.6 thousand completed dissolutions, a ratio of about 3.3 to 1. The annual ratio ranged from 2.2 in 2020 to 5.9 in 2015 and stood at 3.5 in 2024. Even allowing for the fact that some firms in this category are later reactivated or remain listed for statistical reasons, these numbers show that the legal channel for exit is narrow. Firms that have stopped trading remain on the books for long periods, waiting to settle tax obligations or simply abandoned by their owners. The GSO also began, from 2019, to report firms that were "not operating at the registered address", which numbered more than 41 thousand in the first eleven months of 2019 and about 36.5 thousand in the first nine months of 2020. These firms are not included in our withdrawal totals, which means the totals understate the number of firms that have effectively left.

5.5 Timing, location and sector of withdrawal

Annual totals hide a strong seasonal rhythm that helps explain the nature of registered suspension. Many firms register a suspension in January, just before the Lunar New Year, and resume activity after the holiday or at the start of the new business cycle. In January 2022, close to 29.3 thousand firms registered a suspension in a single month. In January 2024 the figure was 43.9 thousand, and suspensions made up 81.5% of all withdrawal events that month. The pattern is equally clear in the following month: In February 2023, registered suspensions fell by 89.1% compared with January. A large part of the annual suspension total is therefore concentrated at the turn of the year, which supports the view that many suspensions are planned and short. At the same time, the January peak has grown from year to year, so the seasonal pattern cannot explain the overall rise in suspensions on its own.

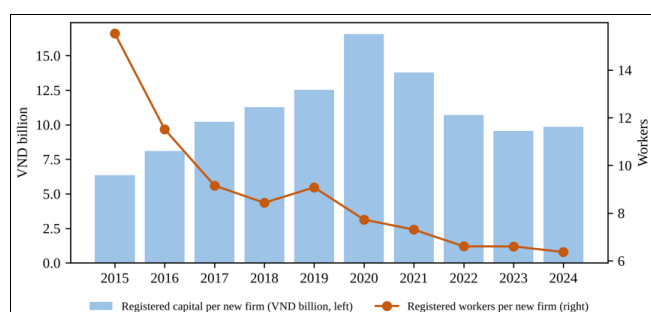
The geography of withdrawal follows the geography of the enterprise sector. The 2017 Economic Census found that the Southeast region, which includes Ho Chi Minh City, hosted 41.7% of all enterprises in the country. During the 2021 lockdowns this region bore the brunt of the shock; Ho Chi Minh City alone accounted for 28.6% of the registered suspensions nationwide in the first eleven months of 2021. Earlier in the decade, regional patterns pointed in the opposite direction: In 2016, every region recorded fewer firms stopping without registration or awaiting dissolution than in 2015, with the Mekong River Delta showing a fall of 50.8%. These figures suggest that regional shocks and regional clean-up efforts both leave visible marks on the national series.

Sectoral patterns reveal a high level of churning in services. Wholesale and retail trade is both the largest source of new firms and the largest source of suspensions and closures. During the pandemic, the sectors most exposed to restrictions on movement, including accommodation and food services, travel and entertainment, saw the sharpest falls in registrations and the highest rates of suspension. Real estate shows a cycle of its own: Strong entry in 2017–2018, followed in 2023 by a 45% fall in new registrations and a 7.7% increase in dissolutions. Manufacturing and construction account for a smaller share of withdrawals than

of employment, which is consistent with their larger average firm size.

5.6 The stock of active enterprises

The flows can be compared with what we know about the stock. According to the Vietnam Enterprise White Book, the number of enterprises in active status in the registration database was 714,755 at the end of 2018, 758,610 at the end of 2019, 811,538 at the end of 2020 and about 857,500 at the end of 2021. However, the number of enterprises actually operating with business results, as measured by the statistical surveys, was much smaller: 560,417 at the end of 2017 and 684,260 at the end of 2020, or about 84% of those in active status. The gap between registered and operating firms is another sign that registration counts overstate the size of the effective enterprise population. Neither measure reached the one-million target set for 2020.



Source: Authors' calculations from GSO and BRMA data

Note: Registered capital is declared at registration and is not paid-in capital

Fig 4: Average size of newly registered enterprises, 2015-2024

6. Discussion

6.1 Three phases of the enterprise life cycle

Read together, the indicators describe three distinct phases. The expansion phase of 2015–2019 combined rapid growth in registrations with a moderate withdrawal-to-entry ratio. Withdrawal in this phase was dominated by firms that stopped without notice or were moved into the waiting status, which reflects both genuine failure and the cleaning of an old and inaccurate registry. The legal reforms of 2014–2015 worked as intended on the entry side: They made registration easier and faster, and many household businesses and new entrepreneurs used the opportunity.

The pandemic phase of 2020–2021 changed the form of withdrawal more than its size. Firms responded to the shock mainly by registering suspensions, consistent with the hibernation strategy described by Didier *et al.* (2021) [9]. Completed dissolutions increased only slightly. In this sense, the legal option of temporary suspension acted as a buffer. It allowed firms to preserve their legal identity and their relationships with customers and suppliers, and it helps explain why the strong rebound of 2022 was possible.

