



“Errors and Omissions and all that”

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Presentation for Fullbright School
December 10, 2009

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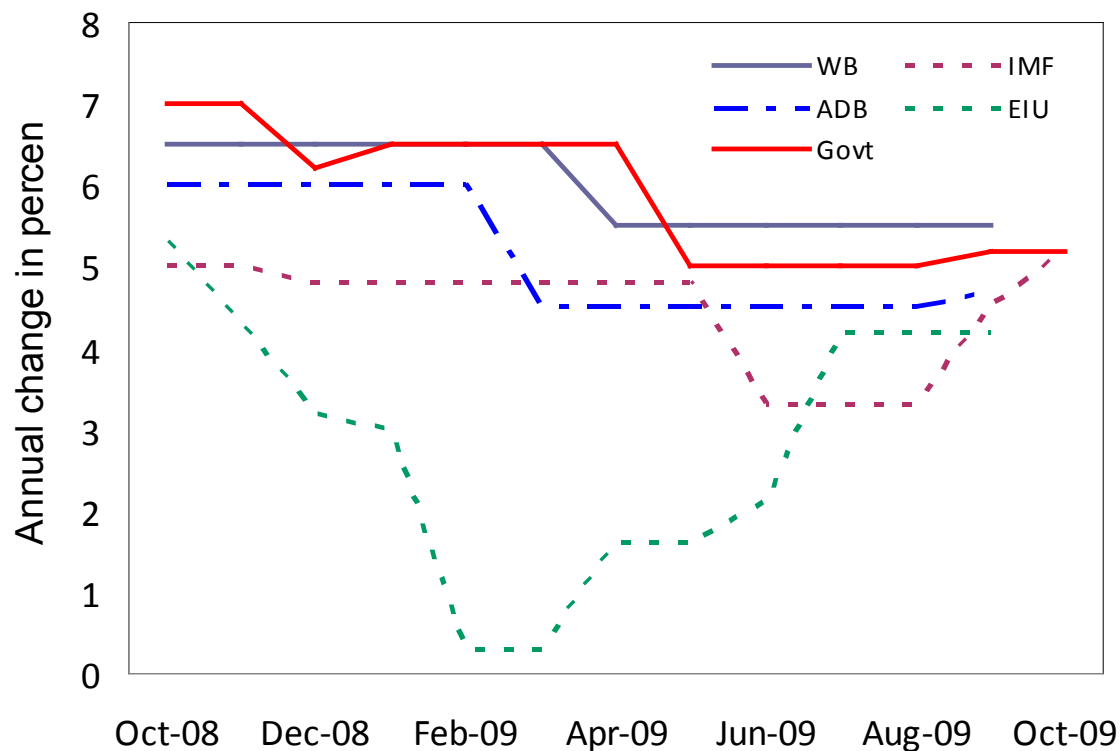
Outline

- ✓ Recent Developments
- ✓ The Role of the “Errors and Omissions”



Vietnam has had a “good war”

