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VIETNAM

Selected Issues

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I. Introduction

1. This paper contains background material on banking sector reform, state enterprise reform, external trade liberalization and tax reform. The new government attaches high priority to pursuing structural reforms in these four areas, although the extent and timing of measures has have not yet been determined. A common theme that emerges from the studies is that substantial progress was made in implementing reforms during 1988-92 to facilitate the transition from a centrally planned to a market oriented economy, which helped to secure strong macroeconomic performance. However, as the reform process decelerated, the underlying performance in each area consequently deteriorated.

2. Banking sector reforms were focussed on the creation of a two-tier banking system, the establishment of private sector banks, rationalization of the interest rate structure and improvements in prudential and supervisory regulations. However, state commercial banks still dominate the banking system, non-performing loans are increasing, monetary policy continues to rely heavily on direct controls, and money markets remain rudimentary. Moreover, state enterprises continue to receive borrowing privileges, including obtaining loans without collateral, easier access to foreign currency loans and subsidized interest rates.

3. State enterprise reforms were directed towards reducing the number of firms through mergers and liquidation, eliminating virtually all budgetary subsidies and sharply cutting the size of the labor force. This resulted in large productivity gains and strong output growth, as well as much increased net contributions from the sector to the government budget. However, in the absence of further reforms, the overall financial performance of the state enterprises has deteriorated over the past three years.

4. External trade liberalization was concentrated on the dismantling of export bans, quotas and taxes to promote trade to the convertible currency area, the replacement of quantitative import controls with tariffs and the gradual opening of trading activities to private business. However, Vietnam continues to nurture selected domestic industries behind trade protection, especially in sectors dominated by state enterprises. The maximum import tariff rate remains high, these are many tariff bands, import licensing of consumer goods is extensive and other quantitative import controls still exist.

5. Tax system modernization was instigated through the passage of legislation to introduce a range of direct and indirect taxes and replace the administrative decrees under which most government revenue had been secured through negotiation with individual firms, primarily state enterprises. While strong revenue growth in relation to GDP was achieved through 1994, the ratio subsequently declined, mainly reflecting the smaller contribution of the state enterprises which continue to provide about one half of total revenue.

II. FINANCIAL SECTOR REFORM[1]

6. Banking reforms implemented in Vietnam during 1988–92, like market-oriented reforms in other areas, were substantial and contributed to solid macroeconomic performance. The reform effort has since waned and the incomplete reforms have weakened the banking system. The regional currency crisis is likely further to strain its fragile condition. As many of the problems of bank soundness can be traced to the poor performance of state enterprises, a thorough reform of that sector emerges as a major precondition for the rehabilitation of the financial system. This chapter reviews the structure of the banking system and money markets, provides an assessment of recent banking and monetary system reforms and outlines the priority areas for further action.

A. Banking System Structure and Regulation

7. Vietnam initiated banking reforms in 1988–89, when the monobank system that served the needs of the centrally planned economy was split into a two-tier banking system, consisting of the State Bank of Vietnam as the central bank and four state commercial banks. In 1990, rules on the sectoral specialization of these banks were removed, and entry into the banking system was liberalized. In subsequent years, interbank markets were initiated for both foreign exchange and short-term domestic funds, and guarantees and other procedures were introduced to help secure lending. The structure of interest rates was rationalized, the reserve requirements and the refinancing rate were each unified, and the government introduced treasury bill auctions.

8. As a result of these reforms, the banking sector expanded considerably and banks began offering a broader range of services (Box I.1). However, the reforms moved more quickly on the surface than at their core. In particular, state commercial banks still account for 80 percent of deposits and their lending remains subject to political direction. State enterprises continue to receive borrowing privileges, including obtaining loans without collateral, easier access to foreign currency loans, and subsidized interest rates. Accounting practices make credit evaluation problematic and off-balance sheet liabilities (especially letters of credit) have emerged as a major source of risk. Collateral rules exclude urban land and make foreclosure virtually impossible. Bankers have little experience with the functioning of market-based financial systems. A number of joint-stock banks are experiencing difficulties as a result of fast credit expansion based on inadequate risk appraisal.

9. Operations of commercial banks and other financial institutions are supervised by the State Bank of Vietnam. Prudential regulations provide for off-site and on-site inspection, set prudential limits on lending, and stipulate minimum capital requirements. However, supervisors appear to encounter difficulties in enforcing these rules. Excessive lending to shareholders primarily state enterprises is a particular problem for joint stock banks, as

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[1]This chapter was prepared by Wayne Camard and Dubravko Mihaljek.

Box I.1. Vietnam—Banking Institutions

At the end of 1996, Vietnam's banking system included four state-owned commercial banks, 52 joint-stock banks, 23 branches of foreign banks, four joint-venture banks, 62 representative offices of foreign banks, and 68 credit cooperatives. There were also close to 900 people's credit funds, two finance companies, and one government-owned insurance company.

State-owned commercial banks

- Industrial and Commercial Bank of Vietnam (Incombank), whose operations include: mobilizing funds, making local and foreign currency loans, trading in foreign exchange, processing local and international payments, trading in gold and silver, consulting, and providing computer services.

- Bank for Foreign Trade of Vietnam (Vietcombank) dominates trading in foreign exchange and offers the following services: financing trade, letter of credit operations, making bank guarantees, processing international payments, offering credit card facilities, and making loans and accepting deposits.

- Bank for Investment and Development (Indebank) is responsible for mobilizing funds for development investment projects, providing equity participation in development projects, dealing in foreign exchange, and providing medium- and long-term lending.

- Bank for Agriculture and Rural Development, whose operations are generally limited to the agriculture sector. It also operates the Bank for the Poor, a government funded low income credit scheme.

Joint-stock banks
Shareholders of joint-stock banks are state-owned commercial banks, state-owned enterprises, and private entities. Most of the joint-stock banks were established during 1991-93.

Foreign bank branches
Foreign bank branches operate mainly in foreign currencies, especially in the area of trade finance, as they may accept only a limited amount of domestic currency deposits.

Joint-venture banks
The four joint venture banks—which are partnerships between a state commercial bank and a foreign bank—are subject to the same restrictions on deposit taking as foreign banks.

regulations limiting credit to a single borrower can be easily circumvented. There have been delays in conducting international standard audits of the major banks, which are crucial to provide a more accurate assessment of banks' financial positions and facilitate the formulation of restructuring plans.

10. The National Assembly approved in December 1997 two new laws relating to the operations of the central bank and the commercial banks. However, the new legislation will not become effective until October 1998. Although the full text of the legislation is not yet available, there are indications that the degree of independence of the State Bank would remain limited, with the National Assembly retaining the authority to set monetary policy. Moreover, supporting regulations on foreign exchange operations, loan loss provisioning and risk adjusted capital adequacy ratios still need to be finalized and issued.

B. Monetary Instruments and Money Markets

11. On the monetary policy side, the State Bank progressively gained the ability to restrain credit creation during the first half of the 1990s. This allowed tighter monetary policies to stabilize the exchange rate and reduce inflation. Monetary control was facilitated with the introduction of bank-by-bank credit ceilings in 1994, improvements in the required reserve arrangements, and a reduction in the role of state bank refinancing credit (Box I.2). Domestic bank financing of the budget has been avoided since 1992 and the rate of growth of credit to state enterprises was curbed. Real interest rates on household deposits were made positive in 1989, and the interest rate structure was largely unified by 1995 (Statistical Annex, Table 26).

12. Despite this progress, it is clear that further reform is needed to strengthen monetary management. In particular, there is a need to move away from direct controls over credit to freer financial markets and indirect instruments of monetary policy. While much attention has been focused on the still-distant stock market, the money market remains fragmented and the interbank foreign exchange market has ceased to function in recent months. Treasury bill auctions are not yet well-established as the authorities still place caps on the maximum level of interest rates, and interbank credit is impaired by a lack of confidence among banks.

13. Moreover, the State Bank's success over the past years in keeping monetary policy on track to meet the objective of low single-digit inflation through administrative limitations on lending by banks has resulted in banks holding substantial liquid funds. Partly as a result of large outstanding central bank credit the state commercial bank reserves are equivalent to about 10 percent of total liquidity are presently held in poorly remunerated balances at the central bank. This puts pressure on bank's income positions and on interest rate spreads, and on treasury bill rates as banks compete for an outlet for excess liquidity.

Box I.2. Vietnam—Monetary Instruments

Credit ceilings
The State Bank of Vietnam has used bank-by-bank credit ceilings since 1994 in order to help achieve targets for the growth of monetary aggregates and credit. The ceilings initially were imposed only on the state-owned commercial banks, but later were extended to other banks. The criteria used to determine each bank's credit ceiling have not been made public. In 1996, the authorities introduced provisions that permit banks to trade their credit ceilings; however, no trading has been recorded to date.

Required reserve ratios
The required reserve ratio was unified across institutions and types of deposit at 10 percent in 1995, except for domestic currency deposits with a maturity of over 1 year; up to 30 percent of the requirement can be met with vault cash.

Refinancing facilities
The State Bank of Vietnam uses a collateralized refinance facility to onlend to state commercial banks. The refinancing rate has been unified since 1994. The State Bank also operates a very short-term facility for meeting the liquidity needs of the state commercial banks which arise from their clearing operations.

Treasury bill auctions
Beginning in mid-1995, some treasury bills have been auctioned off to allow market forces a greater role in determining interest rates. These bills are mostly bought by the state commercial banks. Other bills and bonds issued by the State Treasury of Vietnam for the most part are sold to the non-bank public.

Interest rates
Real interest rates on household deposits, and real lending rates for both working and fixed capital, have been fairly consistently positive throughout the reform period, and real interest rates on enterprise deposits have been positive since 1995. The authorities removed the turnover tax on banks in 1995 but replaced it with a limit on banks' net interest income—effectively a spread limit—of 0.35 percent per month. Bank loans are subject to an interest rate ceiling for short-term loans, presently set at 1 percent per month.

C. Evolution of the Banking System

Financial intermediation

14. Reforms introduced since the late 1980s on the whole had a beneficial impact on financial sector development. Net domestic assets of the financial system expanded from about 11 percent of GDP in 1992 to 20 percent of GDP in 1996 (Statistical Annex Table 21). Domestic currency deposits increased at an annual rate of 35 percent over the same period. A smaller proportion of total credit was directed to the state enterprise sector; their share of outstanding credit was 51 percent at end-September 1997, compared with over 90 percent in 1990 (Statistical Annex Table 24).

15. Nonetheless, Vietnam's financial system remains relatively shallow. The ratios of broad money to GDP and total deposits to GDP, which stood at 25 percent and 16 percent, respectively, at end-1996, are much lower than in other ASEAN countries. The currency-to-deposit ratio exceeded 60 percent at end-September 1997. More generally, the banking system still is far from performing the key roles of a market-based system: processing information about investment opportunities, spreading risk through asset diversification, and providing liquidity services through asset transformation. This is in large part due to the fragmented money market and an adverse yield curve that discourages long-term credit.

Bank soundness

16. Available data indicate a steady deterioration in banks' balance sheets since 1995, partly related to the loss of impetus in the reform process. At the end of September 1997, banks classified about 13 percent of total loans as overdue, compared with less than 8 percent at the end of 1995 (Statistical Annex Table 25). While the increase in the proportion of overdue loans partly reflects a one-time adjustment due to the stricter implementation of loan classification criteria since the beginning of 1997, overdues have continued to rise subsequently. State commercial banks frequently roll over credits that cannot be repaid, especially to state enterprises, and the upward trend in nonperforming loans stock banks is equally worrisome. Given the banks' weak capital base, these developments raise concerns in the event of a slowdown in economic growth or additional adverse economic shocks.

17. Banks are almost certainly in worse condition than indicated by their financial statements. The problem of rising overdues may be overshadowed by still deeper problems because banks are allowed to roll-over past-due loans without limit especially for state enterprises, and can provide loans to state enterprises on an unsecured basis. In addition, roughly one-third of total credit is extended in foreign currency, of which over 70 percent is to state enterprises. While the banks' direct exposure to foreign exchange risk is limited by prudential regulations, their indirect exposure is very high, as the state enterprises have in most cases used foreign currency loans for domestic operations, and do not have access to instruments that would allow hedging of the exchange risk.

18. Several other developments over the past year raise additional concerns about the soundness of the banking sector. Two of the four state commercial banks were caught up in highly publicized fraud-related scandals and there have been several cases of defaults on letters of credit and payment delays by the joint-stock banks and the state-owned Vietcombank. While the authorities eventually directed banks to regularize the situation and further tightened regulations to prevent a recurrence, these incidents have had an adverse impact on creditor sentiment.

D. Next Stage of Reform

19. The next stage of financial system reform requires mutually supporting programs to restructure problem banks, establish a more effective framework for prudential regulation and bank supervision, and develop indirect monetary policy instruments and promote the use of money markets. While decisive reforms to improve the performance of the state enterprises are vital to ensuring the viability of the banking system, other measures are also needed. For the state commercial banks the first steps are the completion of audits and the implementation of restructuring plans to address recapitalization; independence for bank managers from political pressure; the possible break-up of each bank into smaller and more viable entities; and partial or full privatization. For the joint stock banks, early action to merge or close unviable institutions is essential.

20. Together with the restructuring of the banking system, it will be important to improve the ability to monitor the banks and deter or detect the emergence of further problems. The strategy in this area would include greater central bank supervisory powers; risk-adjusted capital rules and loan-loss provisioning requirements in accordance with internationally accepted standards; and improved accounting standards. Greater reliance on indirect instruments of monetary control should be accompanied by the elimination of formal interest rate spreads, the gradual implementation of adjustments to the discount rate to guide interest rates policy, the increased availability of auctioned treasury bills to establish a market-based interest rate, and the initiation of open market operations to facilitate liquidity management.

III. State Enterprise Reform[2]

A. Introduction

21. Vietnam made important strides in reforming the state enterprises as part of the first phase of its transition. The impressive growth of the economy during the early 1990s was assisted by the market mechanisms that were introduced in the public sector to improve efficiency in the use of productive resources. However, the authorities have continued to favor a dominant role for the state enterprises as they pursue their goal of a socialist-oriented mixed economy operated on market principles. This has in practice meant that while the state sector has been freed from some of the controls of central planning, a level playing field with the private sector has not yet been established.

