



Economic Review **SOCIALIST REPUBLIC OF VIETNAM**

Country snapshot

Basic data

Population (July 2011 est.):	90,549,390 (country comparison to the world: 14) ¹
Human Development Index (HDI) rank	116/182 countries (United Nations, 2009)
Land area:	310,070 sq km
Capital:	Hanoi (population: 6,472 m)
Main towns:	Ho Chi Minh City (population: 7,165 m) (2009), Haiphong (population: 1,842 m)
GDP (purchasing power parity):	US\$ 276.6 billion ² (2010 est.)
GDP per capita PPP (2010):	US\$ 3,100 (2010 est.)
Currency:	Dong (D). Average exchange rate in 2010: D19,127:US\$1



Political structure³

Form of State:	One-party rule
The executive:	The cabinet is constitutionally responsible to the National Assembly, which is elected for five-year term
Head of state:	The president, Truong Tan Sang
National legislature:	The unicameral 493-member Quoc Hoi (National Assembly) meets biannually and typically serves a five-year term. The current chairman is Nguyen Sinh Hung. The assembly appoints the president and the cabinet
National government:	The Communist Party of Vietnam, and in particular its politburo, controls both the electoral process and the executive

Economy - overview and challenges

Vietnam is a densely-populated developing country that in the last 30 years has had to recover from the ravages of war, the loss of financial support from the old Soviet Bloc, and the rigidities of a centrally-planned economy. While Vietnam's economy remains dominated by state-owned enterprises (SOEs), which still produce about 40% of GDP, Vietnamese authorities have reaffirmed their commitment to economic liberalization and

¹ CIA – The World Factbook, Vietnam, <https://www.cia.gov/library/publications/the-world-factbook/geos/vn.html>.

² Vietnam Trade Profile, March 2011,

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=VN&Language=E>.

³ Economist Intelligence Unit, Country Report, Vietnam, October 2011, UK.



international integration. They have moved to implement the structural reforms needed to modernize the economy and to produce more competitive export-driven industries.

Vietnam joined the WTO in January 2007 following more than a decade-long negotiation process. Vietnam became an official negotiating partner in the developing Trans-Pacific Partnership trade agreement in 2010.

Agriculture's share of economic output has continued to shrink from about 25% in 2000 to about 20% in 2010, while industry's share increased from 36% to 41% in the same period. Main industries include food processing, garments, shoes, machine-building; mining, coal, steel; cement, chemical fertilizer, glass, tires, oil, paper.⁴

Major exports 2010	% of total	Major imports 2010	% of total
Textiles & garments	15.6	Machinery, equipment & parts	16.1
Footwear	7.1	Steel	7.4
Crude oil	6.9	Refined petroleum	6.9
Fisheries products	6.9	Materials for textile industry	6.4

Leading markets 2010	% of total	Leading suppliers 2010	% of total
US	20.2	China	30.4
Japan	10.4	South Korea	12.7
China	8.8	Japan	10.7
South Korea	4.2	Singapore	9.7

ICT

The IT industry has become an important economic sector, with annual growth rate higher than any other areas. The contribution to GDP growth increases year to year. The whole IT industry average revenue growth in the period 2001-2009 represented 20-15% per year. By the end of 2010, the revenue of the software industry and digital content industry reached 2 billion USD, the hardware industry revenue reached 5.6 billion USD, revenue of telecommunications services reached over 9.4 billion USD, bringing the total revenue of telecom and IT industry in 2010 to 17 billion USD, 19 times higher than that in 2000.⁵

Since 2007, three additional enterprises have been granted permission to provide telecommunication infrastructural services, raising the total permitted enterprises to eleven. Besides, there have been significant achievements in bringing new technologies such as telecommunications and the Internet to the public. Viet Nam is one of the countries witnessing the fastest growth of Internet and telephone use in the world.⁶

Vietnam is also beginning to receive investment from information technology firms and its software industry is growing rapidly, albeit from a small base. Furthermore, Vietnam's ICT firms are starting to invest abroad.⁷

⁴ CIA, see footnote 1.

⁵ NSCICT, Vietnam Information and Communication Technology, White Book 2011.

⁶ Millennium Development Goals 2010, National Report, Vietnam, 2/3 of the way achieving the Millennium Development Goals 2015 and Towards, Hanoi, August 2010.

⁷ Taking stock, An Update on Vietnam's Recent Economic Developments, PREPARED BY THE WORLD BANK For the Annual Consultative Group Meeting for Vietnam Ha Tinh, June 8-9, 2011.