Growth Forecast for the Year 2009

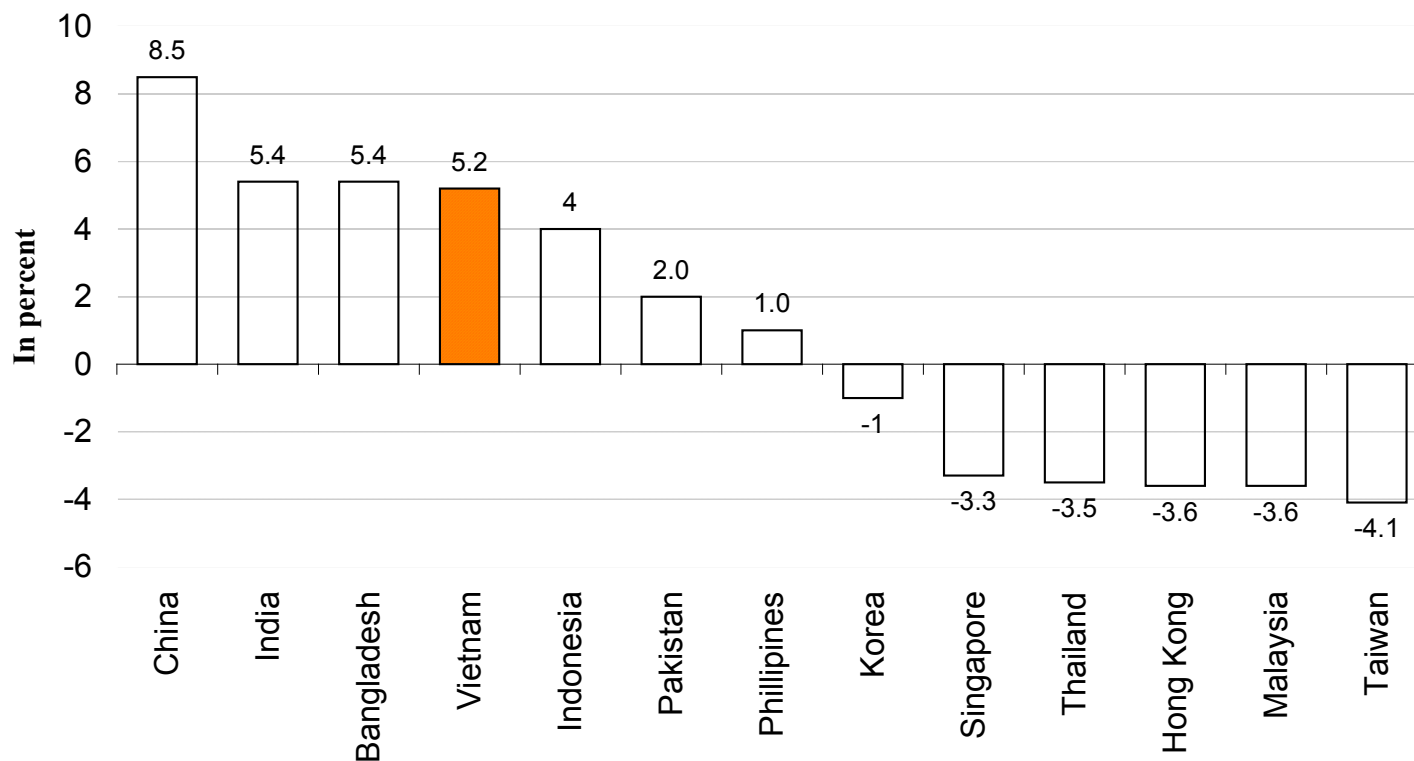


Source: GSO, ADB, EIU, IMF and the World Bank



Vietnam will likely outperform most of its neighbors....