22. The decisive thrust of the market-oriented reforms of the state enterprises occurred during 1988-92, and these measures greatly improved enterprise financial performance through 1994. Since then, the reform process has stalled. State enterprises still enjoy privileged legal status; receive explicit and implicit preferences in access to credit, land use rights, fiscal and regulatory treatment; and enjoy targeted trade protection. In addition, a range of hurdles must be overcome for new private firms to become established, providing even stronger protection against domestic competition. Despite these advantages, it has become increasingly evident over the last three years that enterprise performance has deteriorated markedly, reflecting deep-seated structural problems, both in enterprise management and their operating environment.

23. It is necessary to recapture the lost momentum of the reform process. If high economic growth is to be sustained, continued productivity gains will need to be found. The state enterprise sector is an area from which substantial improvements should be expected. The government that took office in September 1997 has identified further reform of the state enterprise sector as one of its principal objectives including the divestiture of many enterprises; the closure or merger of nonviable enterprises; and steps to strengthen financial discipline and increase the efficiency of the rest. This note reviews the reform process to date and its impact on enterprise performance, and outlines the necessary next steps.

B. Role and Performance of State Enterprises

24. The number of state enterprises was reduced in a series of mergers and liquidations from 12,000 to 6,000 between 1988 and 1992, and their labor force was cut from 2.7 million to 1.7 million (Table III.1). Nevertheless, the sector's contribution to GDP increased from 25 percent to 27 percent during this period, and further to 30 percent of GDP in 1994, in contrast to the experience of most other transition economies at that time. While these figures

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[2]This chapter was prepared by Wayne Camard and Erik Offerdal.

Table III.1. Vietnam: Selected Data on State Enterprises, 1989-96 1/

	1989	1990	1991	1992	1993	1994	1995	1996
Number of enterprises	12,000	...	...	6,545	6,264	6,019	5,962	6,025
Of which : Industry and construction	3,020	2,762	2,599	2,268	2,030	2,002	1,958	1,880
Value added (percent of GDP)	24.8	23.9	24.4	27.4	28.6	29.5	32.1	31.9
Of which : Industry and construction	14.5	14.2	15.1	17.6	19.0	19.3	19.9	19.6
Excluding oil	12.8	10.5	9.8	11.9	13.9	15.1	16.0	15.6
Industrial production (percent change)	-2.5	6.1	11.8	20.6	14.6	14.7	13.6	12.2
Excluding oil	-8.9	-0.5	6.7	16.1	15.1	15.0	13.8	11.2
Investment in state industry (percent of GDP)	3.4	2.4	2.5	3.3	5.4	4.6	3.1	3.1
State nonagricultural employment	3,306	2,990	2,760	2,638	2,640	2,619	2,707	2,841
Of which : Industry and construction	905	808	704	686	703	699	754	763
State share of nonagricultural employment	31.2	26.1	22.6	19.4	19.4	15.9	15.4	15.4
Government revenue (percent of sectoral GDP)	32.3	36.1	33.0	39.2	41.2	41.0	30.7	30.5
Excluding oil	30.4	32.8	30.7	32.1	35.0	35.7	25.0	24.5
Net budgetary revenue from state enterprises 2/	4.4	6.9	7.9	9.9	11.2	11.6	9.3	9.2
Credit outstanding (trillions of dong)	3.6	5.3	9.1	12.4	15.9	20.5	24.1	26.8
Annual percentage change	111.1	47.1	71.9	36.3	27.7	28.9	17.6	11.3
Of which : Overdue (trillions of dong)	...	...	...	...	1.6	1.9	1.7	2.1
Contracting of commercial foreign loans (millions of U.S. dollars) 3/	...	...	...	...	194	141	477	495

Sources: Vietnamese authorities; and staff estimates.

1/ Includes only enterprises directly held by central and local government, and excludes a substantial number of enterprises held by central organizations (such as the Party) or through shareholding by government organs or by other state enterprises.

2/ Tax and nontax revenue less budgetary transfers. See Table 1 of Chapter V.

3/ Excludes borrowing of joint ventures; short-term borrowing; and L/Cs with maturities over 1 year. With the exception of 1993, almost all of this borrowing was for a term of over five years. Data for 1993 cover only the second half of the year.

reflect the coming-on-stream of oil production and the pensioning-off of old or disabled workers, they still reflect a marked improvement in labor productivity and overall efficiency.

25. The financial results of the sector improved considerably as a result of the reforms. Net transfers to the budget from the enterprises, which had been about zero in 1988, increased steadily to 12 percent of GDP in 1994 because of the elimination of most subsidies and much higher tax collections. The improved cash flow position was confirmed by slower growth in bank credit to the enterprises, concomitant with an increase in investment. The difficulties with arrears that occurred in many transition economies were largely avoided.

26. Despite a slowing of the reform process, output growth remained rapid during 1995-97. State enterprises now contribute about one-third of GDP, although employment has been held below 2.0 million, equivalent to only 15 percent of nonagricultrual employment (Statistical Annex, Table 12). However, a substantial part of recent growth reflects the government policy of encouraging foreign investors to form joint ventures with state enterprises. This is achieved by limiting the ability of foreign firms to establish wholly-owned Vietnamese operations in a range of areas and making it relatively difficult to obtain access to land and credit and overcome administrative hurdles without the preferences afforded to the state enterprise partners. Many joint ventures are highly profitable and employ the latest technology, especially in the highly competitive export sector.

27. However, several factors suggest that the overall financial performance of the sector weakened over the past three years. Performance has been especially weak in the capital intensive sectors of the economy that are dominated by state enterprises including cement, chemicals and steel; anecdotal evidence exists of a large build up of inventories in this area. Second, budgetary contributions declined to less than 10 percent of GDP in 1995-96 (Statistical Annex, Table 17) and 8.5 percent through the first three quarters of 1997. A large share of budgetary contributions originate with a very small share of the total number of enterprises and many enterprises are loss making. Third, there has been a marked increase in the amount of overdue loans to the banking system by the state enterprises and instances where they have defaulted on deferred payment import letters of credit.

C. Reforms During 1988-92[3]

28. During the 1980s, the rapid expansion of credit to state enterprises contributed greatly to excessive overall credit growth and very high inflation. The absence of an effective budget constraint meant that state enterprises could bid aggressively for the inputs they needed, safe in the knowledge that their financing requirements would be readily accommodated by the

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[3]Developments during this period are summarized in Dodsworth et. al., 1996, *Vietnam: Transition to a Market Economy*, IMF Occasional Paper No 135 (Washington: International Monetary Fund).

banking system and the government budget through large subsidies. Several attempts to address the imbalances in the economy failed due to the weakness of enterprise discipline.

29. The initial reforms were motivated by the objective of correcting this disappointing experience. A first key element of them was a substantial increase in enterprise autonomy. Managers were given the authority to set most prices, select appropriate mixes of inputs and outputs, lay off excess workers as long as they followed the guidelines for compensatory payments, and broadly determine their investment programs. Other important changes were to establish a legal framework that was more supportive of their operations; subject all enterprises to more uniform rules of taxation; allow more enterprises to establish trade links or use trade companies of their own choice rather than a prescribed trade channel; and expose all enterprises to more foreign competition through liberalizing the trade regime.

30. The critical element was the decision to harden the budget constraint. Most subsidies to enterprises were sharply cut with the price liberalization and the unification of the exchange rate in 1989. Budgetary funding of working capital and other capital was retained only for a small group of firms experiencing the largest shocks following the CMEA collapse. Implicit interest rate subsidies were removed by gradually raising real lending rates. Bank credit was made more limited for loss-making enterprises, and this measure was backed up by restrictions on bonus and welfare payments by enterprises in arrears. Several tax laws were passed that provided a more solid foundation for the taxes assessed on enterprises and thereby limited the ex post negotiations of tax liabilities, which was a main element in the earlier softening of budget constraints.

D. Policies During 1993-97

31. The successes flowing from the reforms in 1988-92 period removed much of the impetus and interest for further action. Developments over the past few years are increasingly indicating that the inherent weaknesses in the sector have now overtaken initial productivity gains, resulting in deteriorating financial performance. Few market-oriented initiatives have been launched and these have been slow in implementation. A number of steps represent a reversal of earlier hardening of budget constraints, and other key measures to introduce more competition and transparency have been delayed (notably trade liberalization and tax reform). There also appears to be a tendency toward meeting the worsening performance of firms with an increasing number of ad-hoc preferential measures, rather than by measures to address the underlying weaknesses.

32. The State Enterprise Law was passed in 1995, after having gone through a process of 15 redrafts, to provide a coherent blueprint for strengthening the sector by limiting the state's financial responsibility for commercial enterprises, establishing rules to control the creation of new enterprises, improving the monitoring and supervision of enterprises, and allowing greater managerial autonomy. However, it took another two years after passage for the necessary implementing regulations and circulars to be issued by government ministries. The

requirements of the legislation still need to be carried out, especially in the areas of financial and budget reporting practices, mergers, liquidation and dissolution of enterprises.

33. Enterprises were placed in 1995 under the direct supervision of a new department of the Ministry of Finance rather than under the line ministries. However, the Ministry of Finance does not have access to sufficient financial data on the sector or adequate capacity and experience to oversee the large number of enterprises. The end result is considerable remaining state interference in their commercial operations, especially with regard to investment decisions. At the same time, a lack of management accountability and financial discipline allows overstaffing and excessive wage levels.

34. The government also created in 1995 the National Investment Fund to provide preferential credits for selected sectors and disadvantaged regions. Although both private and public sector firms are in principle eligible for loans from this fund, in practice close to 90 percent of the total volume of loans has gone to state enterprises. Moreover, it is not clear that loans are assessed adequately before being granted. While the fund is small and intended to be phased out by 2000, it still represents a bias against the private sector.

35. During 1995-96, nearly half of the state enterprises were grouped under 18 big holding companies known as General Corporations (see Box III.1). In addition, some 80 smaller groupings known as Special Corporations were formed. The goals of these corporations were to reap economies of scale, to limit both monopoly powers and disorderly competition, and to conserve government administrative. Contrary to intention, the grouping of enterprises has introduced a degree of monopoly power and rent-seeking activity. Their creation has reduced efficiency by lowering the flexibility and the autonomy of production decisions of individual firms, and reducing the rewards for healthy firms to operate profitably. These corporations frequently cross-subsidize their constituent firms when problems emerge. The heads of the corporations can also be instructed to carry out specific government projects.

Box III.1. General Corporations

Electricity Corporation of Vietnam
Coal Corporation of Viet Nam
Vietnam Petroleum Corporation
Cement Corporation of Vietnam
Vietnam National Shipping Lines
Vietnam Airline Corporation
Vietnam Post and Telecommunication Corporation
Vietnam Rubber Corporation
Vietnam Steel Corporation
Vietnam Coffee Corporation
Vietnam Tobacco Corporation
Vietnam Paper Corporation
Vietnam Textile and Garment Corporation
Northern Food Corporation
Southern Food Corporation
Vietnam Chemical Corporation
Vietnam National Gem and Gold Corporation
Vietnam Railways Union

36. The program to equitize or partially privatize state enterprises has barely started, although the government issued a decision to proceed with a pilot project as early as 1992. An equitized company would be corporatized and brought under the company law. Crucially, it was to have mixed ownership, with shares sold to workers and to outside investors, but with the state retaining a significant stake as well. The program was opposed by many local authorities, because of concerns about losing the contribution of profitable firms to their budget; by managers, fearing the prospect of losing control over their enterprises; and by workers, managers and officials, all of whom were uncertain about the consequences of equitization, especially with respect to employment. Lack of guidelines for the equitization process and the scarcity of expertise needed to value the firms also slowed the process. Thus, only 17 enterprises have been equitized to date, of which 5 are in industry, 5 in agriculture, 4 in transportation, 2 in construction, and 1 in tourism.

37. Outstanding bank credit to the state-owned enterprises has remained high, at 52 percent of total nongovernment credit in mid-1997, despite measures that succeeded in slowing its rate of growth in recent years (Statistical Annex, Table 21). These included the application of bank-by-bank credit ceilings since 1994, including sublimits on the extension of credit to state enterprises. Moreover, the State Bank raised the refinancing rate for the state-owned commercial banks up to the banks' maximum lending rate, thus discouraging banks from using this facility to fund cheap loans to state enterprises. Nevertheless, many loans have continued to be made without adequate risk appraisal, as evidenced by the rise in nonperforming loans (Statistical Annex, Table 25). The amount of outstanding credit denominated in foreign currency, which represents 50 percent of total credit to state enterprises (Statistical Annex, Table 24) is of particular concern in view of the recent weakening of the exchange value of the dong.

38. During 1997, the number of ad-hoc measures introduced to support state enterprises rose considerably. Steps back from commercially oriented lending, which could impair banking system soundness, included the elimination of collateral requirements for state enterprises when borrowing from a state-owned commercial bank; permitting lending to loss-making firms if a sound business plan is presented; and allowing the roll-over of outstanding credit to enterprises that are facing repayment difficulties. Implicit budgetary support to the sector increased through permitting increases in tax arrears, injecting new working capital from budgetary resources, and initiating the restructuring or write-off of overdue loans to state-owned commercial banks. Temporary import bans were imposed on selected goods that are produced by state enterprises.

E. Agenda for Further Reform

39. A concrete action plan is needed to implement the new government's stated medium-term objectives for state enterprise reform, which include a reduction in the number of firms by one-half and in employment by one-third by the year 2000. The government has indicated its intention to equitize 150-200 firms by end-1998 and it would be useful to publish the full list at an early date and to accelerate the pace of equitization to meet the government's own

goal. Regulations should be prepared to permit the equitization and privatization of large enterprises (which represent one-third of the total number of enterprises). A simplified procedure could be introduced to permit the full divestiture of small enterprises at auction or through employee buyouts.

40. Consideration should be given to dissolving several general corporations that are primarily engaged in business ventures that could be carried out efficiently by the private sector and breaking up and equitizing some of the other conglomerates, either as a single unit or by selling shares of individual firms. The textile and garment corporation, with over 100,000 employees, is almost certainly too large for maximum efficiency in this area. Other candidates for dissolution include the cement, tobacco, and food processing corporations. The government should not establish any new general and special corporations and remaining conglomerates should be subject to private sector competition.

41. All business state enterprises should face hard budget constraints and the array of special privileges ended. This should include the removal of the implicit differences in tax treatment, the reinstatement of collateral requirements for lending to state enterprises, limiting the availability of bank credit to non-profitable enterprises, abolishing subsidized interest rates, eliminating preferential access to land use rights by state enterprises, easing entry restrictions to foster competition from private firms and ending the use of trade policy to shelter specific state enterprises. Major state enterprises should be monitored monthly, all enterprises should be required to publish financial statements annually and loss making enterprises should be closed or restructured with new management.