Telecommunication infrastructure has reached international standards. Regarding human resources development in the period 2000-2010 the number of IT training institutions has been increased considerably.

The Decision No. 1755/QĐ-TTg was issued in 2010 on “Transforming Vietnam into an Advanced ICT country” reflects determination of the Government in developing ICT industry to keep pace with countries in the region and the world. The annual growth rate of the ICT industry income is to reach at least 2-3 times the growth rate of GDP. By 2020, the contribution of ICT industry to GDP should be from 8% to 10%.⁸

The Vietnamese IT market is estimated to grow at a CAGR of 16% over the 2011-2015 forecast period. IT spending bounced back in 2010, following a sluggish start to the year. Factors such as growing PC penetration, economic growth, a range of government ICT initiatives and a drive to develop Vietnam’s IT industry will help to underpin one of the fastest IT market growth rates in the region. An ambitious government IT plan for 2010-2020 should shape many segments of the Vietnamese IT market, while Vietnam’s improving information and communication technology (ICT) infrastructure will also drive growth. Vietnam’s gradual integration into global trade networks such as the Association of Southeast Asian Nations (ASEAN) and the WTO has helped to bring down prices and increase opportunities for importers.⁹

Agriculture

Agriculture, fishery and forestry sectors play critical role in Vietnam economy, contributing well over 20% of GDP and 28% of total export turn over. However, in the process of global market integration, Vietnam agriculture sector still has not yet fully utilized its existing strength and capacity.

The Ministry of Agriculture and Rural Development has approved a plan to increase the agricultural sector's competitiveness on the global market. Priority will be given to the development of main crops such as rice, vegetables, beans and high export-value plants, including coffee, rubber, pepper, cashew, tea, fruit and cocoa.

To maintain its rank as the world's third largest rice exporter, the country will expand its rice cultivation areas in the Red and Mekong deltas, and use new high-yield rice strains and advanced farming technology. In the midland, mountainous, and Central Highlands areas as well as rural areas, the ministry plans to further invest in irrigation works and step up agricultural extension programmes to ensure food security. The agricultural sector will encourage the wide application of advanced farming methods to increase productivity and quality of rice and reduce the production cost to raise the competitiveness of the product on the global market.

Agriculture officials also plan to develop rice hybrid cultivation to reach the target of 36.5 million tonnes of rice in 2010, 38 million tonnes in 2015 and 39.8 million tonnes in 2020. Coffee plantations will be expanded to 500,000 ha by 2010, chiefly in the Central Highlands, northwest mountainous provinces and north central areas. To achieve this end, the agricultural sector plans to invest VND33 trillion (US\$2 billion) in growing,

⁸ NSCICT, Vietnam Information and Communication Technology, White Book 2011.

⁹ Market Publisher, Market Report Database, Business Monitor International, Vietnam Information Technology Report Q2 2011



harvesting, processing and exporting coffee. In an effort to develop other crops, the ministry plans to expand tea, maize, potato, citrus fruit, litchi, longan, cinnamon and anise cultivation in the country's northeast areas.

Maize, soybeans, temperate fruit trees and special rice will be grown in the northwest. The country's two biggest deltas, the Song Hong (Red River) Delta and Mekong River Delta, will plant rice, vegetables and fruit trees.

Over the last nine months, agricultural export value hit \$6.8 billion, a 42.7 per cent year-on-year increase. The ministry attributed the increase to an increase of 20-40 per cent in the export price of key farm produce, including rubber, tea and cashew. The export value of rice, coffee and rubber each exceeded the level of \$1 billion in the last nine months. Main Agricultural exports in 2010:

Item	Amount (thousand US\$)
Rice	6,886
Fishery	5,016
Coffee	1,218
Rubber	782
Cashew nut	137
Tea	117

Challenges

Deep poverty has declined significantly and Vietnam is working to create jobs to meet the challenge of a labor force that is growing by more than one million people every year. The global recession has hurt Vietnam's export-oriented economy, with GDP in 2009-10 growing less than the 7% per annum average achieved during the last decade.

In 2010, exports increased by more than 25%, year-on-year, but the trade deficit remained high, prompting the government to consider administrative measures to limit the trade deficit. Vietnam's managed currency, the dong, continues to face downward pressure due to a persistent trade imbalance, and, since 2008, the government devalued it by 20% through a series of small devaluations. Foreign donors pledged nearly \$8 billion in new development assistance for 2011. However, the government's strong growth-oriented economic policies have caused it to struggle to control one of the region's highest inflation rates, which reached 11.8% in 2010.¹⁰ According to Economist Intelligence Unit, the rate of inflation will slow to 12% in 2012, from an estimated 18.9% in 2011, as global prices for commodities begin to fall.