The post-pandemic phase of 2022–2024 is the most revealing. Registrations recovered to record levels, but suspensions kept rising, the re-entry ratio fell below one, and the withdrawal-to-entry ratio reached its highest values of the decade. In this phase, suspension no longer looks like a short pause in response to a temporary shock. It looks increasingly like a waiting room for firms that cannot operate profitably but have not yet decided, or are not able, to close. The weak demand of 2023, difficulties in the real estate sector and tighter credit conditions all contributed.

The fact that registration of new firms remained strong at the same time suggests a high degree of churning: Many entrepreneurs try, pause and try again, often with very small firms.

6.2 What vitality means in this context

The term "vitality" captures a property that registration counts alone cannot measure. A vital enterprise sector is one in which new firms grow, struggling firms either recover or exit cleanly, and resources move from weaker to stronger firms. On this definition the evidence for Vietnam is mixed. The capacity to create firms is clearly strong and has survived two major shocks. But three signs point to declining vitality.

The first is the shrinking scale of entrants. With an average of 6.4 registered workers per new firm in 2024, most entrants are micro-enterprises. The international literature shows that small start-ups face the highest risk of failure (Audretsch and Mahmood, 1995) [2], and the Vietnamese data on the size and age of withdrawing firms are consistent with this. A larger flow of smaller entrants raises gross entry but also raises future withdrawal.

The second is the accumulation of dormant firms. When returns fall short of previous suspensions year after year, an increasing number of firms remain in a suspended state. Some will return when conditions improve; others will never resume activity. This is not identical to the "zombie firm" problem described by Adalet McGowan *et al.* (2018) [1], because suspended firms generally do not compete for credit or customers. However, it carries related costs: The registry overstates the active population, administrative resources are used to track inactive entities, and capital and skills remain tied up in firms that do not produce.

The third sign is the narrowness of the formal exit channel. A ratio of more than three firms entering the dissolution queue for each completed dissolution indicates that closing a firm is slow and costly. The requirement to clear all tax obligations before closing is reasonable in principle, but for micro-firms with small or no remaining assets it creates an incentive to simply abandon the firm. The growing number of firms that cannot be found at their registered address is consistent with this behaviour. Where exit is difficult, entrepreneurs may also be more cautious about starting a new business, since an unsuccessful attempt can leave long-lasting obligations (Djankov *et al.*, 2008) [10].

6.3 Comparison with international patterns

High turnover is not unusual. In many OECD countries, annual entry and exit rates of around 8–12% of the stock of firms are common, and gross flows are large relative to net changes (Bartelsman *et al.*, 2009; Calvino *et al.*, 2020) [3, 6]. On a rough calculation using the stock of about 0.8–0.9 million firms in active status, Vietnam's annual entry of more than 200 thousand events and withdrawal of close to 200 thousand events imply gross rates well above 20%. Even allowing for differences in definitions, this is a very high level of churning. It reflects the youth of the formal enterprise sector, the continuing movement of household businesses into the formal sector (Rand and Torm, 2012; McCaig and Pavcnik, 2018) [29, 24] and the low cost of registration. The distinctive Vietnamese feature is the large and growing role of registered suspension, which in most statistical systems would not appear as an exit at all. This makes direct comparison difficult but also highlights an area

where Vietnamese data can contribute to the international debate on hibernation and recovery.

6.4 Incumbent expansion versus new entry

A further piece of evidence concerns the capital added by existing firms. Each year, a large number of enterprises register increases in their capital. In 2017, 35,276 firms added VND 1,869 trillion, more than the VND 1,296 trillion declared by all new firms that year. In 2019, about 40.1 thousand incumbent firms added VND 2,273 trillion, and in 2020, about 39.5 thousand firms added VND 3,342 trillion, compared with VND 2,236 trillion from new registrations. This means that most of the new capital entering the enterprise sector came from firms that were already established and expanding, not from start-ups.

This finding qualifies the narrative of entrepreneurial dynamism in an interesting way. On one side, there is a large and growing population of very small new firms, many of which pause or fail within a few years. On the other side, a smaller group of established firms accounts for most capital growth. The two groups appear to follow different life cycles. The challenge for policy is to increase the number of new firms that move from the first group into the second, which is what the literature on high-growth young firms identifies as the main source of job creation (Haltiwanger *et al.*, 2013; Decker *et al.*, 2014) ^[17, 8].

6.5 The formalisation channel

Part of the high turnover can be explained by the movement of household businesses into the enterprise sector. Vietnam has several million household businesses that operate under a simpler tax and registration regime. Becoming an enterprise brings benefits, including better access to credit and larger customers (Rand and Torm, 2012) ^[29], but it also brings higher compliance costs, especially in accounting and tax reporting. Some household businesses that register as enterprises discover that the costs exceed the benefits and then suspend or abandon the new firm. This "trial formalisation" is a plausible source of both the small size of new firms and the high suspension rate. It also suggests that measures aimed at entry, such as targets for the number of enterprises, may increase formal registration without improving the quality of formal firms. A smoother transition path, with simplified obligations in the first years, could reduce the number of firms that formalise and then fall back into dormancy.