IV. External Trade Liberalization[4]

A. Reform Objectives

42. Vietnam started reducing tariff and nontariff barriers to international trade in the late 1980s along with other reforms to facilitate the transition from a centrally planned to a market-based economy. Prior to that, most decisions on foreign trade had been made administratively by the central authorities in the context of official protocols generally negotiated annually with CMEA countries. All external trade was handled by a small number of state trading organizations, and was controlled tightly through shipment-by-shipment licenses. Import and export quotas for virtually all goods were allocated administratively to selected state enterprises and cooperatives. A complex system of multiple exchange rates delinked international prices from prices officially set in Vietnam.

43. The dismantling of trade barriers has proceeded more rapidly on the export side, consistent with the aim of expanding and diversifying the export sector following the loss of CMEA markets. Nevertheless, a number of export bans, quotas and taxes remain in effect, most of which provide discriminatory advantages to state enterprises. For the same purpose, there are still important barriers to entry for private businesses. In particular, enterprises are required to have staff with appropriate skills and minimum working capital equivalent to $200,000 to engage in foreign trade. An approval from the local People's Committee (local government), who often have their own trading enterprises, is also required before business licenses are issued to private firms.

44. Progress in reducing import tariffs and quantitative import restrictions has been modest in recent years confirming that Vietnam has not abandoned efforts to nurture selected domestic industries behind trade protection, especially in sectors dominated by state enterprises. The authorities acknowledge that such industries may not have sufficient incentives to improve product quality and cut costs, and this strategy may lead to resource misallocation and encourage rent-seeking. However, they take the view that dismantling of many of these barriers can only be completed gradually, in conjunction with improved retraining facilities and a more comprehensive social safety net.

B. Export Restrictions

45. Priority was given from 1989 to the removal of export barriers in order to encourage sales to the convertible currency area. Quotas were removed in that year on all but 7 exported goods (rice, coffee, peanuts, rubber, coconut meat and oil, logs and lumber and metals and metal waste) and the number of export commodities subject to duties was cut from 30 to 12. Export subsidies were eliminated with the unification and devaluation of the exchange rate.

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[4]This chapter was prepared by Hisanobu Shishido.

State enterprises were no longer obliged to fulfill their minimum export targets vis-à-vis CMEA partners before being authorized to export to the convertible currency area.

46. Most remaining export bans and quotas were eased in a gradual manner during 1990-97 but not entirely eliminated. Export bans have been retained—partly for environmental, health and security reasons—on several types of goods (weapons, ammunition, explosives, drugs, toxic chemicals, logs and certain wood products). Export quotas have been kept on rice to limit private sector participation in the trade. Quotas also apply to textiles and garments to the European Union, Norway, Canada and Turkey because of stipulations by the market countries, in accordance with the Multi-Fiber Agreement. The garment and textile export quotas are allocated mostly to state sector producers. Export shipment licenses continue to be required for rice, timber and crude oil. Export taxes are imposed on rice (1 percent), timber (10-15 percent), bamboo (20 percent), crude oil (4 percent) and scrap metals (35-45 percent).

C. Import Tariffs

47. Import tariffs were first introduced in 1988 with the enactment of the Law of Import and Export Duties; until then, trade related fiscal revenues were mostly direct contributions from state trading enterprises. Tariffs were initially imposed on 124 commodities, with rates of between 5-50 percent. The maximum tariff was increased in 1989 to 120 percent for some luxury goods, but the tariff coverage was reduced to 80 commodities. Subsequently, the tariff gained importance as an instrument to protect domestic industries; the maximum rate was increased to 150 percent in 1993 and 200 percent in 1994. The coverage of the import tariff was progressively increased to more than 3000 items. In 1996, the maximum tariff for most items was lowered but it remains high at 60 percent.[5] In addition, a new 100 percent excise was imposed on imported cars to encourage domestic production.[6]

48. The tariff rate structure is complex with almost 30 bands, and rates are subject to frequent and piecemeal adjustments often in response to perceived short-term economic needs of specific industries. At the same time, many commodities are exempt from customs duties, often based on negotiations for individual investment projects. Typically, changes are designed to favor state enterprises.

49. It is recognized that such a tariff structure is not consistent with an efficient business climate, especially because it increases the burden of customs administration. The perception

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[5]Second hand clothes still carried a tariff rate of 100 percent. Some types of soft drinks and bicycles also carry rates higher than 60 percent.

[6]Excises had previously been levied only on domestic production of cigarettes, alcoholic beverages and firecrackers. Since imports of these products were negligible or prohibited, the excises per se were not a factor significantly affecting protection.

that protection and exemptions can be obtained through negotiation, especially for state enterprises, impedes competition and increases the resources devoted to lobbying activities. Frequent and often unannounced rate adjustments jeopardize policy stability and transparency, thereby reducing the incentive to invest. The tariff system's budgetary goal also appears adversely affected by the complex system. Protection is further raised because of the use of government reference prices for import valuation purposes.

D. Quantitative Import Controls

50. Early reform efforts to reduce quantitative import controls started with the removal of bans except for commodities where environmental, health, and security concerns were considered to be important. These presently cover drugs, toxic chemicals, undesirable cultural material, firecrackers and toys harmful to children, cigarettes, used consumer goods (excluding motorcycles and cars with less than 12 seats), vehicles with right-hand drive, and used spare parts of automobiles and motorcycles.

51. Commodities subject to quotas were reduced to twelve groups in 1989, and then gradually to five groups in 1996 (cement, petroleum products, fertilizer, sugar and steel). Construction glass and paper products were added in 1997. The value of import quotas for each of the controlled commodities is derived through an attempt to equate projected domestic demand with the sum of domestic supply (based on projected production and existing stocks) and imports; this is essentially a legacy of material balancing under central planning. Since producers of the controlled commodities are mostly large state enterprises, limited imports protect them by assuring domestic markets at a reasonable price for their products. Large established state enterprises are also given priorities in the allocation of imported goods under permits.

52. The government maintains strict import licencing over a wide range of consumer goods. While the authorities announced an intention to convert them into tariffs in early 1997, this action was not implemented. Import shipment licenses, which used to be employed to manage all imports, were largely eliminated in early 1996. However, line ministries retain the power to certify imports of certain goods for health, safety and environmental reasons including mineral and ores, pharmaceutical products and live animals. This system can easily be used to restrict imports.

53. Non-tariff barriers continue to be applied flexibly at the discretion of the authorities. Temporary import bans on certain consumer goods, and cars and motor bikes were often imposed during the early 1990s depending on the market demand situation. Following a sizable trade deficit in 1996, the authorities again increased the use of quantitative restrictions to stem import growth. Temporary import bans were introduced during May-July 1997 for selected commodities purportedly with large domestic stocks, including cement, certain types of transparent glass, paper, steel, automobiles with less than 12 seats, motorcycles, sugar, bicycles, electric fans, beer, beverages, and confectionery.

E. Next Steps

54. The future reform agenda for Vietnam's trade policy should focus on making the trade regime more open and neutral and eliminating the discretionary element from the way the system is managed. This will promote the dismantling of nontransparent protection for selected state enterprises, encourage competition and product improvements, and provide consumers with wider and less expensive choices. It will also reduce the potential scope for smuggling and corruption. Without progress on the trade liberalization front, state enterprise reform objectives will not be met; protected state enterprises will continue to have performance problems, investment will continue to be inefficient and the burden of future adjustment will consequently be larger.

55. Steady reduction of the maximum tariff rate is a high priority action. Vietnam has made commitments under the ASEAN Free Trade Agreement with regard to tariff reductions in the period up to 2006 but has claimed many exemptions to slow the pace of import liberalization (Box 1). The number of tariff bands also needs to be reduced to less than 10 as soon as possible, with a view to reducing it further to 3-4 within a limited period of time. Virtually all of the remaining quantitative restrictions should be eliminated. Discontinuing the system of import permits based on balancing domestic demand and supply would reduce the ability of the government to protect poorly performing state enterprises.

56. Existing export quotas should be auctioned so that the most efficient exporters could fill these quotas and the authorities capture the rent associated with the MFA restrictions imposed externally. Entry to foreign trade business should be further liberalized through the removal of the staffing and minimum working capital requirements.

V. Tax Reform[7]

A. Introduction

57. Vietnam started to modernize the tax system in the late 1980s along with other measures to transform the centrally planned economy. Until then all taxes were based on administrative decrees rather than enacted laws. Three quarters of revenues were transfers from state enterprises, collected in the form of turnover tax, profit tax, commodity tax (excises), and depreciation allowances (Table V.1). However, these distinctions meant little in practice as the authorities had full control on prices of inputs and outputs, and the total amount of transfers to the budget was negotiated between government officials and individual enterprises. The surplus of state enterprises was enhanced by explicit budgetary subsidies, easy access to low interest credit and inexpensive imports from CMEA countries.

58. During 1989-91, a number of laws were enacted to replace the old decree-based taxes. The new taxes related to import and export duties, turnover tax, excise tax, profit tax, agriculture land use tax, and tax on the transfer of land use rights. There were also ordinances on income tax for high income earners, natural resource tax, and land and housing taxes. These actions were designed to raise sufficient fiscal revenues to support critical infrastructure and human capital development, while introducing elements of a modern tax system for a market economy. In addition, the authorities improved tax administration, including more systematic efforts to collect from non-state enterprises.

59. Fiscal revenue increased from 13 percent of GDP in 1988 to 24 percent in 1994 and more than 80 percent of total domestic revenues by then comprised tax collection (Table V.1). Taxes on international trade increased from about 1 percent to 6 percent of GDP, as tariffs replaced quantitative trade restrictions. Taxes on non-state enterprises and joint ventures increased from less than 2 percent to 4 percent of GDP, reflecting increased private and foreign business activities. Revenue from state enterprises increased from 8-9 percent to 12 percent of GDP boosted by structural reforms that strengthened their financial performance and rapidly increasing revenues from crude oil. In combination with drastically reduced subsidies, the sector's net contribution to the budget increased from zero in 1988 to 12 percent of GDP in 1994.

60. Since the peak in 1994, budgetary revenue has declined by 4 percentage points to 20 percent of GDP. This is closely linked to the deterioration in the financial performance of the state enterprise sector. The authorities also reduced the tax burden on the sector so that more earnings could be retained and invested by the enterprises. As part of these efforts, the authorities announced at the Party Congress in 1996 that a formal revenue cap of 20-21 percent of GDP would be adopted. While this cap was later officially removed, the authorities have continued to lower revenue mobilization from state enterprises by reducing

[7]This chapter was prepared by Hisanobu Shishido.

Table V.1. Vietnam: Revenue Structure, 1988-96

(In percent of GDP)

	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total domestic revenue	13.1	16.0	16.1	14.4	18.3	21.6	24.0	23.2	22.9
Tax revenue	3.4	4.5	4.4	11.6	13.2	17.4	19.0	19.0	19.5
State enterprises	0.0	0.0	0.0	7.6	8.2	9.3	9.1	8.5	8.8
Nonagricultural private sector	1.4	1.8	1.7	1.4	1.8	2.5	2.7	2.9	3.1
Agricultural tax	1.0	1.3	0.8	1.0	1.2	1.0	0.7	0.7	0.7
Taxes on international trade	1.0	1.5	1.9	1.6	2.0	4.3	5.9	6.0	5.8
Joint-ventures and others	0.0	0.0	0.0	0.0	0.0	0.3	0.7	1.0	1.1
Nontax revenue	9.7	11.5	11.7	2.8	5.1	4.2	5.0	4.2	3.4
State enterprises	8.4	9.2	9.5	1.3	2.5	2.5	2.9	1.3	1.0
Other nontax revenue	1.3	2.3	2.2	1.5	2.5	1.8	2.1	2.9	2.5
Memorandum items:									
Net transfer from state enterprises	-0.1	4.4	6.9	7.9	9.9	11.2	11.6	9.3	9.2
Tax and non-tax revenue from state enterprises	8.4	9.2	9.5	8.9	10.8	11.8	12.1	9.8	9.7
Budgetary transfers to state enterprises	8.5	4.8	2.6	1.0	0.9	0.6	0.5	0.5	0.5

Sources : Ministry of Finance and staff estimates.

the collection of capital user fees,[8] and introducing accelerated depreciation of assets (which benefit only capital intensive state enterprises). In addition, they have continued to negotiate with state enterprises on a discretionary basis often to reduce tax payments of enterprises in financial difficulties[9]. This means that the tax system continues to lack in transparency.

B. Structure of the Tax System

61. The present composition of budgetary revenue is about 60 percent in the form of indirect taxes, 20 percent in the form of direct taxes and 20 percent in the form of nontax revenue. Overall revenue performance continues to depend crucially on contributions from the state enterprise sector. Two thirds of turnover tax and excises is collected from state enterprises; an additional 9 percent of total revenue is collected from foreign investors who often form joint ventures with state enterprises; and direct taxes are dominated by enterprise profit tax. While the sectoral origin of international trade taxes and taxes on land use or transfers of land use rights cannot be identified with the current data base, it can safely be assumed that majority of these taxes are also paid by state enterprises.

Taxes on goods and services

62. Domestic taxation on goods and services, which now yield 12 percent of GDP, consists of the turnover tax and the special consumption tax (excises that used to be called special commodity tax). The turnover tax was first introduced in 1953 with rates that differed by product, region, and ownership (state or non-state). A new turnover tax was enacted in July 1990, as a cascading tax covering a broad range of products including producer inputs, consumer goods, and services. The number of rates was reduced in 1995 from 18 rates ranging from zero to 40 percent to 11 with the highest rate reduced to 30 percent but the system remains complex. Agricultural products, excisable goods (at the production phase where the excises apply) and financial services were exempt from the tax. From 1991, retailers and wholesalers were given an option to be taxed on profit margins at higher rates rather than pay the tax on full turnover.

63. Special consumption tax (excise) is levied ad valorem on the producers' ex-factory prices of socially undesirable goods and some imports. Excisable goods were reduced from 22 categories in the early 1990s to 6 categories (cigarettes, beer, other alcoholic beverages, cars, gasoline and firecrackers, use of which is currently banned). Of these, the only domestic products subject to excise are cigarettes, beer, alcoholic beverages and firecrackers. Imported cars and gasoline were added to the list in 1996. Excises that are not levied equally on

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[8]Although called fees, they are equivalent to interest payments on government contributed capital assets of state enterprises.