Policy trends

In response to a rapid acceleration in the rate of inflation (double-digit), dwindling foreign reserves, and a weakening currency, the government have taken steps to tighten fiscal

¹⁰ CIA, see footnote 1.



and monetary policy since the start of 2011 to curb inflation and stabilize the external position.¹¹ However, there are concerns about the implementation of tougher measures to stabilise the economy when such moves risk compromising growth. The policy tightening damped GDP growth putting the first-half outcome at 5.6%.¹² GDP growth slowed to 5.8% year on year on average in the first three quarters of 2011.¹³

Fiscal Policy

It is necessary for the government to restraint in the fiscal deficit, both to prevent the economy from overheating and also to avoid financing problems (outstanding public debt is estimated to have reached 57% of annual GDP by the end of 2010).¹⁴ Fiscal tightening was achieved through reductions in spending and increases in revenue. 10% of nonessential current expenditure of ministries and agencies was told to be withheld, D80 trillion (equivalent to 3.5% of GDP) from the 2011 budget for public investment by SOEs and other public entities was cut, together with a weighty contribution to revenue from higher prices for domestically produced crude oil. The government targets to reduce the budget deficit to below 5.0% of GDP this year, based on its definition of the deficit, from 5.6% in 2010.¹⁵ It is expected that continued heavy spending on infrastructure and social welfare programmes will keep the budget deficit at an average of 5.2% of GDP in 2013-16, despite strong economic growth and high prices for crude oil.¹⁶

Monetary policy

The SBV took forceful steps to tighten monetary policy between late 2010 and mid-2011, raising its main policy interest rates by up to 8 percentage points. However, the central bank is not operationally independent, and there is thus a risk that it will come under pressure to ensure that the rising cost of financing does not exert a significant drag on economic growth. The latest data from the SBV show that the outstanding stock of credit grew by only around 7% in the first half of 2011; the official target is to keep domestic credit growth below 20% this year. Although the central bank could yet give in to political pressure to cut interest rates further, it is expected to continue to focus on ensuring that any expansion in credit will be allocated efficiently.

¹¹ ADB, Economic trends and prospects in developing Asia: Southeast Asia, Vietnam (ADB Report on Vietnam's Economy).

¹² ADB Report on Vietnam's Economy.

¹³ Economist Intelligence Unit, see footnote 3.

¹⁴ Economist Intelligence Unit, see footnote 3.

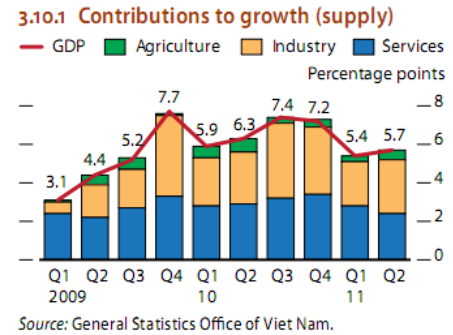
¹⁵ ADB Report on Vietnam's Economy.

¹⁶ Economist Intelligence Unit, see footnote 3.



Economic growth

Ambiguous policymaking, rapid inflation and a depreciating currency have caused investor sentiment towards Vietnam to weaken this year, leading to a fall in inward foreign investment previously one of the main drivers of economic growth.¹⁷



Although Vietnam's long-term economic growth prospects remain positive owing to the effect of recent policy-tightening efforts contributed to the slowdown, the early part of the forecast period will be challenging.¹⁸ Real GDP growth will struggle to accelerate significantly in 2012 from an estimated 6% in 2011 and to average 7.2% a year in 2013-16, assuming that inflation is brought under control.

Remittances from overseas Vietnamese are expected to remain healthy throughout the forecast period, boosting private consumption. Meanwhile, continued double-digit annual rates of growth in export demand will support the expansion of the manufacturing sector, which in turn will sustain investment in capital goods and support employment growth. Even though, there are a number of major downside risks to the GDP growth forecast. On the domestic front, the government still has much to do in terms of stabilising the economy and restoring consumer and investor confidence because of a surge in inflation and the wide current-account deficit. On the international front, there is a risk that the global economic recovery will be weaker than we currently expect which would hit Vietnam's export performance but and have a knock-on effect on local consumer and business spending, thereby inhibiting economic growth.¹⁹

¹⁷ Economist Intelligence Unit, see footnote 3.