Selected Asian Economies: Projection on Real GDP Growth in 2009



Source: IMF World Economic Outlook, October 2009



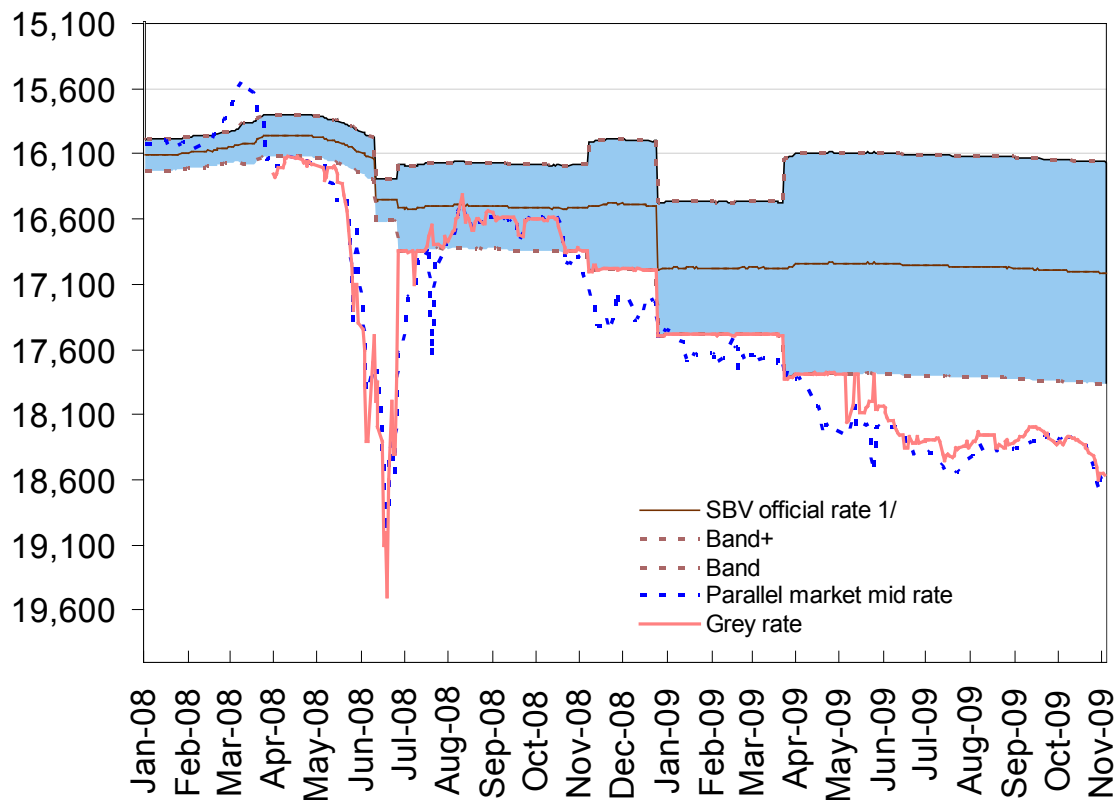
Collateral damage.....

- ✓ Macroeconomic stability has again become an issue.....
- ✓ Rising inflation, a commonly expressed concern.
- ✓ Pressures in the foreign exchange market, the more immediate issue...



Recent exchange rate developments

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



Sources: SBV, Gold shops and commercial banks



Balance of Payments in 2009

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

(US\$ million)

| | 2007 | 2008 | 2009 | | |
|-------------------------------------|--------|---------|--------|--------|-----------|
| | | | Q1 | Q2 | Q3 Est |
| Current account balance 1/ | -5,692 | -7,966 | 121 | -2,442 | -3,544 |
| Trade | -9,060 | -10,042 | -208 | -2,597 | -3,528 |
| Remittances | 6,180 | 6,804 | 1,488 | 1,469 | 1,243 |
| Other | -2,812 | -4,728 | -1,159 | -1,314 | -1,259 |
| Financial account balance 2/ | 15,891 | 8,439 | -964 | -306 | 1,446 |
| "Core" | 14,917 | 11,449 | 1,211 | 1,840 | 3,013 |
| Official | 2,045 | 993 | 322 | 470 | 484 |
| Private 3/ | 12,872 | 10,456 | 889 | 1,370 | 2,529 |
| "Non-core" | 974 | -3,010 | -2,175 | -2,146 | -1,567 |
| NFA of commercial banks | 2,623 | 677 | -688 | -265 | 1,500 |
| Gold | -1,300 | -2,740 | 2,530 | 70 | 0 |
| Errors and omissions | -349 | -947 | -4,017 | -1,951 | -3,067 |
| Overall balance | 10,199 | 473 | -843 | -2,748 | -2,098 |

1/ excludes gold exports/imports.

2/ Includes gold transactions and errors and omissions.