[9]The authorities have also resorted to *ad hoc* trade restrictions and credit policies to protect state enterprises. These policies jeopardize both efficiency and revenue performance.

domestic products and imports could have an anomalous impact on protection. In particular, the recently imposed 100 percent excise on imported cars increases the protection of foreign-invested domestic assembly lines significantly.

Income and profit taxes

64. Revenue from personal income tax is limited to less than 1 percent of GDP. The tax introduced for the first time in 1990 has separate schedules for Vietnamese nationals rates of which are 0-60 percent, and for foreigners living in Vietnam with the maximum rate of 50 percent. The threshold income for taxation for Vietnamese is very high at the equivalent of about six times per capita income. The definition of taxable income is also narrow despite recent improvements. The tax base excludes interest and rental incomes and is largely limited to wage income of workers in the modern corporate sector, especially those employed in foreign invested firms. However, Vietnamese with higher than a specified level income (D 8 million or $700 per month, net of regular income tax payment) are taxed an additional 30 percent on the excess income (called supplementary tax); for these taxpayers, the marginal rate exceeds 70 percent.

65. Taxation of the enterprise sector which is equivalent to 3 percent of GDP, has been streamlined in phases. Profit tax for nonstate enterprises during the 1980s had ten rates for each of three sectors (production, commercial and services). The Law of Profit Tax (1990) imposed essentially the same schedule for both state and non-state enterprises and the rate structure was simplified. Still, there are currently three rates (25 percent for heavy industry, mining and forestry, 35 percent for light manufacturing and 45 percent for services). In addition, enterprises are levied an excess profit tax of 30-40 percent when their profits exceed a ceiling set by the authorities. Small household businesses pay 1- 2 percent of turnover as profit tax (in addition to turnover tax), and pay an excess profit tax of 25 percent when their taxable income exceeds a fixed sum. Foreign invested firms, in accordance with the Law on Foreign Investment, face different and lower tax rates (10, 20, and 25 percent), but they pay 5-10 percent tax on profit remittances. Both domestic and foreign firms presently enjoy fiscal incentives—new firms are entitled to tax holidays of 1-4 years (depending on the sector and location) from the first year of profit followed by a 50 percent tax reduction for a period of similar length.

C. Future Reform Agenda

66. The increase in revenue in relation to GDP in the early 1990s was a major achievement for an economy with very low per capita income. However, subsequent progress in reform has been limited, the tax structure remains complex, revenues are still on state enterprises dependent and coverage of the private sector is inadequate. Moreover, the authorities continue to use taxes as instruments to realize their short- and medium-term priorities on a discretionary basis. The next steps of tax reform thus need to increase the efficiency of the tax system by lowering rates and rate dispersion, broadening the tax base, enhancing consistency among different tax instruments and applying equally the same tax schedules to all individuals

and enterprises. Transparency in tax management should be increased in particular by reducing the authorities' capacity to use taxes on a discretionary basis and emphasizing the improvement of tax administration in order to discourage evasion and inefficiency.

Value-added tax

67. The National Assembly voted in 1997 that a value-added tax (VAT) with three positive rates (5, 10, and 20 percent) would be implemented from January 1999. The Fund's Fiscal Affairs Department is providing technical assistance for its effective implementation. In this regard, appropriate implementing decrees and regulations need to be drafted carefully to limit the number of initial VAT payers consistent with the resources of the tax administration, rely on voluntary compliance and self-assessment, and permit a single declaration of imports to be made at Customs for value-added tax excises and customs duties and collection of all these payments prior to the release of goods from Customs. In the longer run, considerations should be given to simplifying the VAT rate structure preferably to one positive rate and a zero rate for exports. Furthermore, the categories of goods and services to be exempt from VAT could be reduced.

68. Excises should be levied equally to domestic and imported commodities to avoid unintended or anomalous impacts on protection. Motorbikes and other petroleum goods (only gasoline is excised now) should be added to the list of excisables, which would enable the tax to function as an instrument for pollution control, resource conservation and equity. This addition would also serve to increase budgetary revenues.

Enterprise income tax

69. The National Assembly passed in 1997 the Enterprise Income Tax Law to become effective at the beginning of 1999, with a view to equalizing the tax burden on all enterprises . It provides for unification, in principle, of the rate applied on the income of all domestic firms at 32 percent. However, there are still a number of special rates including 50 percent for oil and gas industries; 33-50 percent for those engaged in exploitation of rare and precious natural resources; and preferential rates ranging from 15-25 percent. An additional 25 percent tax will be paid by businesses deriving high income due to what are called preferential business conditions, such as monopoly positions. Foreign invested firms will continue to enjoy lower rates based on the Law of Foreign Investment.

70. The next stage of reform for the authorities is to make uniform the enterprise income tax rate for both domestic and foreign firms. This means elimination of many of the income tax rates for domestic firms other than 32 percent, including the excess profit tax. The same standard rate should be applicable to foreign invested firms and the profit remittance tax removed. The authorities should continue to limit the use of tax holidays and preferential rates for new firms, and make them strictly time bound. Finally, there should be no room for a state enterprise to negotiate informally the amount of tax it pays.

71. The marginal rate for personal income tax is above 70 percent when supplementary tax is taken into account—much higher than that of the new enterprise income tax rate—which may encourage switching of declared income from personal to enterprise income tax. The authorities have stated that personal income tax structure need to be simple and the rate for the highest income bracket needs to be adjusted to be close to the corporate income tax rate. The government has already decided to discontinue the supplementary income tax in 1998 and intends to include interest and rental incomes into the taxable base in the near future. Any practice of separate taxation of irregular income will be discontinued. In addition, given the relatively high threshold of personal income, consideration should be given to lowering it to enlarge the tax base.

INTERNATIONAL MONETARY FUND

VIETNAM

Statistical Annex

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December 16, 1997

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Table 1. Vietnam: Gross Domestic Product by Expenditure Categories, 1992-96

	1992	1993	1994	1995	1996
	(In billions of dong at current prices)				
GDP	110,535	136,571	170,258	222,840	258,609
Domestic demand	107,725	141,561	183,113	246,967	293,956
Gross capital formation	19,498	34,020	43,375	60,488	72,117
Government	6,450	9,600	9,215	12,479	17,068
Nongovernment	13,048	24,420	34,160	48,009	55,049
Foreign direct (gross)	2,907	8,852	11,637	16,776	20,001
Other private investment	10,141	15,568	22,523	31,233	35,048
Consumption	88,227	107,541	139,738	186,479	221,839
Government	6,371	10,279	14,055	18,070	18,908
Private	81,856	97,262	125,683	168,409	202,931
Trade balance	2,810	-4,990	-12,855	-24,127	-35,347
Exports	35,767	39,974	58,590	83,958	110,827
Imports	-32,957	-44,965	-71,445	-108,085	-146,174
	(In percent of GDP)				
GDP	100.0	100.0	100.0	100.0	100.0
Domestic demand	97.5	103.7	107.6	110.8	113.7
Gross capital formation	17.6	24.9	25.5	27.1	27.9
Government	5.8	7.0	0.0	5.6	6.6
Private	11.8	17.9	20.1	21.5	21.3
Foreign direct	2.6	6.5	6.8	7.5	7.7
Other private investment	9.2	11.4	13.2	14.0	13.6
Consumption	79.8	78.7	82.1	83.7	85.8
Government	5.8	7.5	8.3	8.1	7.3
Private	74.1	71.2	73.8	75.6	78.5
Trade balance	2.5	-3.7	-7.6	-10.8	-13.7
Exports	32.4	29.3	34.4	37.7	53.0
Imports	-29.8	-32.9	-42.0	-48.5	-64.3
	(Percent growth)				
Memorandum items: 1/					
Gross domestic product	8.6	8.1	8.8	9.5	9.3
Real domestic demand	7.4	15.0	13.0	12.9	12.2
Real gross capital formation	27.8	52.7	11.4	16.7	12.4
Real per capita consumption	8.8	1.6	10.5	9.9	11.5
GDP deflator	32.6	14.3	14.5	19.5	6.1

Sources: General Statistical Office; and staff estimates.

1/ The GDP deflator was used in the conversion of nominal values to real values.

Table 2. Vietnam: Gross Domestic Product and Deflators by Sectoral Origin and Ownership at Current Prices, 1992-96

	1992	1993	1994	1995	1996
	(In billions of dong at current prices)				
Gross Domestic Product	110,535	136,571	170,258	222,840	258,609
State	40,041	53,505	68,503	94,210	110,220
Excluding oil and state management	23,990	32,263	43,081	63,107	73,204
Non-state	70,494	83,066	101,755	128,630	148,389
Agriculture	37,513	40,796	48,865	63,219	70,334
State	1,049	1,162	1,440	1,711	2,030
Non-state	36,464	39,634	47,425	61,508	68,304
Industry and Construction	30,135	39,472	50,481	66,804	79,501
State	19,494	25,947	32,929	44,332	50,801
Excluding oil	13,116	19,038	25,667	35,704	40,292
Non-state	10,641	13,525	17,552	22,472	28,700
Services	42,887	56,303	70,912	92,817	108,774
State	19,498	26,396	34,134	48,167	57,389
Excluding state management	9,825	12,063	15,974	25,692	28,250
Non-state	23,389	29,907	36,778	44,650	51,385
Transport and postal service	4,662	6,036	6,924	8,747	10,634
Trade, retail	15,281	17,549	23,072	29,198	33,974
Finance, insurance	1,567	2,318	3,450	5,314	6,127
State management, health, science, and education	9,718	14,402	18,270	22,770	27,694
Housing, tourism and repairs	11,659	15,998	19,196	26,788	30,345
	(Share in GDP, in percent)				
Goods	61.2	58.8	58.4	58.3	57.9
Industry and construction	27.3	28.9	29.6	30.0	30.7
Agriculture, forestry	33.9	29.9	28.7	28.4	27.2
Services	38.8	41.2	41.6	41.7	42.1
	(Deflator percent change)				
GDP	32.6	14.3	14.5	19.5	6.1
Agriculture	12.8	4.7	15.3	23.1	6.5
Industry and construction	44.8	15.8	12.2	16.1	4.0
Services	46.3	20.2	14.3	18.3	6.5

Source: General Statistical Office.

Table 3. Vietnam: Gross Domestic Product by Sectoral Origin and Ownership at Constant Prices, 1992-96

	1992	1993	1994	1995	1996
	(In billions of dong at 1989 prices)				
Gross Domestic Product	33,987	36,735	39,982	43,797	47,888
State	11,661	13,012	14,679	16,791	18,862
Excluding oil and state management	6,621	7,397	8,350	9,941	11,870
Non-state	22,326	23,723	25,303	27,006	29,026
Agriculture	13,132	13,634	14,169	14,892	15,551
State	322	345	369	443	668
Non-state	12,810	13,289	13,800	14,449	14,883
Industry and Construction	8,238	9,324	10,631	12,114	13,861
State	5,611	6,436	7,372	8,554	9,787
Excluding oil:	2,813	3,226	3,708	4,546	5,159
Non-state	2,627	2,888	3,259	3,560	4,074
Services	12,617	13,777	15,182	16,792	18,476
State	5,728	6,231	6,938	7,794	8,407
Excluding state management	2,707	2,933	3,207	3,740	4,263
Non-state	6,889	7,546	8,244	8,998	10,069
Transport and postal service	842	897	960	1,066	1,183
Trade, retail	3,877	4,109	4,478	4,981	5,559
Finance, insurance	496	578	710	906	961
State management, health, science, and education	3,040	3,322	3,760	4,144	4,537
Housing, tourism and repairs	4,362	4,871	5,274	5,695	6,236
	(Annual change in percent)				
Gross Domestic Product	8.6	8.1	8.8	9.5	9.3
State	12.4	11.6	12.8	14.4	12.3
Excluding oil and state management	8.9	11.7	12.9	19.1	19.4
Non-state	6.8	6.3	6.7	6.7	7.5
Agriculture	7.1	3.8	3.9	5.1	4.4
Industry and Construction	14.0	13.2	14.0	13.9	14.4
Services	7.0	9.2	10.2	10.6	10.0

Source: General Statistical Office.

Table 4: Vietnam: Retail Price Inflation, 1992-97
(12-month percentage changes)

	Overall Index	Goods	Food: All Food	Food: Staples 1/	Food: Other Food	Consumer Goods	Services
1992 December	17.5	14.1	7.8	-14.7	20.9	14.1	41.0
1993 December	5.2	3.1	6.9	6.5	7.2	3.6	18.9
1994 December	14.5	14.8	23.6	39.1	16.2	6.1	13.0
1995 December	13.0	13.5	19.8	20.4	19.2	6.9	9.8
1996 January	9.9	9.8	14.0	14.4	13.7	5.3	9.8
February	9.0	8.8	12.3	15.6	10.7	5.1	9.0
March	9.7	9.5	13.6	17.3	11.8	5.1	9.9
April	8.6	8.4	11.9	14.6	10.4	4.7	8.9
May	6.1	5.7	7.8	8.8	7.2	3.5	7.8
June	4.8	4.1	5.0	5.5	4.7	3.0	8.0
July	4.0	3.4	4.1	2.8	4.6	2.6	7.5
August	3.2	2.6	2.6	0.0	3.9	2.4	7.6
September	2.9	2.3	1.8	-2.8	4.1	2.7	7.2
October	2.9	2.2	1.8	-3.2	4.3	2.6	7.6
November	3.7	3.1	3.2	-0.3	4.9	2.9	7.8
December	4.4	3.9	4.4	0.4	6.3	3.2	8.2
1997 January	4.3	3.8	3.8	-0.9	6.2	3.7	8.2
February	3.6	2.7	2.1	-5.0	5.7	3.3	9.6
March	2.3	1.2	-0.9	-7.1	2.2	3.6	8.9
April	1.5	0.3	-2.6	-9.5	0.9	3.4	9.5
May	1.5	0.2	-2.9	-10.2	0.8	3.6	10.0
June	2.1	1.1	-1.9	-8.6	1.5	4.3	9.3
July	3.0	2.1	-0.3	-3.5	1.2	4.7	9.3
August	3.6	2.8	1.1	0.3	1.4	4.6	9.0
September	3.9	3.2	2.2	1.9	2.2	4.2	9.2
October	4.2	3.5	2.9	3.0	2.8	4.1	8.8
November	3.6	2.9	1.6	0.6	2.0	4.2	8.6
			(Percent of total)				
Memorandum item:							
Weights in index	100	87	45	15	30	42	13

Sources: General Statistical Office; and staff calculations.