¹⁸ Economist Intelligence Unit, see footnote 14.

¹⁹ Economist Intelligence Unit, see footnote 3.



Annual data and forecast

	2007 ^a	2008 ^a	2009 ^a	2010 ^a	2011 ^b	2012 ^c	2013 ^c
GDP							
Nominal GDP (US\$ bn)	71.1	90.3	93.2	103.5	116.2 ^a	128.3	141.6
Nominal GDP (D trn)	1,143.7	1,485.0	1,658.4	1,980.9	2,394.6 ^a	2,758.6	3,111.5
Real GDP growth (%)	8.5	6.3	5.3	6.8	6.0 ^a	6.3	7.0
Expenditure on GDP (% real change)							
Private consumption	10.8	9.3	3.7	8.5	3.9	5.2	7.0
Government consumption	8.9	7.5	7.6	8.0	7.8	7.8	7.7
Gross fixed investment	24.2	3.8	8.7	8.5	5.1	7.2	8.2
Exports of goods & services	16.1 ^b	15.0 ^b	-5.9 ^b	15.8 ^b	15.1	13.4	15.1
Imports of goods & services	28.2 ^b	15.3 ^b	-6.3 ^b	18.1 ^b	12.2	10.5	14.2
Origin of GDP (% real change)							
Agriculture	3.7	4.4	2.4	2.8	3.5 ^a	3.4	3.2
Industry	10.6	5.7	5.4	7.7	7.0 ^a	8.0	9.0
Services	8.7	7.3	6.8	7.5	6.0 ^a	5.7	6.4
Population and income							
Population (m)	85.3 ^b	86.1 ^b	87.0 ^b	87.8 ^b	88.7	89.5	90.4
GDP per head (US\$ at PPP)	2,604 ^b	2,802 ^b	2,953 ^b	3,159 ^b	3,376	3,635	3,950
Recorded unemployment (av; %)	4.6	4.7	4.6	4.4	4.1 ^a	4.1	4.0
Fiscal indicators (% of GDP)							
Central government balance	-7.3	-5.2	-7.0	-5.5	-5.0 ^a	-5.7	-5.4
Net public debt	45.6 ^b	43.9 ^b	49.8 ^b	57.1 ^b	54.3	53.7	53.1
Prices and financial indicators							
Exchange rate D:US\$ (end-period)	16,010	17,433	18,472	19,498	21,055 ^a	21,736	22,197
Exchange rate D:€ (end-period)	23,379	24,265	26,474	26,111	29,266 ^a	28,909	27,302
Consumer prices (end-period; %)	12.6	20.0	6.5	11.8	19.0 ^a	8.7	7.8
Stock of money M1 (% change)	48.9	-0.4	30.4	10.7	1.7 ^a	7.3	12.8
Stock of money M2 (% change)	49.1	20.7	26.2	29.7	2.7 ^a	28.7	20.9
Lending interest rate (av; %)	11.2	15.8	10.1	13.1	18.0 ^a	17.5	14.0
Current account (US\$ m)							
Trade balance	-10,438	-12,783	-7,607	-5,147	-2,631	-3,929	-7,297
Goods: exports fob	48,561	62,685	57,096	72,192	97,230	107,478	122,850
Goods: imports fob	-58,999	-75,468	-64,703	-77,339	-99,861	-111,407	-130,147
Services balance	-755	-950	-2,421	-2,461	-3,023	-3,015	-3,284
Income balance	-2,190	-4,401	-3,028	-4,564	-4,891	-5,218	-5,742
Current transfers balance	6,430	7,311	6,448	7,885	8,616	9,256	10,285
Current-account balance	-6,953	-10,823	-6,608	-4,287	-1,928	-2,905	-6,038
External debt (US\$ m)							
Debt stock	22,737	24,964	28,674	32,887	37,651	40,358	43,678
Debt service paid	1,255	1,338	1,140	1,181	1,376	1,546	1,668
Principal repayments	646	771	704	714	773	813	833
Interest	608	567	436	466	603	733	835
International reserves (US\$ m)							
Total international reserves	23,748	24,176	16,803	12,926	16,393 ^a	17,298	21,933

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

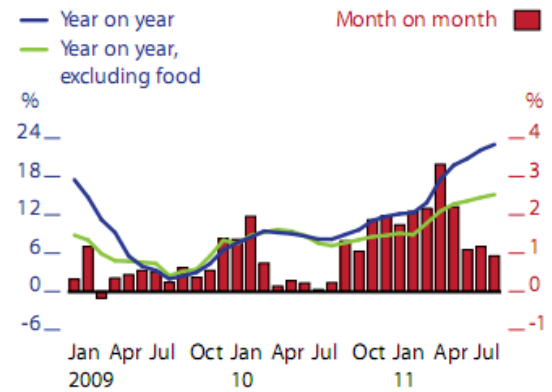
Source: IMF, *International Financial Statistics*.