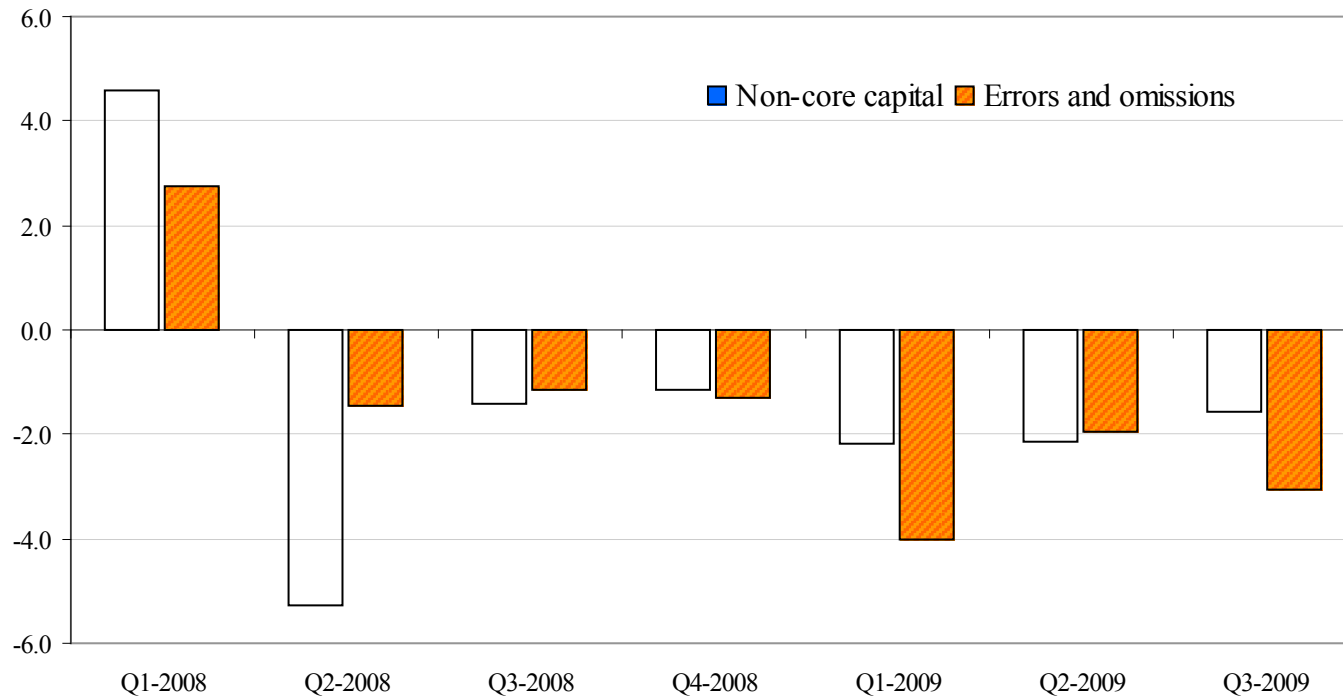
3/ FDI, portfolio flows, and trade credits.

Source: SBV



Recent trends in "Non-core" capital

Vietnam: "Non-core" capital flows
(In billions of US\$)