1/ Stapes comprise rice, maize, sweet potato, cassava and potato.

Table 5. Vietnam: Value of Gross Agricultural Production, 1992-96

	1992	1993	1994	1995	1996
	(In billions of dong at 1989 prices)				
Total	15,973	17,033	17,856	19,023	20,012
Food crops	10,057	10,635	10,935	11,482	12,093
Paddy and other cereals	8,281	8,747	8,999	9,431	10,000
Vegetables and beans	772	824	856	942	961
Fruits	1,004	1,064	1,080	1,110	1,132
Other	371	393	393	397	394
Industrial crops	1,903	2,158	2,473	2,908	3,065
Animal husbandry	3,642	3,847	4,055	4,237	4,461
	(Percent change)				
Total	4.0	6.6	4.8	6.5	5.2
Food crops	8.4	5.7	2.8	5.0	5.3
Paddy and other cereals	9.8	5.6	2.9	4.8	6.0
Vegetables and beans	2.1	6.7	3.9	10.0	2.1
Fruits	2.7	6.0	1.5	2.7	2.0
Other	14.7	5.9	0.2	0.8	-0.6
Industrial crops	-0.5	13.4	14.6	17.6	5.4
Animal husbandry	-5.3	5.6	5.4	4.5	5.3

Source: General Statistical Office.

Table 6. Vietnam: Production of Food Staples, 1992-96

	1992	1993	1994	1995	1996
	(In thousands of metric tons)				
Total production	24,215	25,502	26,199	27,571	29,218
By product					
Rice paddy	21,590	22,837	23,528	24,964	26,397
Spring crop	9,153	9,036	10,504	10,737	12,210
Autumn crop	4,910	5,633	5,630	6,501	6,879
Winter crop	7,527	8,168	7,395	7,726	7,309
Other staples (Rice equivalent units)	2,624	2,665	2,670	2,607	2,821
Other staples (Gross output)	6,168	5,996	5,667	5,334	5,301
Maize	748	882	1,144	1,177	1,537
Sweet potato	2,593	2,405	1,906	1,686	1,697
Cassava	2,568	2,450	2,358	2,212	2,067
Potatoes	259	259	259	260	...
By region					
North	9,701	10,798	9,883	10,576	10,927
South	14,514	14,704	16,316	16,995	18,291
	(In thousands of hectares)				
Total area cultivated	7,707	7,777	7,826	7,973	8,217
By product					
Rice paddy	6,475	6,560	6,599	6,766	7,021
Maize	479	496	535	557	615
Sweet Potato	405	387	344	305	303
Cassava	284	278	279	278	276
Other	64	56	70	68	3
By region					
North	3,398	3,391	3,338	3,333	3,338
South	4,309	4,386	4,489	4,640	4,879
	(In metric tons per hectare)				
Yield					
By product					
Rice paddy	3.3	3.5	3.6	3.7	3.8
Maize	1.6	1.8	2.1	2.1	2.5
Sweet Potato	6.4	6.2	5.5	5.5	5.6
Cassava	9.0	8.8	8.4	8.0	7.5
By region					
North	2.9	3.2	3.0	3.2	3.3
South	3.4	3.4	3.6	3.7	3.7
	(Percentage change)				
Rice paddy	10.0	5.8	3.0	6.1	5.7
Other staples (Rice equivalent units)	10.8	1.6	0.2	-2.4	8.2
Memorandum items:					
Per capita production: (Metric tons)					
Total staples	349	359	361	373	388
Rice	311	322	324	338	350
Other staples	38	38	37	35	37
Other staples/total (Percent)	11	10	10	9	10

Sources: General Statistical Office; and staff estimates.

Table 7. Vietnam: Industrial Crop Production and Livestock, 1992-96

	1992	1993	1994	1995	1996
	(In thousands of metric tons)				
Production of annual crops					
Sugarcane	6,437	6,083	7,550	10,711	11,372
Peanuts	227	259	294	334	358
Soybeans	80	106	125	126	114
Tobacco	27	20	22	28	24
Production of perennial crops					
Tea	36	38	42	40	47
Coffee	119	136	180	218	253
Rubber	67	97	129	123	146
	(Percentage change)				
Production					
Sugarcane	5.0	-5.5	24.1	41.9	6.2
Peanuts	-3.5	14.4	13.5	13.6	7.0
Soybeans	0.0	32.1	17.8	0.8	-9.3
Tobacco	-24.2	-25.6	6.9	27.6	-15.2
Tea	9.4	4.1	11.4	-4.3	16.4
Coffee	77.6	14.3	32.4	21.1	16.1
Rubber	3.9	44.6	32.9	-4.7	19.0
	(In thousands of hectares)				
Area cultivated					
Annual crops	535	555	613	674	651
Of which: Sugarcane	147	143	167	225	237
Of which: Peanuts	217	217	248	260	263
Of which: Soybeans	97	120	132	121	110
Of which: Tobacco	31	24	25	28	24
Perennial crops	583	615	632	704	811
Of which: Tea	63	63	67	67	75
Of which: Coffee	104	101	124	186	254
Of which: Rubber	212	242	258	278	303
	(In millions of heads)				
Livestock					
Buffalo	2.9	3.0	3.0	3.0	3.0
Cattle	3.2	3.3	3.5	3.6	3.8
Pigs (over two months old)	13.9	14.9	15.6	16.3	16.9
Poultry	124.5	133.4	137.8	142.1	151.4

Sources: Ministry of Agriculture and Forestry and General Statistical Office.

Table 8. Vietnam: Gross Industrial Production, 1992-96

	1992	1993	1994	1995	1996
	(In billions of dong at 1989 prices)				
Gross industrial output	18,115	20,410	23,215	26,687	30,993
Energy, combustibles	4,124	4,625	5,277	6,053	6,948
Electricity	1,161	1,282	1,478	1,760	1,985
Fuel industry	2,963	3,343	3,799	4,293	4,963
Machinery and metallurgy	1,375	1,664	1,830	2,086	2,939
Metallurgy (ferrous)	221	287	294	398	517
Metallurgy (non-ferrous)	186	203	167	185	231
Equipment and machines	668	766	876	971	1,584
Electronics	300	408	493	532	607
Chemical, fertilizer and rubber	1,355	1,615	1,987	2,292	2,645
Construction and materials	2,863	3,182	3,966	4,774	5,433
Manufactured and other metal products	327	361	483	583	693
Building materials	1,383	1,601	1,957	2,280	2,599
Processed wood and forestry products	610	607	803	1,052	1,169
Cellulose and paper	338	374	442	566	648
Glass, earthenware and porcelain	205	239	281	293	324
Food and foodstuffs	6,140	6,841	7,091	8,006	9,070
Food	562	563	780	879	995
Foodstuffs	5,578	6,278	6,311	7,127	8,075
Textiles, leather, printing	1,891	2,086	2,635	3,083	3,512
Fabric	1,423	1,438	1,624	1,634	1,871
Garment	262	368	556	726	824
Tanning and leather products	78	128	213	400	456
Printing	128	152	242	323	361
Others	367	398	430	394	447
	(Percent change)				
Gross industrial output	17.1	12.7	13.7	15.0	16.1
Energy, combustibles	27.2	12.1	14.1	14.7	14.8
Electricity	5.5	10.4	15.3	19.1	12.8
Fuel industry	38.4	12.8	13.6	13.0	15.6
Machinery and metallurgy	16.0	21.0	10.0	14.0	40.9
Chemical, fertilizer and rubber	21.6	19.2	23.1	15.3	15.4
Construction and materials	12.4	11.1	24.6	20.4	13.8
Building materials	18.7	15.8	22.2	16.5	14.0
Food and foodstuffs	14.2	11.4	3.7	12.9	13.3
Textiles, leather, printing	13.9	10.3	26.3	17.0	13.9
Others	6.7	8.4	8.0	-8.3	13.3

Source: General Statistical Office.

Table 9. Vietnam: Industrial Production by Sector and Ownership, 1992-96

	1992	1993	1994	1995	1996
			(In billions of dong at 1989 prices)		
Total	18,115	20,410	23,215	26,687	30,993
State sector	12,779	14,643	16,797	19,082	21,413
Excluding fuel	9,816	11,300	12,998	14,789	16,451
Central	9,155	10,602	12,128	13,824	15,759
Local	3,624	4,041	4,669	5,258	5,654
Nonstate sector	5,336	5,767	6,419	7,605	9,580
			(Share in percent)		
Total	100.0	100.0	100.0	100.0	100.0
State sector	70.5	71.7	72.4	71.5	69.1
Excluding fuel	54.2	55.4	56.0	55.4	53.1
Central	50.5	51.9	52.2	51.8	50.8
Local	20.0	19.8	20.1	19.7	18.2
Nonstate sector	29.5	28.3	27.6	28.5	30.9
			(Growth rates in percent)		
Total	17.1	12.7	13.7	15.0	16.1
State sector	20.6	14.6	14.7	13.6	12.2
Excluding fuel	16.1	15.1	15.0	13.8	11.2
Central	23.1	15.8	14.4	14.0	14.0
Local	14.6	11.5	15.6	12.6	7.5
Nonstate sector	9.5	8.1	11.3	18.5	26.0
			(In units)		
Number of state enterprises	2,268	2,030	2,002	1,958	1,880
Central	537	522	528	549	553
Provincial and local	1,731	1,508	1,474	1,409	1,327
Number of non-state enterprises	374,837	461,475	499,603	612,977	623,710
Cooperatives	5,723	5,287	1,648	1,093	1,023
Private enterprises	1,114	3,322	4,909	5,327	5,832
Household enterprises	368,000	452,866	493,046	606,557	616,855
Employment in industry (in thousands)					
State	686	703	699	754	763
Non-state	2,764	2,816	2,681	2,650	2,891
Output per worker (in millions of 1989 dong)					
State	18.6	20.8	24.0	25.3	28.1
Non-state	1.9	2.0	2.4	2.9	3.3
Average employment (employees per enterprise)					
State	302	346	349	385	406
Non-state	1.8	1.5	1.4	1.2	1.2

Sources: General Statistical Office; and staff estimates.

Table 10. Vietnam: Population and Employment, 1992-96

	1992	1993	1994	1995	1996
	(In thousands of persons)				
Total population	69,405	71,026	72,509	73,962	75,355
Urban 1/	13,285	13,663	14,139	14,575	15,232
Rural 1/	55,075	56,318	57,326	58,342	59,079
Female	35,591	36,355	37,123	37,867	38,582
Male	33,814	34,647	35,386	36,095	36,773
Age under 15	27,206	27,913	28,423	28,993	29,464
Age 15-64	39,909	40,698	41,620	42,381	43,253
Age 64 and over	2,290	2,415	2,466	2,588	2,638
Total employment	31,819	32,718	33,664	34,600	35,792
	(Percent of total population)				
Urban 1/	19.1	19.2	19.5	19.7	20.2
Rural 1/	79.4	79.3	79.1	78.9	78.4
Female	51.3	51.2	51.2	51.2	51.2
Male	48.7	48.8	48.8	48.8	48.8
Age under 15	39.2	39.3	39.2	39.2	39.1
Age 15-64	57.5	57.3	57.4	57.3	57.4
Age 64 and over	3.3	3.4	3.4	3.5	3.5
Total employment	45.8	46.1	46.4	46.8	47.5
Memorandum items:					
Population growth	2.4	2.3	2.1	2.0	1.9
Employment/population aged 15-64	80.3	80.3	80.3	80.7	83.0

Source: General Statistical Office.

1/ Armed forces and some other special groups are excluded from urban/rural categories.

Table 11. Vietnam: Total Employment by Economic Sector, 1992-96

	1992	1993	1994	1995	1996
		(In thousands of persons)			
Total employment	31,819	32,718	33,664	34,600	35,792
Agriculture and forestry	23,208	23,898	24,131	24,765	24,775
Agriculture	22,998	23,684	23,908	24,537	24,543
Forestry	210	214	223	228	232
Industry and construction	4,275	4,370	4,352	4,494	4,628
Industry	3,450	3,522	3,380	3,395	3,653
Construction	825	848	972	1,099	975
Trade, transport and communication	2,270	2,325	2,762	2,858	3,533
Trade & material supply	1,735	1,776	2,207	2,290	2,677
Transport	484	496	499	512	799
Communication	51	53	56	56	57
Education, health, science, arts	1,237	1,269	1,395	1,431	1,488
Science	48	48	41	42	39
Education	825	848	900	924	994
Culture, arts & sport	46	46	105	107	96
Public Health	318	327	349	358	359
Other	829	856	1,024	1,052	1,368
		(Share in percent)			
Agriculture and forestry	72.9	73.0	71.7	71.6	69.2
Industry and construction	13.4	13.4	12.9	13.0	12.9
Trade, transport and communication	7.1	7.1	8.2	8.3	9.9
Education, health, science, arts	3.9	3.9	4.1	4.1	4.2
Other	2.6	2.6	3.0	3.0	3.8
		(Percent change)			
Total employment	2.7	2.8	2.9	2.8	3.4
Agriculture and forestry	3.2	3.0	1.0	2.6	0.0
Industry and construction	1.4	2.2	-0.4	3.3	3.0
Trade, transport and communication	1.1	2.4	18.8	3.5	23.6
Education, health, science, arts	2.3	2.6	9.9	2.6	4.0
Other	0.9	3.3	19.6	2.7	30.0

Sources: General Statistical Office; and staff estimates.

Table 12. Vietnam: Employment by Sector and Ownership, 1992-96

	1992	1993	1994	1995	1996
	(In thousands of persons)				
Total employment	31,819	32,718	33,664	34,600	35,792
Non-state employment	28,843	29,750	30,730	31,597	32,599
State sector employment	2,976	2,968	2,934	3,003	3,193
Government	1,193	1,199	1,178	1,258	1,278
Central	264	260	257	261	201
Local	929	939	921	997	1,077
State enterprises	1,782	1,761	1,756	1,745	1,915
Central	978	995	987	1,001	1,084
Local	804	766	769	744	831
	(In percent change)				
Total employment	2.7	2.8	2.9	2.8	3.4
Non-state employment	3.6	3.1	3.3	2.8	3.2
State sector employment	-5.4	-0.3	-1.1	2.3	6.3
Government	-2.8	0.5	-1.8	6.8	1.6
Central	-5.0	-1.5	-1.2	1.6	-23.0
Local	-2.1	1.1	-1.9	8.3	8.0
State enterprises	-7.0	-1.2	-0.3	-0.6	9.7
Central	-3.9	1.7	-0.8	1.4	8.3
Local	-10.5	-4.7	0.4	-3.3	11.7

Sources: General Statistical Office; and staff estimates.