Inflation

Inflation accelerated to 23.0% year on year in August, despite the slowing in growth, driven by a steep jump in food prices and spurred by the impact of rapid credit growth in 2010, as well as the lagged effect of exchange rate devaluations. Food prices in August were up by nearly 34% from earlier-year levels, due to weather damage to agriculture and disruptions to pork supplies. Hikes in the administered prices of electricity and fuel added to consumers' costs. Inflation diminished slightly in August, to 0.9%. High food price inflation likely caused increases in poverty in some areas even the government shielded vulnerable groups from higher costs of electricity and fuel.²⁰

3.10.3 Inflation

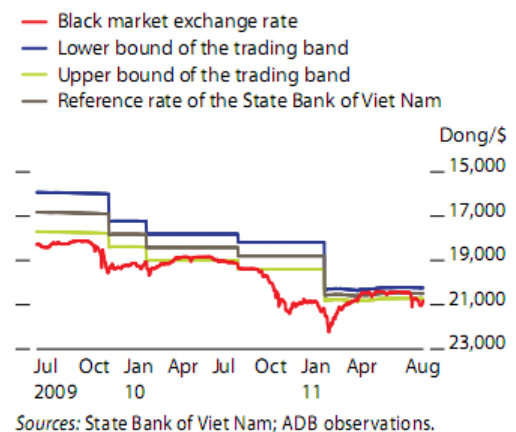


Exchange Rate

In reaction to strong downward pressure on the dong, the SBV devalued the currency on four occasions between November 2009 and February 2011, caps on US dollar deposit interest rates, and other administrative measures to limit the use of gold and foreign currency,²¹ resulting in a cumulative drop of almost 13% in its value against the US dollar.

The dong has enjoyed a period of greater stability against the US dollar since March, providing Vietnam's policymakers with grounds for hope that they have finally managed to position the currency at a level consistent with market forces. Moreover, Vietnam's meagre foreign reserves mean that the SBV will not be able to counteract downward pressure by intervening in the currency markets.

3.10.4 Exchange rates



²⁰ ADB Report on Vietnam's Economy.

²¹ ADB Report on Vietnam's Economy.



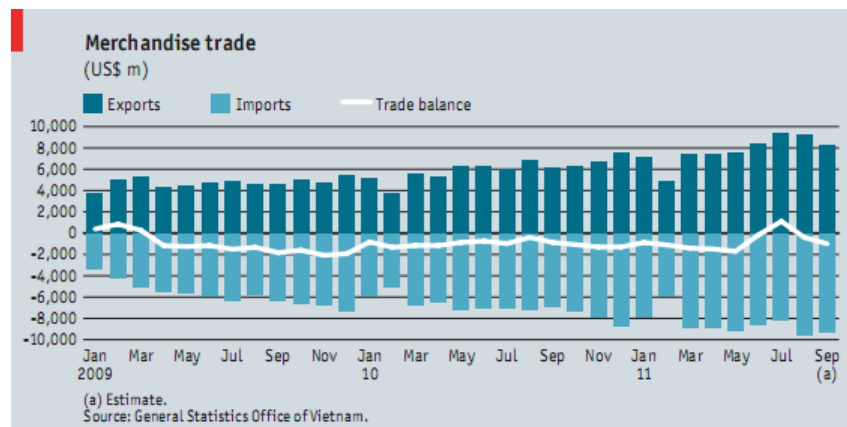
Trade Performance²²

MERCHANDISE TRADE

	Value		Annual percentage change		
	2010	2005-2010	2009	2010	
Merchandise exports, f.o.b. (million US\$)	72 192	17	-9	26	
Merchandise imports, c.i.f. (million US\$)	84 801	18	-13	21	
	<u>2010 a</u>			<u>2010 a</u>	
Share in world total exports	0.47				
Share in world total imports				0.55	
Breakdown in economy's total exports				Breakdown in economy's total imports	
By main commodity group (ITS)				By main commodity group (ITS)	
Agricultural products	18.9			Agricultural products	9.8
Fuels and mining products	11.6			Fuels and mining products	12.7
Manufactures	68.9			Manufactures	72.0
By main destination				By main origin	
1. United States	20.0			1. China	22.0
2. European Union (27)	16.5			2. Singapore	10.0
3. Japan	11.1			3. Japan	9.8
4. China	9.5			4. Korea, Republic of	9.6
5. Switzerland	4.4			5. Taipei, Chinese	8.7

