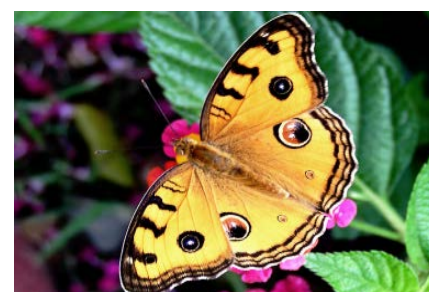


# Vietnam: Economic Context



## Parliamentary Network Visit to Vietnam

March 5 – 8, 2018

Hanoi, Vietnam



Jonathan Dunn  
IMF Resident Representative  
International Monetary Fund



# Outline

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- IMF activities
- Economic achievements since 1986
  - Inclusive growth and poverty reduction
  - Financial deepening
  - Global integration
- Challenges of the day
  - Fiscal space
  - Credit and NPLs
  - Productivity
  - Demographic transition
  - Environment



# IMF Activities with Vietnam

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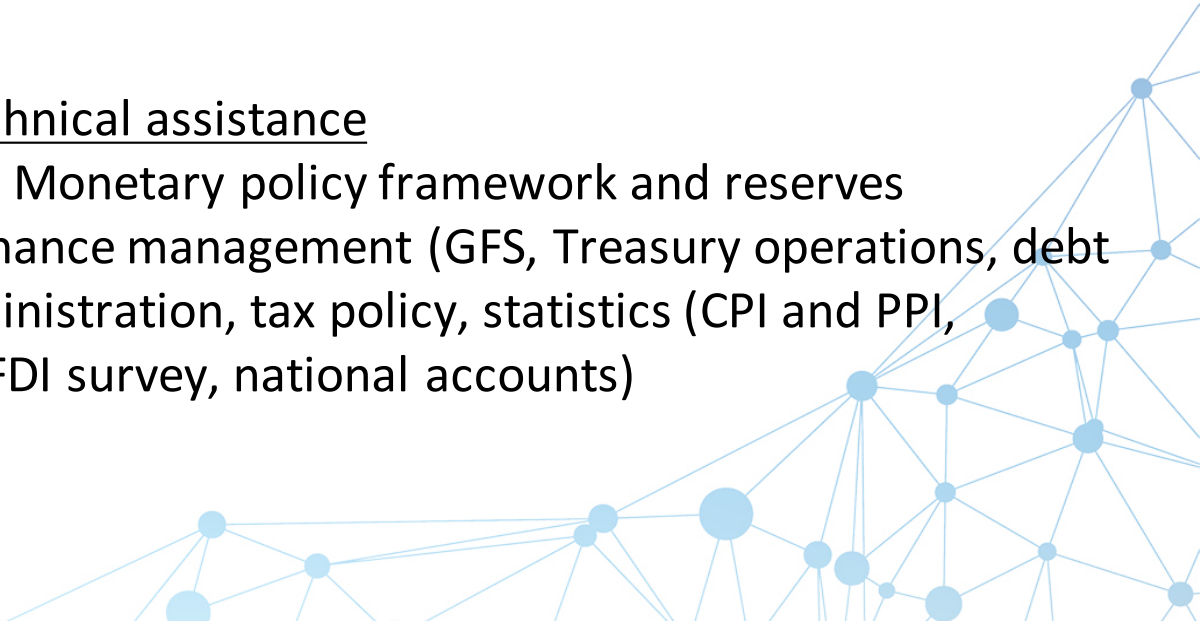
## Lending/program

- Active program engagement to support reforms from 1993-2001

## Policy consultation

- Excellent dialog with the government on policies and reforms
- Ambition of the government to make Vietnam a top performer in ASEAN and regionally has increased demand for policy advice and capacity building

## Capacity building and technical assistance

- Main areas in Vietnam: Monetary policy framework and reserves management, public finance management (GFS, Treasury operations, debt management), tax administration, tax policy, statistics (CPI and PPI, external statistics and FDI survey, national accounts)
- 

# Major milestones

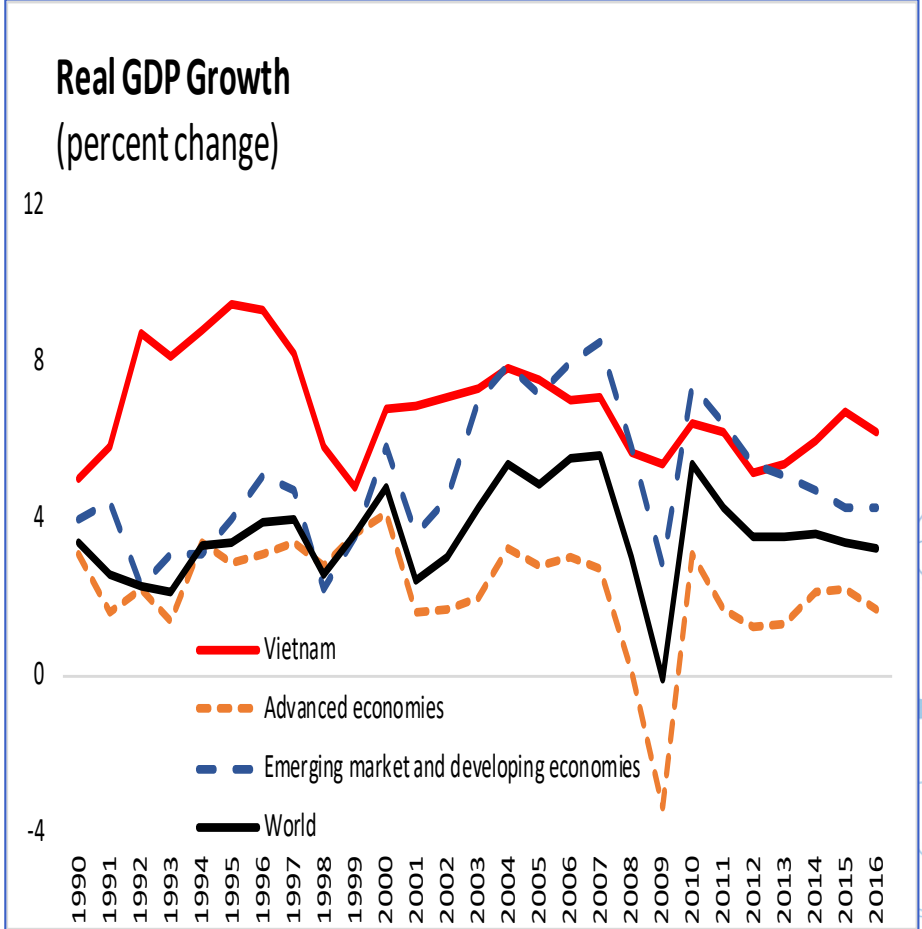
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- 1986: Launched Doi Moi (economic renovation) program
- 1993: Normalization of relationship with the USA and international financial institutions
- 2000: Signature of the USBTA with the USA
- 2007: Joined the WTO
- 2008 - 2010: Challenging period for macroeconomic management
- 2011: Introduced 3 pillars for economic reform and stabilizing the economy
- 2015 - : Return to strong growth driven by domestic demand and FDI
- 