Table 13. Vietnam: Employment in the Public Sector, 1992-96

	1992	1993	1994	1995	1996
	(In thousands of persons)				
Total employment	2,976	2,968	2,934	3,003	3,193
Agriculture and forestry	338	328	315	296	352
Agriculture	275	265	272	256	310
Forestry	63	63	43	40	42
Industry and construction	964	1,004	989	1,037	1,072
Industry	686	706	699	745	763
Construction	278	298	290	292	309
Trade, transport and communication	469	443	438	411	426
Trade & material supply	294	271	264	229	236
Transport	124	119	118	126	133
Communication	51	53	56	56	57
Education, health, science, arts	888	881	876	921	958
Science	38	39	35	27	33
Education	659	655	654	703	725
Culture, arts & sport	27	27	27	32	32
Public Health	165	160	160	159	168
Other	317	312	316	338	385
	(Share in percent)				
Agriculture and forestry	11.4	11.1	10.7	9.9	11.0
Industry and construction	32.4	33.8	33.7	34.5	33.6
Trade, transport and communication	15.7	14.9	14.9	13.7	13.3
Education, health, science, arts	29.9	29.7	29.9	30.7	30.0
Other	10.7	10.5	10.8	11.3	12.1
	(Percent change)				
Total employment	-5.4	-0.3	-1.1	2.3	6.3
Agriculture and forestry	-12.0	-2.9	-4.0	-6.0	19.0
Industry and construction	-4.2	4.2	-1.5	4.9	3.4
Trade, transport and communication	-8.5	-5.5	-1.0	-6.2	3.6
Education, health, science, arts	-2.1	-0.8	-0.6	5.1	4.0
Other	-5.1	-1.6	1.3	7.0	13.9

Sources: General Statistical Office; and staff estimates.

Table 14. Vietnam: Employment in the Private Sector, 1992-96

	1992	1993	1994	1995	1996
	(In thousands of persons)				
Total employment	28,843	29,750	30,730	31,597	32,599
Agriculture and forestry	22,870	23,570	23,816	24,469	24,423
Agriculture	22,723	23,419	23,636	24,281	24,233
Forestry	147	151	180	188	190
Industry and construction	3,311	3,366	3,363	3,457	3,556
Industry	2,764	2,816	2,681	2,650	2,890
Construction	547	550	682	807	666
Trade, transport and communication	1,802	1,883	2,324	2,447	3,107
Trade & material supply	1,441	1,506	1,943	2,061	2,441
Transport	360	377	381	386	666
Communication	0	0	0	0	0
Education, health, science, arts	349	388	519	510	530
Science	11	9	6	15	6
Education	166	193	246	221	269
Culture, arts & sport	20	19	78	75	64
Public Health	153	167	189	199	191
Other	512	544	708	714	983
	(Share in percent)				
Agriculture and forestry	79.3	79.2	77.5	77.4	74.9
Industry and construction	11.5	11.3	10.9	10.9	10.9
Trade, transport and communication	6.2	6.3	7.6	7.7	9.5
Education, health, science, arts	1.2	1.3	1.7	1.6	1.6
Other	1.8	1.8	2.3	2.3	3.0
	(Percent change)				
Total employment	3.6	3.1	3.3	2.8	3.2
Agriculture and forestry	3.5	3.1	1.0	2.7	-0.2
Industry and construction	3.2	1.7	-0.1	2.8	2.9
Trade, transport and communication	3.9	4.5	23.5	5.3	27.0
Education, health, science, arts	15.8	11.2	33.8	-1.7	3.9
Other	4.9	6.3	30.1	0.8	37.7

Sources: General Statistical Office; and staff estimates.

Table 15. Vietnam: Labor Productivity by Economic Sector, 1992-96

	1992	1993	1994	1995	1996
	(In thousands of dong at 1989 prices)				
Total output per employee	1,068	1,123	1,188	1,266	1,338
Agriculture and forestry	566	571	587	601	628
Industry & construction	1,927	2,134	2,443	2,696	2,995
Services	5,422	5,784	5,386	5,761	5,147
	(Percent change)				
Total output per employee	5.8	5.1	5.8	6.6	5.7
Agriculture and forestry	3.7	0.8	2.9	2.4	4.4
Industry & construction	12.3	10.7	14.5	10.3	11.1
Services	5.9	6.7	-6.9	7.0	-10.7
	(In thousands of dong at 1989 prices)				
Private sector					
Total output per employee	774	797	823	855	890
Agriculture and forestry	560	564	579	591	609
Industry and construction	795	858	969	1,030	1,146
Services	2,588	2,681	2,322	2,451	2,179
	(Percent change)				
Total output per employee	3.0	3.0	3.3	3.8	4.2
Agriculture and forestry	3.6	0.7	2.8	1.9	3.2
Industry and construction	2.1	8.0	12.9	6.2	11.3
Services	1.0	3.6	-13.4	5.6	-11.1
	(In thousands of dong at 1989 prices)				
Public sector					
Total output per employee	3,919	4,385	5,003	5,592	5,907
Agriculture and forestry	953	1,052	1,171	1,497	1,897
Industry and construction	5,821	6,410	7,454	8,249	9,130
Services	3,422	3,810	4,256	4,668	4,753
	(Percent change)				
Total output per employee	18.8	11.9	14.1	11.8	5.6
Agriculture and forestry	16.1	10.4	11.4	27.8	26.8
Industry and construction	23.8	10.1	16.3	10.7	10.7
Services	12.6	11.3	11.7	9.7	1.8

Sources: General Statistical Office; and staff estimates.

Table 16. Vietnam: Average Income of State Employees by Economic Sector, 1992-96 1/

	1992	1993	1994	1995	1996
	(In thousands of dong per month)				
Average	177.1	274.2	390.4	478.2	543.2
Industry	236.3	371.4	575.6	753.9	708.1
Construction	214.4	357.6	417.3	499.3	572.5
Agriculture	160.2	205.8	286.6	366.3	421.6
Transportation	290.9	407.3	553.9	879.1	1018.4
Trade	210.4	289.6	403.2	490.2	581.6
Science	114.1	214.4	349.3	361.2	504.9
Education	102.4	182.5	293.7	309.6	328.7
Culture, arts, and sports	115.0	194.3	310.7	347.3	400.1
Public health	114.0	186.3	299.5	326.9	362.7
State management	132.3	203.2	327.8	356.7	379.6
Other 2/	109.0	334.3	681.1	807.1	939.6
	(In thousands of dong per month at 1990 prices)				
Average real wage	93.8	134.1	157.8	165.2	177.5
State management	70.1	99.4	116.5	130.4	115.9
	(Percent change)				
Average real wage	22.6	43.0	17.7	4.7	7.5
State management	29.3	41.8	17.2	11.9	-11.1

Sources: General Statistical Office; and staff estimates.

1/ Cash income, including payments in kind, bonus payments, and social security contributions.
2/ Including banking and insurance, housing and other services. From 1994 only banking sector.

Table 17. Vietnam: Summary of Budgetary Operations, 1992-96

	1992	1993	1994	1995	1996
			(In trillions of dong)		
Revenue and grants	21.0	30.5	42.1	53.4	60.9
Revenue	20.2	29.5	40.9	51.8	59.3
Tax revenue	14.6	23.7	32.4	42.4	50.5
State enterprises	9.1	12.7	15.6	19.0	22.7
Other	5.5	11.0	16.8	23.4	27.7
Non-tax revenue	5.6	5.8	8.5	9.4	8.8
State enterprises	2.8	3.4	5.0	2.9	2.5
Other	2.8	2.4	3.5	6.4	6.4
Grants	0.8	1.0	1.2	1.6	1.6
Total expenditure	25.8	39.1	46.6	57.4	63.9
Current expenditure	19.4	29.5	34.9	44.8	46.9
Current non-interest expenditures	15.5	25.7	31.1	40.7	42.8
Interest payments (scheduled)	3.9	3.8	3.7	4.1	4.1
Of which: paid	1.8	1.7	2.2	2.9	2.7
Capital expenditure and onlending	6.5	9.6	11.7	12.6	17.1
Current balance on cash basis	3.8	3.1	8.8	9.8	15.5
Overall balance on cash-basis	-2.7	-6.5	-2.9	-2.8	-1.6
Financing	2.7	6.5	2.9	2.8	1.6
Domestic	1.4	4.6	2.7	3.8	0.3
Banking system	0.0	2.0	0.4	0.5	-0.3
Non-banking (net)	1.4	2.5	2.3	3.3	0.5
Foreign	1.3	1.9	0.2	-1.0	1.3
Disbursements	2.1	3.2	1.5	2.0	3.7
Amortization paid (-)	0.8	1.2	1.3	3.0	2.4
			(In percent of GDP)		
Revenue and grants	19.0	22.3	24.7	23.9	23.6
Revenue	18.3	21.6	24.0	23.2	22.9
Tax revenue	13.2	17.4	19.0	19.0	19.5
State enterprises	8.2	9.3	9.1	8.5	8.8
Other	5.0	8.1	9.9	10.5	10.7
Non-tax revenue	5.1	4.2	5.0	4.2	3.4
State enterprises	2.5	2.5	2.9	1.3	1.0
Other	2.5	1.8	2.1	2.9	2.5
Grants	0.8	0.7	0.7	0.7	0.6
Total expenditure	23.4	28.6	27.4	25.7	24.7
Current expenditure	17.5	21.6	20.5	20.1	18.1
Current non-interest expenditures	14.0	18.8	18.3	18.2	16.5
Interest payments (scheduled)	3.6	2.8	2.2	1.8	1.6
Of which: paid	1.6	1.3	1.3	1.3	1.0
Capital expenditure and onlending	5.8	7.0	6.9	5.6	6.6
On cash basis					
Current account balance (excl. grants)	2.6	1.5	4.4	3.7	5.4
Overall fiscal balance (excl. grants)	-3.2	-5.5	-2.4	-2.0	-1.2
Domestic financing	1.2	3.4	1.6	1.7	0.1
Of which: banking system	0.0	1.5	0.2	0.2	-0.1
Foreign financing (net)	1.2	1.4	0.1	-0.5	0.5

Sources: Ministry of Finance, State Budget Department; and staff estimates and projections.

Table 18. Vietnam: Government Revenue, 1992-96

	1992	1993	1994	1995	1996
			(In trillions of dong)		
Total revenue and grants	21.0	30.5	42.1	53.4	60.9
Tax revenue	14.6	23.7	32.4	42.4	50.5
State enterprises	9.1	12.7	15.6	19.0	22.7
Profit tax	2.0	4.1	5.6	6.0	7.7
Turnover Tax	2.2	3.3	4.4	5.8	7.3
Special consumption tax (excises)	1.3	1.9	2.1	2.5	3.0
Natural resources tax	1.9	1.8	1.9	2.4	3.0
License tax	0.0	0.0	0.0	0.0	0.0
Other taxes	1.7	1.5	1.5	2.3	1.8
Nonagricultural private sector	2.0	3.4	4.5	6.4	8.0
Profit tax	0.4	0.6	0.9	1.4	1.8
Personal income tax	0.2	0.2	0.3	0.5	1.1
Turnover Tax	0.6	0.9	1.3	2.0	2.6
Commodity tax	0.0	0.0	0.0	0.0	0.0
License tax	0.1	0.1	0.1	0.2	0.2
Slaughter tax	0.0	0.1	0.1	0.1	0.1
Land tax	0.0	0.2	0.2	0.3	0.4
Other	0.7	1.4	1.5	1.8	1.9
Agricultural tax	1.3	1.4	1.1	1.6	1.9
Taxes on trade	2.2	5.9	10.0	13.3	15.0
Joint-ventures	...	0.4	1.2	2.1	2.9
Nontax revenue	5.6	5.8	8.5	9.4	8.8
State enterprises	2.8	3.4	5.0	2.9	2.5
Others	2.3	2.6	3.8	1.6	1.0
Capital user fee	0.5	0.8	1.2	1.3	1.5
Other nontax revenue	2.8	2.4	3.5	6.4	6.4
Grants	0.8	1.0	1.2	1.6	1.6
			(In percent of GDP)		
Total revenue and grants	19.0	22.3	24.7	23.9	23.6
Tax revenue	13.2	17.4	19.0	19.0	19.5
State enterprises	8.2	9.3	9.1	8.5	8.8
Nonagricultural private sector	1.8	2.5	2.7	2.9	3.1
Agricultural tax	1.2	1.0	0.7	0.7	0.7
Taxes on trade	2.0	4.3	5.9	6.0	5.8
Joint-ventures and others	0.0	0.3	0.7	1.0	1.1
Nontax revenue	5.1	4.2	5.0	4.2	3.4
State enterprises	2.5	2.5	2.9	1.3	1.0
Other nontax revenue	2.5	1.8	2.1	2.9	2.5
Grants	0.8	0.7	0.7	0.7	0.6

Sources: Ministry of Finance, Budget Department; and staff estimates and projections.