COMMERCIAL SERVICES TRADE

	Value		Annual percentage change		
	2010	2005-2010	2009	2010	
Commercial services exports (million US\$)	7 355	12	-19	30	
Commercial services imports (million US\$)	9 771	17	2	21	
	<u>2010</u>			<u>2010</u>	
Share in world total exports	0.20				
Share in world total imports				0.28	
Breakdown in economy's total exports				Breakdown in economy's total imports	
By principal services item				By principal services item	
Transportation	31.3			Transportation	67.5
Travel	60.5			Travel	15.0
Other commercial services	8.1			Other commercial services	17.5



²² Vietnam Trade Profile, March 2011,



Vietnam's trade deficit expanded to US\$1bn in September, from a revised \$396m in August. In the first nine months of 2011 the trade deficit totalled at US\$6.8bn, compared with US\$8.5bn in the year-earlier period. With the trade account still in deficit, the country's foreign-exchange reserves have stayed fairly low.²³

There will be particularly strong growth in payments for trade-related services since Vietnam will remain dependent on a host of imported services. However, the combined deficit on the services and income accounts will be offset by the large surplus on the current transfers account, via remittances from overseas Vietnamese. Although foreign direct investment inflows will remain fairly low in 2012, there will be an improvement from 2013 onwards.²⁴

Regional Trade Agreements

Vietnam is a member of a growing network of regional trade agreements, both individually and as part of ASEAN. In its capacity of member of the Association of Southeast Nations (ASEAN), Vietnam is part of the ASEAN-China Preferential Trade Agreement, ASEAN-China Economic Integration Agreement and the ASEAN Free Trade Area (AFTA), ASEAN-Japan Free Trade Agreement and ASEAN-Australia-New Zealand Free Trade Economic Integration Agreements. Vietnam is a signatory of the Global System of Trade Preferences among Developing Countries (GSTP), a Preferential Trade Agreement signed with other seventy-six developing countries. Vietnam signed a Free Trade Agreement and Economic Integration Agreement with Japan.

WTO

Vietnam became a member of the WTO on 11 January 2007 and is making progress in implementing its WTO accession commitments. While such changes will no doubt present challenges to Vietnam in the short term, WTO membership is expected to be accompanied by significant expansion in trading opportunities, and Israeli exporters stand to benefit considerably.

Schedule of Concessions and Commitments on Goods

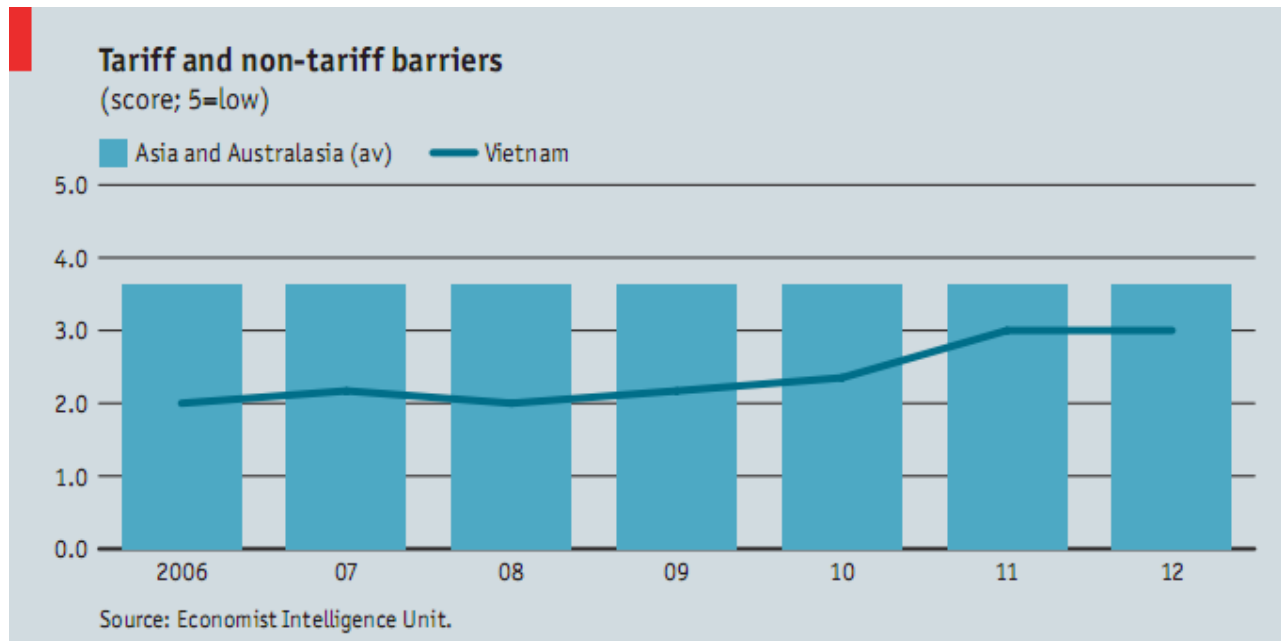
Accession to the World Trade Organisation commits Vietnam to a specific and near-comprehensive set of reductions or elimination of tariffs. The country must gradually lower overall tariffs to an average of 13.4% by 2014, in addition to specific commitments by sector and product. The deepest reductions are in textiles and garments, fisheries products, forestry and paper products, equipment and machinery, and electronic products.