Source: SBV



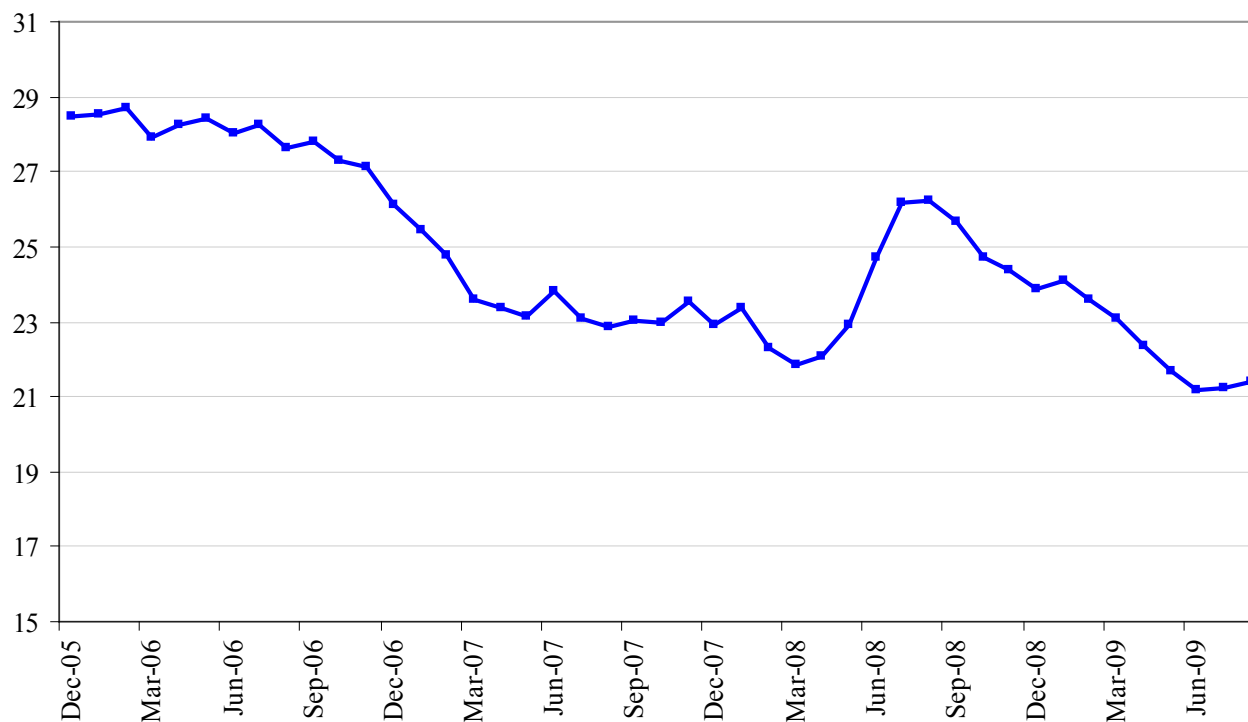
How to Interpret the Errors and Omission?

- Noise?
- Errors elsewhere?
- Resident Portfolio Shifts?



Ratio of FX/Total Deposits Misleading...

Vietnam: FX Deposits
(In percent of total deposits)