Table 19. Vietnam: Government Expenditure, 1992-96

	1992	1993	1994	1995	1996
			(In trillions of dong)		
Total expenditure	25.8	39.1	46.6	57.4	63.9
Total current expenditure	19.4	29.5	34.9	44.8	46.9
General administrative services	2.4	3.2	3.9	5.7	5.2
Economic services	1.5	3.0	3.2	4.0	4.6
Social services	6.2	10.9	13.6	18.2	19.7
Education	1.5	2.9	3.7	4.7	5.5
Health	1.1	1.7	1.9	2.4	2.5
Pensions and social relief	2.4	4.1	5.3	7.4	7.5
Other	1.2	2.2	2.8	3.8	4.2
Other 1/	5.3	8.6	10.4	12.7	13.3
Interest	3.9	3.8	3.7	4.1	4.1
On foreign loans	3.0	3.3	2.6	2.6	2.6
Paid	0.9	1.3	1.1	1.4	1.2
On domestic loans	0.9	0.4	1.1	1.5	1.5
Capital expenditure and onlending	6.5	9.6	11.7	12.6	17.1
Capital expenditure	6.5	9.6	11.3	12.1	15.6
Foreign financed (project loans)	0.0	0.0	1.1	1.5	0.2
Other, including program loan-financed	6.5	9.6	10.2	10.6	15.5
On lending	0.0	0.0	0.4	0.5	1.4
			(In percent of GDP)		
Total expenditure	23.4	28.6	27.4	25.7	24.7
Total current expenditure	17.5	21.6	20.5	20.1	18.1
General administrative services	2.2	2.4	2.3	2.6	2.0
Economic services	1.3	2.2	1.9	1.8	1.8
Social services	5.6	7.9	8.0	8.2	7.6
Education	1.4	2.1	2.2	2.1	2.1
Health	1.0	1.2	1.1	1.1	1.0
Pensions and social relief	2.1	3.0	3.1	3.3	2.9
Other	1.1	1.6	1.6	1.7	1.6
Other 1/	4.8	6.3	6.1	5.7	5.1
Interest	3.6	2.8	2.2	1.8	1.6
On foreign loans	2.7	2.4	1.5	1.2	1.0
Paid	0.8	0.9	0.6	0.6	0.5
On domestic loans	0.8	0.3	0.7	0.7	0.6
Capital expenditure and onlending	5.8	7.0	6.9	5.6	6.6
Memorandum item:					
Wage and salary bill					
(in trillions of dong)	6.0	8.9	13.7	14.5	16.2
(in percent of GDP)	5.4	6.5	8.0	6.5	6.3

Sources: Ministry of Finance (State Budget Department); and staff estimates and projections.

1/ Includes defense expenditures.

Table 20. Vietnam: Treasury Bills Issues, 1996-97 1/

(In billions of dong)

Auction Date		Amount sold	Average yield	End-month Stock outstanding
June	1996	100.0	9.0	100.0
July	1996	120.0	8.4	220.0
August	1996	300.0	8.4	520.0
September	1996	120.0	8.4	960.0
October	1996	169.0	7.9	809.0
November	1996	16.9	8.0	825.9
December	1996	0.0	...	825.9
January	1997	0.0	...	825.9
February	1997	60.0	11.3	885.9
March	1997	118.4	11.7	1004.3
April	1997	1.0	12.0	1005.3
May	1997	200.0	12.0	1205.3
June	1997	340.0	11.8	1445.3
July	1997	534.0	11.2	1859.3
August	1997	253.0	10.9	1812.3
September	1997	520.9	10.3	2213.2
October	1997	670.0	9.5	2714.2
November	1997	202.0	9.0	2899.3
December	1997	3.0	9.0	2902.3

Source: State Bank of Vietnam; and staff estimates.

1/ This table reports only 1-year bills placed at auction. In addition to these amounts, D246 billion in shorter maturity bills were auctioned during 1995-96. Bills of varying maturities have also been placed directly with the public through the Ministry of Finance's retail network. The majority of all bills are placed this way, and the outstanding stock of direct-issue bills at end-1996 was approximately D8.2 trillion.

Table 21. Vietnam: Monetary Survey, 1992-1997

	December					Sept.
	1992	1993	1994	1995	1996	1997
	(In trillions of dong; end of period)					
Net foreign assets	10.59	6.56	6.94	10.85	14.25	19.49
Foreign assets	14.17	10.72	16.97	24.73	31.23	35.59
Foreign liabilities	3.58	4.16	10.03	13.88	16.98	16.10
Net domestic assets	16.55	26.55	36.07	41.86	50.43	56.28
Domestic credit (net)	17.12	27.76	37.95	47.05	55.32	61.66
Government (net)	1.91	3.87	4.55	4.68	4.43	4.57
Non-government sectors	15.21	23.89	33.40	42.37	50.89	57.09
State enterprises	12.44	15.88	20.47	24.08	26.81	28.97
Nonstate sector	2.77	8.00	12.94	18.29	24.09	28.13
Other items (net)	-0.57	-1.20	-1.89	-5.20	-4.89	-5.38
Total liquidity	27.14	33.12	43.01	52.71	64.68	75.77
Dong liquidity	18.93	25.08	33.48	41.65	51.52	60.53
Currency	10.58	14.20	18.62	19.17	22.64	23.09
Deposits	8.35	10.87	14.85	22.48	28.88	37.44
Demand deposits	4.23	4.92	5.06	7.37	10.80	14.49
Time deposits	4.12	5.96	9.79	15.11	18.08	22.95
Foreign currency deposits	8.21	8.04	9.53	11.06	13.16	15.25
	(Annual percentage change)					
Domestic credit (net)	19.9	62.1	36.7	24.0	17.6	18.5
Nongovernment sectors	49.8	57.0	39.8	26.9	20.1	21.2
State enterprises	36.3	27.7	28.8	17.7	11.3	12.9
Nonstate sector	169.9	188.8	61.7	41.4	31.7	31.2
Total liquidity	33.7	22.0	29.9	22.6	22.7	26.1
Dong liquidity	58.5	32.5	33.5	24.4	23.7	25.9
Foreign currency deposits	-1.7	-2.1	18.5	16.1	19.0	27.1
Memorandum items:						
Velocity (year average)	4.3	4.7	4.4	4.8	4.5	...
Foreign currency loans (percent of nongovernment credit)	26.1	31.0	38.6	38.7	36.6	32.9
Money multiplier	1.9	1.8	1.8	2.0	2.0	2.1

Sources: State Bank of Vietnam; and staff estimates.

Table 22. Vietnam: Accounts of the State Bank of Vietnam, 1992-97

(In trillions of dong; end of period)

	December					Sept.
	1992	1993	1994	1995	1996	1997
Net Foreign Assets	3.4	3.3	6.6	11.0	14.0	19.2
Foreign assets	4.9	4.4	9.7	15.2	20.0	25.2
Foreign liabilities	1.4	1.1	3.1	4.2	6.0	6.0
Net Domestic Assets	11.2	15.1	17.3	15.8	18.2	16.5
Net domestic credit	9.7	10.8	11.8	9.9	13.0	10.8
Net claims on government	4.5	4.0	4.0	3.0	5.2	4.2
Claims on banks	5.0	6.8	7.8	6.8	7.7	6.4
Claims on enterprises	0.1	0.0	0.0	0.0	0.0	0.0
Claims on nonbank financial institutions	0.0	0.0	0.0	0.1	0.1	0.1
Other items net	1.5	4.3	5.5	6.0	5.2	5.7
Reserve Money	14.6	18.4	23.9	26.8	32.2	35.7
Currency in circulation	10.9	14.8	19.4	20.0	23.8	24.6
Bankers' deposits	3.4	3.5	4.4	6.3	7.8	11.0
Other deposits	0.3	0.1	0.1	0.5	0.6	0.2
Memorandum items:						
Reserve money growth (annual percentage change)	81.2	26.0	29.9	12.5	20.0	13.8
Net credit to banks 1/	1.6	3.3	3.3	0.5	-0.1	-4.5

Sources: State Bank of Vietnam; and staff estimates.

1/ Claims on banks less bankers' deposits.

Table 23. Vietnam: Consolidated Balance Sheet of Deposit Money Banks, 1992-97 1/

(In trillions of dong; end of period)

	December					Sept.
	1992	1993	1994	1995	1996	1997
Net Foreign Assets	7.15	2.97	0.38	-0.15	-0.12	0.30
Foreign assets	9.27	5.84	7.29	9.57	10.69	10.41
Foreign liabilities	2.13	2.86	6.91	9.72	10.81	10.11
Net Domestic Assets	16.26	24.34	36.50	44.28	50.44	64.80
Credit	12.46	23.03	33.91	43.76	47.51	57.35
Government (net)	-2.63	-0.16	0.54	1.45	-0.59	0.38
State enterprises	12.35	15.51	20.46	24.08	26.11	28.97
Other sectors	2.74	7.67	12.88	18.20	21.96	27.96
Claims on NBFIs	0.00	0.00	0.02	0.03	0.03	0.04
Reserves	3.45	3.71	5.09	7.61	8.10	11.46
Other items (net)	0.35	-2.40	-2.50	-7.10	-5.16	-4.01
Liabilities	23.41	27.31	36.88	44.13	50.32	65.10
Dong deposits	8.09	10.59	14.80	21.98	26.27	37.28
Demand deposits	3.97	4.80	5.01	6.87	8.56	14.33
Time deposits	4.12	5.79	9.79	15.11	17.71	22.95
Import/restricted deposits	1.71	1.51	2.14	2.14	1.85	1.78
Foreign currency deposits	6.51	5.89	7.39	8.92	10.63	13.47
Credit from State Bank	4.75	6.62	7.86	5.79	5.56	5.06
Capital and reserves	2.35	2.69	4.69	5.29	6.02	7.52

Sources: State Bank of Vietnam; and staff estimates.

1/ Data for 1993 are based on an incomplete monetary survey and are not strictly comparable with other years.

Table 24. Vietnam: Distribution of Credit, 1994-97

	December 1994	December 1995	December 1996	Sept. 1997
	(In billions of dong at end of period)			
Total nongovernment credit	33,345	42,277	50,751	56,926
Of which: foreign currency loans	12,873	16,350	18,564	18,736
Credit extended by state-owned commercial banks	27,610	33,647	38,320	43,742
To state enterprises	18,604	20,855	22,030	23,973
Of which: foreign currency loans	8,648	9,886	10,493	9,732
To other sectors	9,006	12,792	16,290	19,769
Of which: foreign currency loans	681	1,020	771	1,251
Credit extended by other banks 1/	5,735	8,630	12,431	13,184
To state enterprises	2,400	3,224	4,780	4,991
Of which: foreign currency loans	1,812	2,589	3,582	3,670
To other sectors	3,335	5,406	7,651	8,193
Of which: foreign currency loans	1,732	2,855	3,718	4,083
	(In percent of total nongovernment credit)			
Total nongovernment credit	100.0	100.0	100.0	100.0
Of which: foreign currency loans	38.6	38.7	36.6	32.9
Credit extended by state-owned commercial banks	82.8	79.6	75.5	76.8
To state enterprises	55.8	49.3	43.4	42.1
Of which: foreign currency loans	25.9	23.4	20.7	17.1
To other sectors	27.0	30.3	32.1	34.7
Of which: foreign currency loans	2.0	2.4	1.5	2.2
Credit extended by other banks 1/	17.2	20.4	24.5	23.2
To state enterprises	7.2	7.6	9.4	8.8
Of which: foreign currency loans	5.4	6.1	7.1	6.4
To other sectors	10.0	12.8	15.1	14.4
Of which: foreign currency loans	5.2	6.8	7.3	7.2

Source: State Bank of Vietnam; and staff estimates.

1/ Includes joint-stock banks, joint-venture banks, and branches of foreign banks.

Table 25. Vietnam: Overdue Bank Loans, 1994-97

	December			Sept.
	1994	1995	1996	1997
	(In billions of dong)			
Total overdue	3,152	3,337	4,726	7,238
State enterprises	1,854	1,658	2,088	2,875
Other borrowers	1,298	1,679	2,638	4,363
State commercial banks	3,004	3,052	4,209	5,537
State enterprises	1,754	1,519	1,852	1,963
Other borrowers	1,250	1,533	2,357	3,574
Other commercial banks 1/	148	285	517	1,701
State enterprises	100	139	236	912
Other borrowers	48	146	281	789
	(In percent of total credit)			
Total overdue	9.5	7.9	9.3	12.7
State enterprises	9.1	6.9	7.8	9.9
Other borrowers	10.1	9.2	11.0	15.6
State commercial banks	10.9	9.1	11.0	12.7
State enterprises	9.7	7.3	8.4	8.2
Other borrowers	13.1	12.0	14.5	18.1
Other commercial banks 1/	2.6	3.3	4.2	12.9
State enterprises	4.2	4.3	4.9	18.3
Other borrowers	1.4	2.7	3.7	9.6
Memorandum item:				
Nongovernment credit outstanding	33,345	42,277	50,751	56,927

Sources: State Bank of Vietnam; and staff estimates.

1/ Includes joint-stock banks, joint-venture banks, and branches of foreign banks.

Table 26. Vietnam: Selected Interest Rates, 1992-97

(In percent per month)

	December					Sept.
	1992	1993	1994	1995	1996	1997
Deposit rates 1/						
Demand deposits	...	...	...	0.7	0.5	0.4
Households	1.0	0.7	0.7	...	...	...
Economic units	0.3	0.1	0.1	...	...	...
Three-month savings	...	...	...	1.4	0.7	0.6
Households	2.0	1.4	1.4	...	...	...
Economic units	1.5	0.8	0.8	...	...	...
Six-month savings	...	...	...	1.7	0.8	0.7
Households	...	1.7	1.7	...	...	...
Economic units	1.5	1.0	1.0	...	...	...
One-year savings	...	2.0	2.0	2.0	0.9	0.8
Lending rates 2/						
Working capital (short term)	2.7	2.1	2.1	2.1	1.3	1.0
Fixed capital (medium term)	1.8	1.2	1.7	1.7	1.4	1.1
Foreign currency loans 3/	...	7.5	9.0	9.5	9.5	8.5
Memorandum items:						
Interest rate spread 4/	0.7	0.7	0.7	0.7	0.5	0.4
Inflation 5/	1.1	0.3	1.4	0.1	0.7	0.3
Real interest rates: 6/						
Three-month savings deposits (households)	0.9	1.1	0.0	1.3	0.0	0.2
Lending:						
Working capital	1.6	1.8	0.7	2.0	0.5	0.7
Fixed capital	0.7	0.9	0.3	1.6	0.6	0.8

Source: State Bank of Vietnam; and staff estimates.

1/ Mandated deposit rates through 1995; average of 4 state commercial banks thereafter.
2/ Maximum lending rates through 1995; average of 4 state commercial banks thereafter.
3/ Annual rates.
4/ Difference between interest rates on working capital and households' three-month savings deposits.
5/ Average monthly inflation during the quarter; not seasonally adjusted.
6/ Measured with respect to nominal interest rates at the end of each quarter and average monthly inflation during that quarter.

