



“Vietnam: Developments, Prospects, and Challenges”

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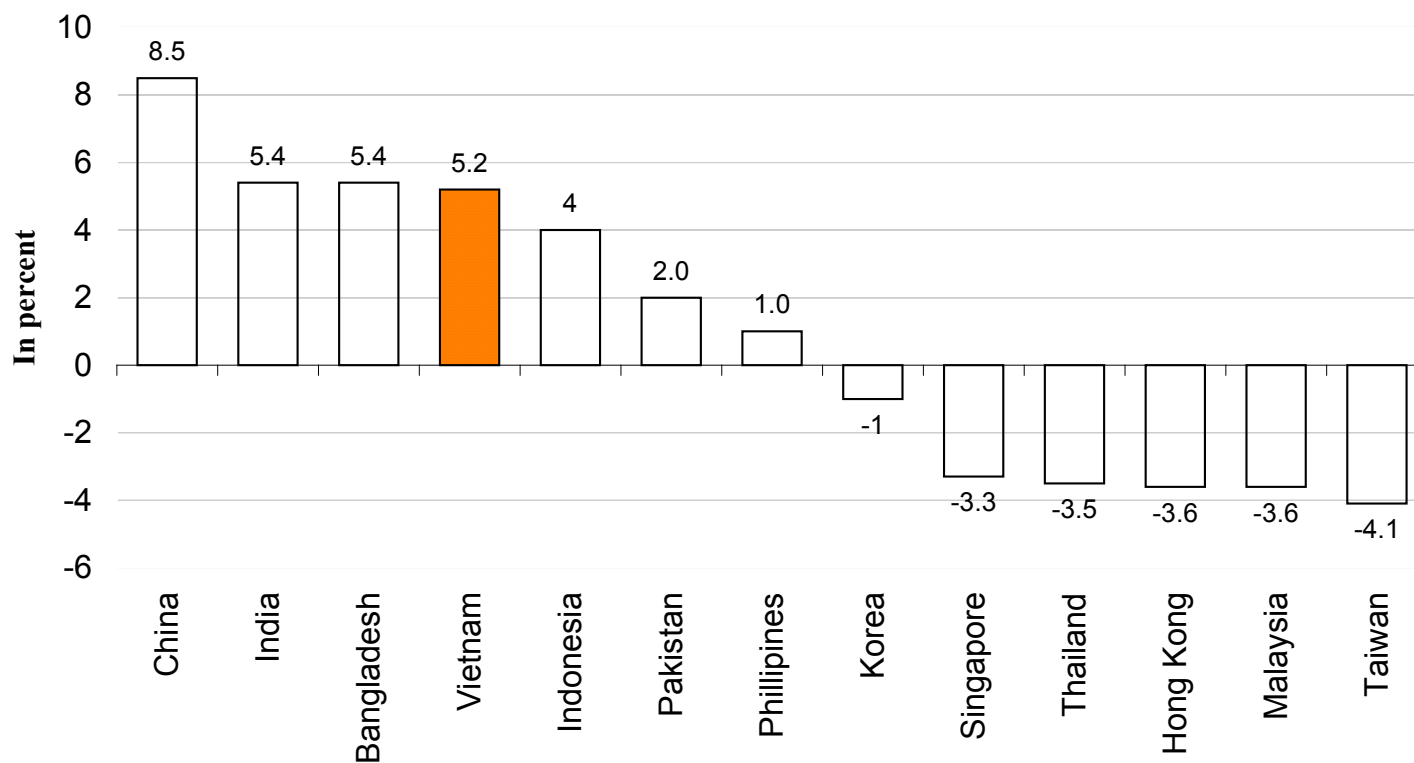
Outline

- ✓ The Economy in 2009
- ✓ Prospects and Challenges in 2010



Vietnam came through the global crisis reasonably well in 2009....

Selected Asian Economies: Projection on Real GDP Growth in 2009



Source: IMF World Economic Outlook, October 2009



A number of factors contributed...

- ✓ Exports less reliant on high technology consumer durables
- ✓ Robust household balance sheets
- ✓ Stimulus program helped.



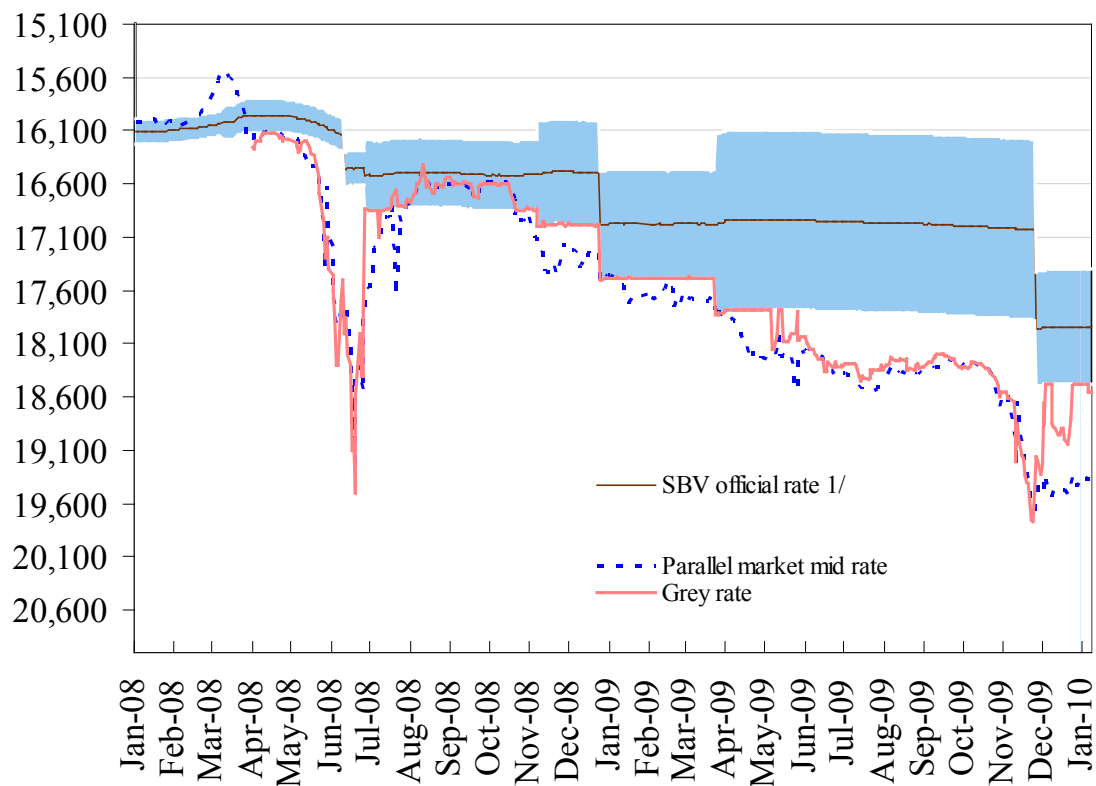
Aggressive easing of monetary and fiscal policy came at a a cost.....