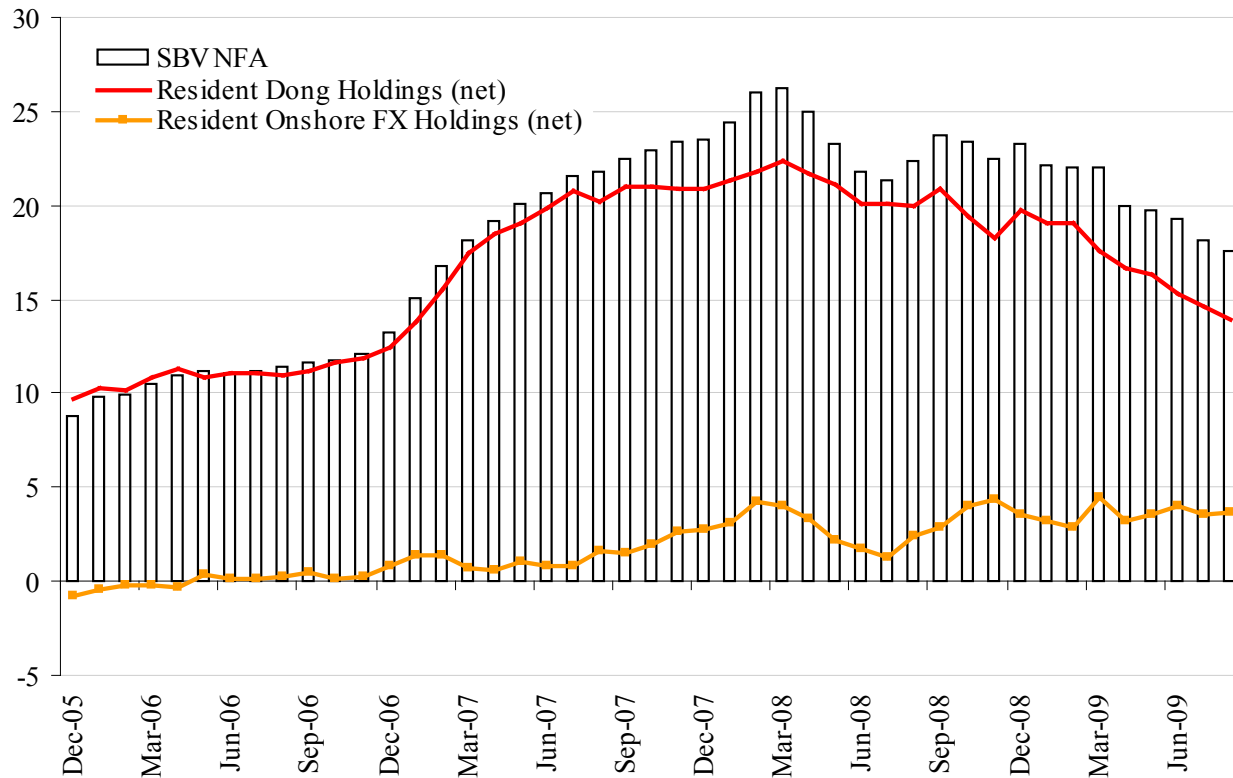


Source: SBV



Better to look at broad portfolio..

Vietnam: Factors Driving SBV NFA
(In billion of US\$)

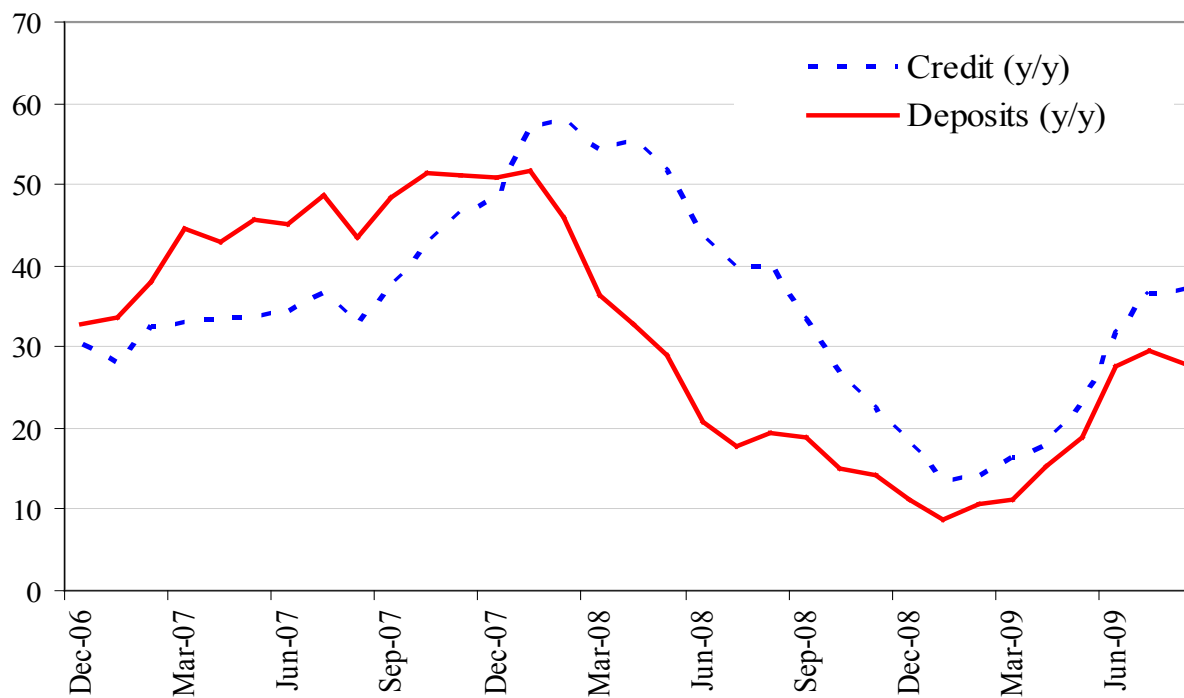


Source: SBV



Decline in Net Dong Holdings Driven Mainly by Credit...