Table 27. Vietnam: Balance of Payments, 1992-97

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996
Current account balance	-8	-1,395	-1,197	-1,876	-2,431
(Excluding official transfers)	-72	-1,589	-1,329	-2,029	-2,581
Trade balance	-60	-1,177	-1,190	-2,345	-3,143
Exports, f.o.b.	2,475	2,985	4,054	5,198	7,337
Imports, f.o.b.	2,535	4,162	5,244	7,543	10,480
Non-factor services (net)	311	78	19	159	-61
Receipts	724	772	1,283	2,074	2,709
Payments	413	694	1,264	1,915	2,770
Investment income (net)	-382	-560	-328	-317	-427
Receipts	43	30	27	96	140
Payments	425	590	355	413	567
Transfers (net)	123	264	302	627	1,200
Private transfers	59	70	170	474	1,050
Official transfers	64	194	132	153	150
Capital Account	271	456	897	1,765	2,079
Gross foreign direct investment (FDI)	260	832	1,048	1,780	1,813
Equity	222	594	454	791	891
Loan disbursements	38	238	594	989	921
FDI loan repayments	0	0	0	36	55
Medium and long-term loans (net)	52	-597	-275	-290	98
Disbursements	487	54	272	443	772
Scheduled amortization	435	651	547	733	674
Short term capital (net)	-41	117	124	311	224
Errors and omissions	-198	-117	-109	-88	55
Overall Balance	66	-1,056	-409	-199	-298
Financing	-66	1,056	409	199	298
Change in net international reserves (-, increase)	-262	438	-117	-348	-293
Use of Fund credit (net)	0	-39	175	92	178
Other net international reserves	-261	477	0	0	-471
Arrears	196	-265	-292	-439	591
Debt relief	0	883	526	547	0
Memorandum items:					
Gross official reserves, includes gold	465	404	876	1,376	1,798
(In weeks of imports)	9.6	5.1	8.7	9.5	8.9
Current account deficit/GDP (percent)	-0.1	-10.9	-8.0	-9.3	-10.4
(Excludes official tranfers)	-0.7	-12.4	-8.9	-10.0	-11.0
Gross foreign direct investment/GDP (percent)	2.6	6.5	7.0	8.8	7.7

Sources: Data provided by the authorities; and staff estimates.

Table 28. Vietnam: Merchandise Exports by Commodity, 1992-96

(In millions of U.S. dollars, unless otherwise specified)

	1992	1993	1994	1995	1996
Total exports, f.o.b.	2,475	2,985	4,054	5,198	7,337
(excl. oil)	1,719	2,141	3,188	4,174	5,991
Crude oil					
Value	756	844	866	1,024	1,346
Volume ('000 tons)	5,400	6,152	6,949	7,593	8,705
Unit value (US$/ton)	140	137	125	135	154
Rice					
Value	300	363	425	496	855
Volume ('000 tons)	1,860	1,725	2,040	1,922	3,003
Unit value (US$/ton)	161	210	208	258	285
Coal					
Value	47	70	75	90	115
Volume ('000 tons)	1,580	1,940	2,319	2,619	3,647
Unit value (US$/ton)	30	36	32	34	31
Rubber					
Value	54	74	133	159	163
Volume ('000 tons)	68	97	129	132	122
Unit value (US$/ton)	800	763	1,031	1,208	1,337
Coffee					
Value	86	110	328	565	337
Volume ('000 tons)	96	122	177	240	239
Unit value (US$/ton)	900	902	1,853	2,349	1,409
Marine products					
Value	302	427	551	431	651
Garments					
Value	190	239	476	431	1,150
Footwear					
Value	5	68	122	200	531
Other	734	790	1,078	1,802	2,191
Memorandum items:					
Heavy industrial products and minerals	955	1,014	1,168	1,378	1,835
Light industrial products and handicrafts	350	527	938	1,550	2,153
Agricultural, forestry and marine products	1,276	1,444	1,948	2,521	3,267

Sources: Ministry of Trade; and Customs Office.

1/ Based on Ministry of Trade data for 1992-94, and customs data for 1995-96.

Table 29. Vietnam: Merchandise Imports by Commodity, 1992-96 1/

(In millions of U.S. dollars, unless otherwise specified)

	1992	1993	1994	1995	1996
Total imports, c.i.f.	2,817	3,924	5,827	8,381	11,644
Fuel (gasoline, diesel, etc.)					
Value	683	614	696	724	1,079
Volume ('000 tons)	3,075	4,000	4,550	4,391	5,803
Unit value (US$/ton)	222	154	153	165	186
Fertilizer					
Value	356	189	247	554	628
Volume ('000 tons)	1,600	925	1,495	2,508	2,832
Unit value (US$/ton)	222	204	165	221	222
Steel and iron					
Value	116	210	204	389	529
Volume ('000 tons)	260	683	709	1,126	1,549
Unit value (US$/ton)	444	307	287	345	342
Cement					
Value	...	...	...	84	81
Volume ('000 tons)	43	134	572	1,459	1,302
Unit value (US$/ton)	...	...	...	57	62
Motorcycles					
Value	...	...	...	423	434
Volume ('000 unit)	55	374	284	404	472
Unit value (US$/unit)	...	...	...	1,047	918
Textile yarn					
Value	...	...	...	114	158
Volume ('000 tons)	25	35	65	48	74
Unit value (US$/ton)	...	...	...	2,378	2,128
Cars					
Value	...	...	...	148	155
Volume ('000 units)	4	8	16	25	19
Unit value (US$/unit)	...	...	...	6,049	8,131
Other	1,662	2,911	4,680	5,945	8,580
Memorandum items:					
Machinery and equipment	547	922	1,721	2,097	3,800
Fuels and raw materials	1,573	2,389	3,068	4,710	6,044
Consumer goods	421	613	1,037	1,348	1,300

Sources: Ministry of Trade; and Customs Ofice.

1/ Based on Ministry of Trade data for 1992-94, and Customs data for 1995-96.

Table 30. Vietnam: Direction of Trade, 1992-96

(As percent of total)

	1992	1993	1994	1995	1996
Exports	100.0	100.0	100.0	100.0	100.0
Industrial Countries	38.0	41.6	43.6	60.3	61.6
Japan	28.6	31.4	29.1	27.3	26.4
France	4.5	3.2	2.9	4.9	4.9
Germany	1.2	1.7	2.8	9.0	8.1
Australia	0.7	1.8	1.1	3.7	4.4
United Kingdom	0.9	0.8	1.4	2.7	3.3
Netherlands	0.7	0.9	1.5	1.6	1.7
Canada	0.1	0.2	0.1	1.0	1.0
Other	1.3	1.6	4.7	10.1	11.8
Developing countries	62.0	58.4	56.4	39.7	38.4
Singapore	13.8	12.7	14.6	7.1	5.7
Hong Kong	6.9	5.7	4.9	2.8	2.6
Malaysia	2.3	1.9	1.6	2.0	2.0
Thailand	2.4	2.4	2.4	0.7	0.9
Indonesia	0.4	0.8	0.9	1.5	2.7
Taiwan Province of China	2.3	4.8	5.4	4.3	4.1
Other	33.9	30.1	26.6	21.4	20.5
Imports	100.0	100.0	100.0	100.0	100.0
Industrial countries	19.0	25.4	23.5	22.6	29.6
Japan	7.9	11.5	10.1	8.7	9.2
France	5.3	6.8	4.1	3.0	6.0
Germany	1.4	1.8	2.6	2.2	2.7
Australia	0.5	0.8	1.1	1.4	1.3
Italy	0.2	0.9	0.6	1.0	1.3
United Kingdom	0.1	0.3	0.3	0.9	0.6
Other	3.6	3.3	4.7	5.4	8.5
Developing countries	81	74.6	76.5	77.4	70.4
Singapore	27.2	27.0	19.7	16.8	13.8
Hong Kong	4.7	3.7	5.5	6.0	4.8
Korea	7.0	12.3	12.4	12.7	12.9
Malaysia	1.2	0.6	1.1	2.5	2.6
Thailand	1.4	2.5	3.9	4.4	3.8
Indonesia	1.3	2.1	2.0	2.0	2.7
Taiwan Providence of China	2.4	5.6	6.8	9.5	9.5
Other	35.8	20.8	25.1	23.3	20.2

Source: IMF, Direction of Trade.

Table 31. Vietnam: Distribution of Foreign Direct Investments
Disbursements by Economic Sector, 1988-97

	1988-91	1992	1993	1994	1995	1996	Jan.-Oct. 1997	1988-97 1/
	(In millions of U.S. dollars)							
Total 2/	732	351	1,027	1,500	2,075	1,985	2,193	9,863
Excluding investment by domestic entities	620	295	869	1,048	1,780	1,813	2,011	8,437
Industry	150	40	239	435	641	718	879	3,101
Oil and gas	68	62	369	304	353	258	0	1,414
Construction	89	6	43	35	113	257	181	725
Transportation, communication	46	28	23	67	88	26	43	320
Real estate, hotel and tourism	143	51	106	157	458	427	464	1,807
Agriculture, forestry and fishing	54	11	27	30	107	108	249	585
Other 3/	70	97	62	20	21	19	196	484
Investment by domestic entities	112	55	158	452	295	172	182	1,427
	(In percent of total)							
Total, excluding investment by domestic entities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industry	24.2	13.5	27.5	41.5	36.0	39.6	43.7	36.8
Oil and gas	11.0	21.1	42.4	29.0	19.8	14.2	0.0	16.8
Construction	14.4	2.0	5.0	3.4	6.3	14.2	9.0	8.6
Transportation, communication	7.4	9.6	2.6	6.4	4.9	1.4	2.1	3.8
Real estate	23.1	17.3	12.2	14.9	25.8	23.6	23.1	21.4
Agriculture, forestry and fishing	8.7	3.8	3.1	2.9	6.0	5.9	12.4	6.9
Other 3/	11.3	32.7	7.2	1.9	1.2	1.0	9.7	5.7

Sources: Data provided by the Vietnamese authorities; and staff estimates.

1/ Data through October 31, 1997.
2/ Includes investments by domestic joint-venture partners.
3/ Includes banking and finance.

Table 32. Vietnam: Distribution of Foreign Direct Investments
Commitments by Economic Sector, 1988-97

	1988-91	1992	1993	1994	1995	1996	Jan.-Sept. 1997	1988-97
				(In millions of U.S. dollars)				
Total 1/	2,985	2,290	2,970	3,843	6,433	7,991	4,180	30,692
Industry	823	973	1,191	1,636	2,178	3,024	1,651	11,476
Oil and gas	526	634	173	73	0	52	51	1,509
Construction	88	14	416	284	686	630	405	2,523
Transportation, communication	368	23	25	70	439	688	123	1,736
Real estate, hotel and tourism	491	376	994	750	2,698	3,300	696	9,305
Agriculture, forestry and fishing	393	108	38	96	318	113	428	1,494
Other 2/	296	162	133	934	114	184	826	2,649
				(In percent of total)				
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industry	27.6	42.5	40.1	42.6	33.9	37.8	39.5	37.4
Oil and gas	17.6	27.7	5.8	1.9	0.0	0.7	1.2	4.9
Construction	2.9	0.6	14.0	7.4	10.7	7.9	9.7	8.2
Transportation, communication	12.3	1.0	0.8	1.8	6.8	8.6	2.9	5.7
Real estate	16.4	16.4	33.5	19.5	41.9	41.3	16.7	30.3
Agriculture, forestry and fishing	13.2	4.7	1.3	2.5	4.9	1.4	10.2	4.9
Other 2/	9.9	7.1	4.5	24.3	1.8	2.3	19.8	8.6

Source: Data provided by the Vietnamese authorities.

1/ Includes investments by domestic joint-venture partners.
2/ Includes banking and finance.

Table 33. Vietnam: Distribution of Foreign Direct Investment Commitments by Country of Origin, 1988-97

	1988-91	1992	1993	1994	1995	1996	Jan.-Oct. 1997	1988-97 1/
				(In millions of U.S. dollars)				
Total 2/	2,065	2,107	2,820	3,592	5,692	7,880	2,597	26,753
Singapore	149	130	382	662	573	2,718	212	4,826
Taiwan, Province of China	633	536	391	473	1,060	485	104	3,682
Korea	33	121	445	318	594	749	603	2,862
Japan	59	147	100	200	1,183	591	300	2,580
British Virgin Islands	15	79	334	113	461	1,290	144	2,436
Hong Kong	275	260	415	542	135	251	208	2,087
Other	901	834	753	1,284	1,686	1,796	1,026	8,281
				(In percent of total)				
Total 2/	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Singapore	7.2	6.1	13.6	18.4	10.1	34.5	8.2	18.0
Taiwan, Province of China	30.7	25.4	13.9	13.2	18.6	6.2	4.0	13.8
Korea	1.6	5.7	15.8	8.9	10.4	9.5	23.2	10.7
Japan	2.8	7.0	3.5	5.6	20.8	7.5	11.6	9.6
British Virgin Islands	0.7	3.8	11.8	3.1	8.1	16.4	5.6	9.1
Hong Kong	13.3	12.3	14.7	15.1	2.4	3.2	8.0	7.8
Other	43.7	39.6	26.7	35.7	29.6	22.8	39.5	31.0

Sources: Data provided by the Vietnamese authorities; and staff estimates.

1/ Data through October 31, 1997.
2/ Excludes investments by domestic joint-venture partners.

Table 34. Vietnam: Medium- and Long Term External Debt in Convertible Currencies, 1992-96

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996
External debt	3,957	4,788	5,434	6,452	8,283
Principal	3,492	4,495	5,049	6,001	7,637
Of which: in arrears	1,163	612	851	853	728
Interest in arrears	465	293	385	451	646
International organizations 1/	312	241	549	703	1,061
Principal	268	241	549	703	1,061
Of which: in arrears	109	0	0	0	0
Interest in arrears	44	0	0	0	0
Official creditors	2,351	2,658	2,396	2,514	2,260
Principal	2,145	2,536	2,217	2,327	2,194
Of which: in arrears	591	250	363	339	328
Interest in arrears	206	122	179	187	66
Private creditors 2/	1,294	1,889	2,489	3,235	4,962
Principal	1,079	1,718	2,283	2,971	4,382
Of which: in arrears	463	362	488	514	400
Interest in arrears	215	171	206	264	580
Memorandum items:					
Public and publicly guaranteed debt	3,775	4,024	3,936	4,228	4,757
Foreign direct investment loans	182	764	870	1,851	2,718
IMF (including Trust Fund)	140	100	282	377	538
Principal	100	100	282	377	538
Of which: in arrears	100	0	0	0	0
Charges in arrears	40	0	0	0	0
Total arrears outstanding	1,628	905	1,236	1,304	1,374

Sources: State Bank of Vietnam; and staff estimates.

1/ Includes IMF.

2/ Includes foreign direct investment loans.