For most agricultural and non-agricultural goods, Vietnam is committed under WTO accession to ceilings (or 'bound' rates) on duties of 0-35%. Products with higher ceilings include alcoholic drinks, tobacco products, instant coffee and some related products, new and used motor vehicles and components, and roof tiles.²⁵

²³ Economist Intelligence Unit, see footnote 3.

²⁴ Economist Intelligence Unit, see footnote 3.

²⁵ Economist Intelligence Unit, Country Commerce, Vietnam, April 2011, US.



Viet Nam has also signed the “plurilateral” Information Technology Agreement (“plurilateral” meaning only some WTO members have signed). For these products, Viet Nam has agreed to allow imports in duty-free. In some cases, the zero duty will apply immediately; in others it will be achieved gradually over periods ending in 2010 to 2014.

In agriculture, Viet Nam has promised not to subsidize exports. It will be allowed to support its farmers domestically with trade-distorting supports of up to 3,961.5 billion Vietnamese dong (currently about US\$246 million) in addition to the usual allowance for developing countries of up to 10% of the value of domestic agricultural production. As with all WTO members, Viet Nam can also spend unlimited amounts on supports that do not distort trade (“Green Box” supports).²⁶

Schedule of Specific Commitments on Trade in Services

Viet Nam has made commitments on a range of services. In some cases Viet Nam reserves the right to limit foreign ownership of service companies operating in Viet Nam — for example in some telecommunications services the eventual limits can be 49% or 65%, depending on the service. In a few cases, permitted foreign ownership is immediately 100% (for example accountancy). In many cases, the permitted foreign ownership is phased in to reach 100% after a few years (for example express delivery courier services after five years).

TPP

Vietnam is participating in Trans-Pacific Partnership Agreement or Trans-Pacific Strategic Economic Partnership Agreement (TPP) negotiations with Australia and seven other APEC economies (Brunei, Chile, Malaysia, New Zealand, Singapore, Peru and the

²⁶ <http://www.amchamvietnam.com/1150>



US), which commenced in March 2011..²⁷ The TPP is a multilateral free trade agreement that aims to further liberalise the economies of the Asia-Pacific region; specifically, Article 1.1.3 notes: “The Parties seek to support the wider liberalisation process in APEC consistent with its goals of free and open trade and investment.” The objective of the original agreement was to eliminate 90 percent of all tariffs between member countries by January 1, 2006, and reduce all trade tariffs to zero by the year 2015. It is a comprehensive agreement covering all the main pillars of a free trade agreement, including trade in goods, rules of origin, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, trade in services, intellectual property, government procurement and competition policy.

Outlook

The Communist Party of Vietnam will keep a firm power in the forecast period, and, despite signs of factional splits between conservative hardliners and reformers, there is no prospect of major internal instability. Vietnam will continue to strengthen its ties with the West, and particularly the US. Relations with China will remain strained over competing claims to the Spratly and Paracel islands in the South China Sea.

The government continues to confront the major policy challenge of containing inflation, stabilising the exchange rate and also boosting economic growth. The authorities face a trade-off between tightening monetary policy to bolster the exchange rate and keep rampant inflation at bay, and maintaining policy at a relatively loose level so as not to starve firms of working capital and stifle economic activity.