Vietnam: Dong Deposit and Credit Growth

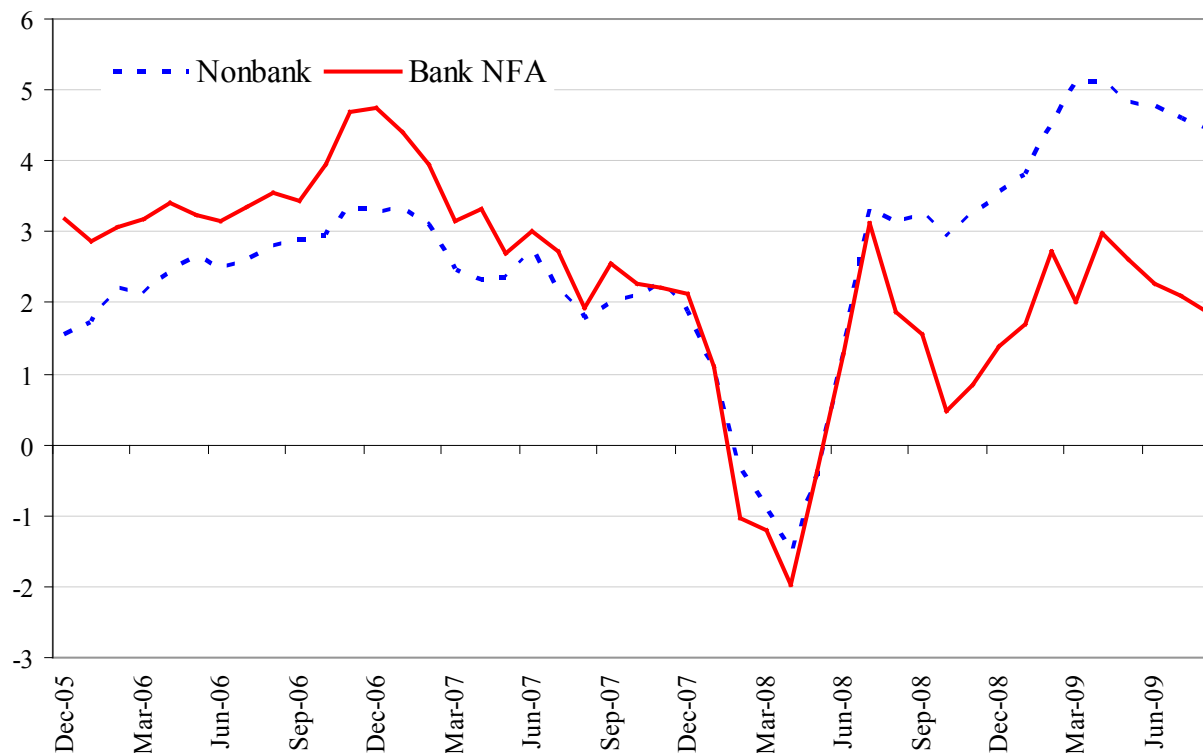


Source: SBV



Nonbank Residents have also increased net FX position with banks

Vietnam: Resident Net FX Position with Banks
(In billion of US\$)



Source: SBV



How have residents been adjusting their portfolios??

Picture not clear:

- Exporters not remitting?
- Residents hoarding dollars/gold?
- Financial gold market?





Policy Implications....

Have to address factors driving portfolio shift:

- Concern about fundamentals (trade deficit etc)
- Excess supply of dong.
- Address expectations.



Recent Policy Steps....

- Right Direction
- Expectations now key...



Thank you