- ✓ Macroeconomic stability again became an issue.....
- ✓ Rising inflation a concern, especially if commodity prices rise...
- ✓ Pressures in the foreign exchange market, the more immediate issue...



Exchange rate developments

"Grey" & parallel market exchange rate
(VND/US\$)



Sources: SBV, Gold shops and commercial banks



The balance of payments in 2009: Weak sentiment and current account deficits

Table 1. Vietnam: Balance of Payments, 2008-2009

(US\$ million)

	2007	2008	2009		
			Q1	Q2	Q3
Current account balance 1/	-5,692	-7,966	232	-2,230	-2,943
Trade	-9,060	-10,042	-226	-2,623	-3,452
Remittances	6,180	6,804	1,488	1,469	1,484
Other	-2,812	-4,728	-1,030	-1,076	-975
Financial account balance 2/	15,891	8,439	-1,075	-518	1,053
"Core"	14,917	11,449	1,050	2,148	4,567
Official	2,045	993	322	471	1,062
Private 3/	12,872	10,456	728	1,677	3,505
"Non-core"	974	-3,010	-2,125	-2,666	-3,514
NFA of commercial banks	2,623	677	-688	-265	1,741
Gold	-1,300	-2,740	2,530	70	0
Errors and omissions	-349	-947	-3,967	-2,471	-5,255
Overall balance	10,199	473	-843	-2,748	-1,890

1/ excludes gold exports/imports.

2/ Includes gold transactions and errors and omissions.

3/ FDI, portfolio flows, and trade credits.

Source: SBV



Recent Policy Changes

- ✓ Key elements: A tightening of monetary policy and exit from stimulus package.
- ✓ Right direction: A reorientation to address macroeconomic risks overdue.
- ✓ Implementation now key...



Outlook for 2010

- ✓ Prospects not unfavorable:
- ✓ Global economy recovering and risk appetite returning
- ✓ IMF projects 6 percent growth in 2010



But a number of challenges...

Three challenges:

- ✓ Restoring stable macroeconomic conditions.
- ✓ Avoiding “boom”/”bust” cycles
- ✓ Maintaining momentum of reform





Restoring stable macroeconomic conditions....

- ✓ Immediate priority
- ✓ Half way across the river: need to reach the other side
- ✓ Need to keep swimming.



Avoid “Boom/”Bust” cycles

- ✓ “Boom”/”bust” cycles detrimental to investment/business climate.
- ✓ Ignoring speed limits is costly.



Macroeconomic policy must be tailored to local conditions....

Projected Macro-Fiscal Indicators for 2009-10: Vietnam Vs. Regional Comparators

(Figures are average of latest IMF staff projections for 2009 and 2010; in percent of GDP unless otherwise stated)

	Vietnam	Ranking	Comparators' average	China	India	Indonesia	Malaysia	Philippines	Korea	Taiwan	Thailand
Growth and Inflation											
Real GDP growth (percent p.a.)	5.6	3rd highest	2.9	8.8	5.9	4.4	-0.6	2.1	1.3	-0.2	0.1
Inflation (average, percent p.a.)	9.0	Highest	2.8	0.3	8.5	5.6	0.6	3.4	2.6	0.5	0.5
Fiscal											
Total revenue and grants	25.8	Highest	18.1	20.1	21.2	16.5	25.3	18.1	23.6	19.2	19.5
Overall balance	-7.5	2nd worst	-4.0	-2.0	-10.2	-2.3	-4.2	-2.4	-2.7	-3.8	-3.4
Primary balance	-6.1	Worst	-2.3	-1.4	-3.9	-0.4	-2.7	0.8	-2.2
Public debt	46.8	3rd highest	42.5	21.2	85.3	31.3	42.4	50.8	37.1	41.7	29.7
Balance of Payment											
FX reserves (months of next year's imports)	2.2	Worst	8.5	23.6	9.2	6.0	6.5	6.6	6.5	14.4	8.5
Current account balance	-8.1	2nd worst	1.6	8.2	-2.4	0.7	12.2	2.2	2.8	8.0	4.8
FDI (net)	8.0	Highest	1.4	0.9	1.3	0.4	-1.1	1.0	-0.4	-1.5	1.7



Medium-term reforms remain important.....

- ✓ Preparation of next 10 year strategy and five year plan underway.
- ✓ Modernizing economy's institutions.
 - Key to smoother economic conditions
 - Essential to reaching full emerging market status



Thank you