The forecasts assume that the government will maintain fiscal and monetary tightening until inflation is brought down, confidence in the dong is solidified, and foreign reserves are further rebuilt to put macroeconomic stability before rapid growth, at least in the near term.²⁸ GDP in 2011 growth is forecasted to be lowered slightly to 5.8%, because of high inflation and weak performance of major industrial economies.²⁹ The recession in the global economy will put pressure on Vietnamese GDP growth in 2012, but a better climate from the following year will lead to a healthy average GDP growth rate of 7.2% a year in 2013-16. Inflation is set to slow to 12% in 2012 and to 7.5% on average in 2013-16, from an estimated 18.9% in 2011. Policymakers are likely to face an ongoing battle to prevent the dong from depreciating against the US dollar.³⁰

²⁷ Vietnam country brief, http://www.dfat.gov.au/geo/vietnam/vietnam_brief.html.

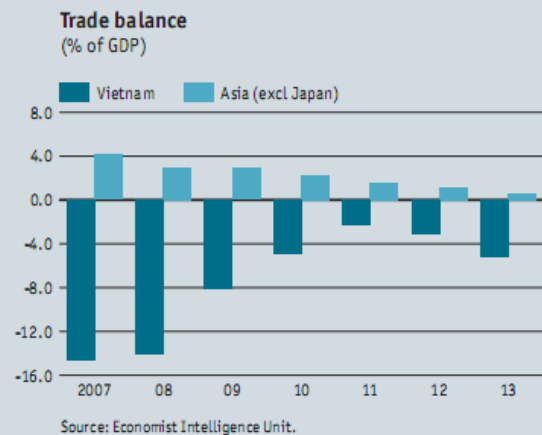
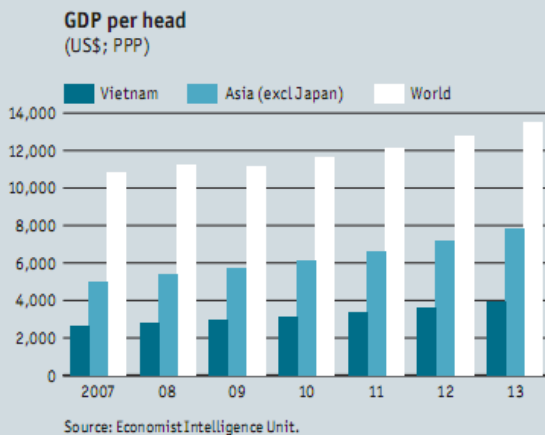
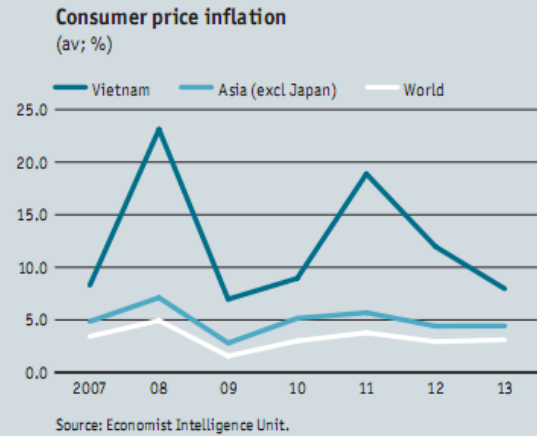
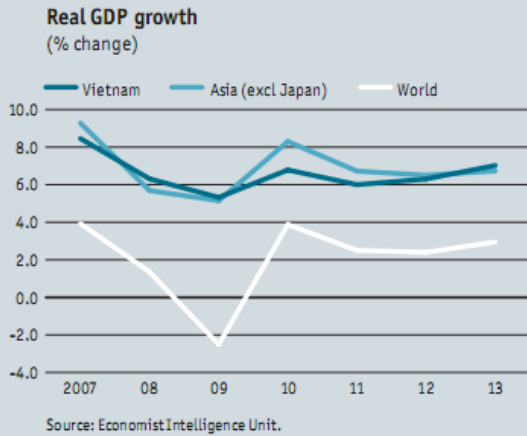
²⁸ ADB Report on Vietnam's Economy.

²⁹ ADB Report on Vietnam's Economy.

³⁰ Economist Intelligence Unit, see footnote 3.



Annual trends charts



About Us

The Economic & Trade Mission at the Embassy of Israel in Vietnam aims to enhance the business relations between the two countries by arranging a wide range of activities through which mutual trust and cooperation can be achieved.

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