

VIETNAM ECONOMY

AMID COVID-19

Hanoi, 03 Dec 2021



Covid-19 hit hard the world economy. VN is not an exception

The economic performance depends much on

- The way of dealing with Covid-19: How to balance the implementation of “social distancing”/“locked down” policies with “opening the economy” (?)
- Government’s policy response to support business and people
- Utilization of the FTAs (esp. as the partners’ economies have recovered)



■ Controlling Covid-19

- Response earlier as in January 2020 with the participation of whole political system and support of people
- Quite successful until March 2021, but having problems in controlling the 4th outbreak (Many provinces, incl. HCM City and Hanoi, have had to implement very strictly “social distancing” and “locked down” policies”)
- Vaccination has been accelerated since Aug 2021 + Strategy of fighting against Covid-19 has changed, with “living safe with pandemic”

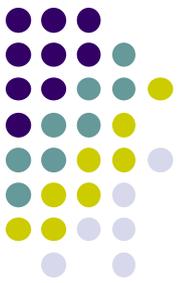


■ Having policies to support business

- Following market closely, getting timely feedbacks from business community, and being ready for various scenarios, incl. the worse one.
- Trying to make and to implement policies timely and proactively, incl. the social, monetary and fiscal measures, the measures for accelerating public investments, and the measures for minimizing disruptions of supply chains (Measures issued in March and April 2020, expanded and continued in 2021)

An assessment:

- The size of supporting measure package is not big enough (much smaller in terms of GDP compared to the world average and other economies in the region)
- The package relied on monetary policy rather than fiscal expenditures
- The implementation & disbursement has been in general much slower than expected



■ Economic performance

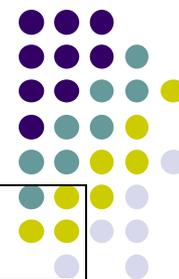
GDP growth (%)	Vietnam	World (IMF 10/2021)
2020	2.9	- 3.1
2021 (projections)	2.0 – 2.5 1 st H: 5.6; 3 rd Q: -6.2 (HCM City: -25)	5.9
2022 (forecast)	6.0 - 6.5	4.9

- 2020 & 2021: The lowest growth rates in process of Doi Moi. 2020: a “star” among few economies having positive growth in the world recession. 2021: Falling far below the “world average”. An optimistic view on VN’s recovery in 2021
- Good news: (i) Low inflation. Average 9 months: 1.8% (ii). Merchandise export: USD 240.5 bill, increased by 18.8%; (iii). FDI commitments: USD 22.2 bill, increased by 4.4%. FDI implementation: USD 13.3 bill, decreased only by 3.5%
- Note: in the 1st half of 2020 merchandise export decreased by 11.0% but for the whole year increased by 5,1 % (EVFTA became effective since Aug 2020)



Way Forward: “Rethink, Redesign, and Rebuild” in a changing world

- Designing and realizing a Program for promoting recovery and development the economy
 - Size: big enough. Time: long enough (2022-23). Implementation: decisive enough
 - Not only to support business community to overcome current difficulties and to recover quickly but also somehow to accelerate the structural and institutional reforms for a sustainable, inclusive and innovative development, while paying attention on managing risks and uncertainties for ensuring resilience of the economy to various kinds of shocks



Reforms till 2019	Reforms amid & post Covid-19
Business environment improvement (esp. since 2014)	Continuation with accelerating administrative reforms and E-gov't building
Restructuring of the economy (SOEs; Financial & banking sector; Public investment)	Focus is also on private sector dev't and restructuring of agricultural sector, tourism, and some industrial clusters.
Deeper international integration (TPP/CPTPP; EVFTA: AEC và RCEP; some bilateral FTAs, ...)	Effective realization (CPTPP since Jan 2019 & EVFTA since Aug 2020). RCEP: Since 2022 Attraction of quality FDI, esp. the leading firms, thanks to the shifts of GVCs
Promotion of productivity and innovation/startups (esp. since 2015)	Mobile money, Fintech; Program of National Digital Transformation (6/2020); AI Strategy; Innovation Centres; Financial Centres ...