6.6 Was suspension a buffer or a trap?

The answer differs by period. During 2020–2022, the evidence supports the buffer interpretation. Suspensions rose sharply, but completed dissolutions barely moved, and when restrictions were lifted the number of returning firms jumped by 38.8% in 2022, exceeding the previous year's suspensions. Many firms used the legal pause to wait out the lockdowns and then resumed operation. After 2022, the evidence leans towards the trap interpretation. Suspensions continued to rise even as economic activity normalised, and returns fell short of earlier suspensions. A suspension that is renewed repeatedly without a plan to return keeps the firm alive on paper while its owners, workers and assets have already moved elsewhere. Distinguishing these two situations requires firm-level data on the length of suspension, which is why we return to this point in our recommendations on statistics.

6.7 Reading official statistics with care

The analysis also has implications for how enterprise statistics are reported and used. Monthly headlines often add the three withdrawal categories into one number of "firms leaving the market". As our results show, these categories behave very differently: Suspension is reversible and has a clear seasonal pattern, with a large spike in January before the Lunar New Year; the waiting category is affected by administrative clean-ups; and dissolution is small and stable. Treating them as one flow can exaggerate exit in some years and hide it in others. Similarly, the record number of new firms does not by itself indicate a healthier enterprise sector if a third of total entry is made up of returning firms and if new firms are becoming smaller. A dashboard that reports the ratios used in this paper alongside the raw counts would give a more balanced picture.

7. Conclusions, Policy Implications and Limitations

7.1 Conclusions

This paper has traced the life cycle of Vietnamese enterprises over 2015–2024 using official registration flows and a set of simple demographic indicators. The decade was one of record enterprise creation, with 1.32 million new registrations. It was also a decade in which withdrawal grew faster than entry, temporary suspension became the main form of withdrawal, the pool of dormant firms began to grow after 2021, and the formal exit channel remained narrow. The net addition to the enterprise population in 2024 was about the same as in 2015, despite a doubling of gross entry. We conclude that the capacity of the Vietnamese economy to create firms is strong, but that the vitality of the enterprise sector, its ability to keep firms alive, to restart them and to close them in an orderly way, has weakened since the pandemic.

7.2 Policy implications

The first implication concerns targets: Resolution 68-NQ/TW of 2025 sets the goal of two million enterprises by 2030. If this goal is pursued mainly by increasing registrations, our findings suggest it will produce many very small firms and a parallel rise in suspensions. Targets that include survival and growth, for example the share of new firms still active after three years or the number of firms growing beyond micro size, would align better with the aim of a strong private sector.

The second implication concerns support for young firms: Since most withdrawals involve firms with less than VND 10 billion in capital and many involve firms younger than five years, support should be concentrated on the early years after entry. Measures such as simplified accounting and tax regimes for micro-firms, mentoring programmes, and access to small-scale credit and guarantee schemes are likely to reduce avoidable failure more than further reductions in registration costs.

The third implication concerns the suspension regime: Temporary suspension proved useful as a buffer during the pandemic and should be kept. However, the removal of the overall cap on consecutive suspensions makes it possible for firms to remain dormant indefinitely. A light review mechanism, for example requiring a simple confirmation of intent after a defined number of consecutive suspension periods, combined with information about simplified closure, would help separate firms that are genuinely hibernating from those that have effectively ceased.

The fourth implication concerns exit: A simplified dissolution procedure for micro-firms without significant debts or assets, with faster tax clearance and fully online processing, would reduce the backlog and the incentive to abandon firms. Insolvency procedures could also be made more accessible for small firms. Making exit easier is not the same as encouraging failure; it allows entrepreneurs and resources to move on, which international evidence links to higher productivity (Adalet McGowan *et al.*, 2018)^[1].

Finally, the statistical system could publish regular indicators on the duration of suspension, the share of suspended firms that return, and the survival of cohorts of new firms. Most of this information already exists in the National Business Registration Database and could be released in anonymised form.

7.3 Limitations and further research

The study has clear limitations. It uses aggregate annual flows and cannot follow individual firms, so it cannot measure survival rates or the duration of suspension directly. The series contain definitional breaks, particularly around 2018, and the figures for recent years are rounded. Registered capital and employment are declarations at the time of registration and may differ substantially from actual values. The analysis is descriptive and does not attempt to identify the causes of the trends observed. Future research could use firm-level registration data to build cohort survival curves, estimate the probability of return after suspension, and examine how these outcomes differ by sector, region and firm size. Linking registration data with enterprise survey data would also make it possible to study whether returning firms perform differently from new entrants. Early figures for 2025, which show around 114.4 thousand registered suspensions, 76.9 thousand firms awaiting dissolution and 35.9 thousand completed dissolutions, suggest that the patterns documented here have continued, and that the rise in completed dissolutions may signal the beginning of a clearing of the dormant pool. Following this development will be important for judging the vitality of Vietnamese enterprises in the second half of the decade.

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