**Remarkable achievements over  
the past three decades....**



# Remarkable development in the decades since “Doi Moi”

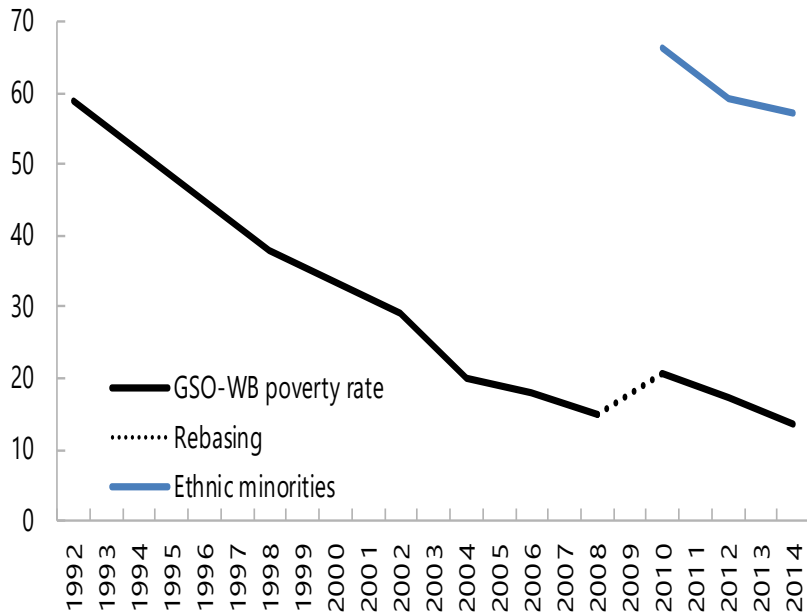


Sources: IMF World Economic Outlook, GSO and Fund Staff Calculation

# Growth has been broadly equitable and poverty has declined dramatically

## Vietnam: Poverty Reduction, 1992–2014

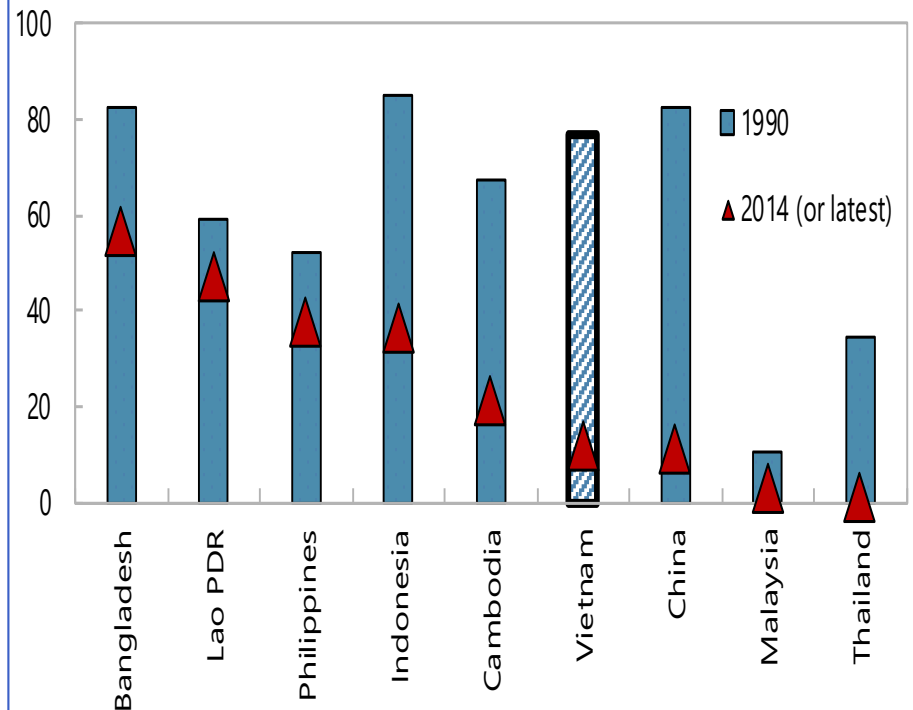
(in percent)



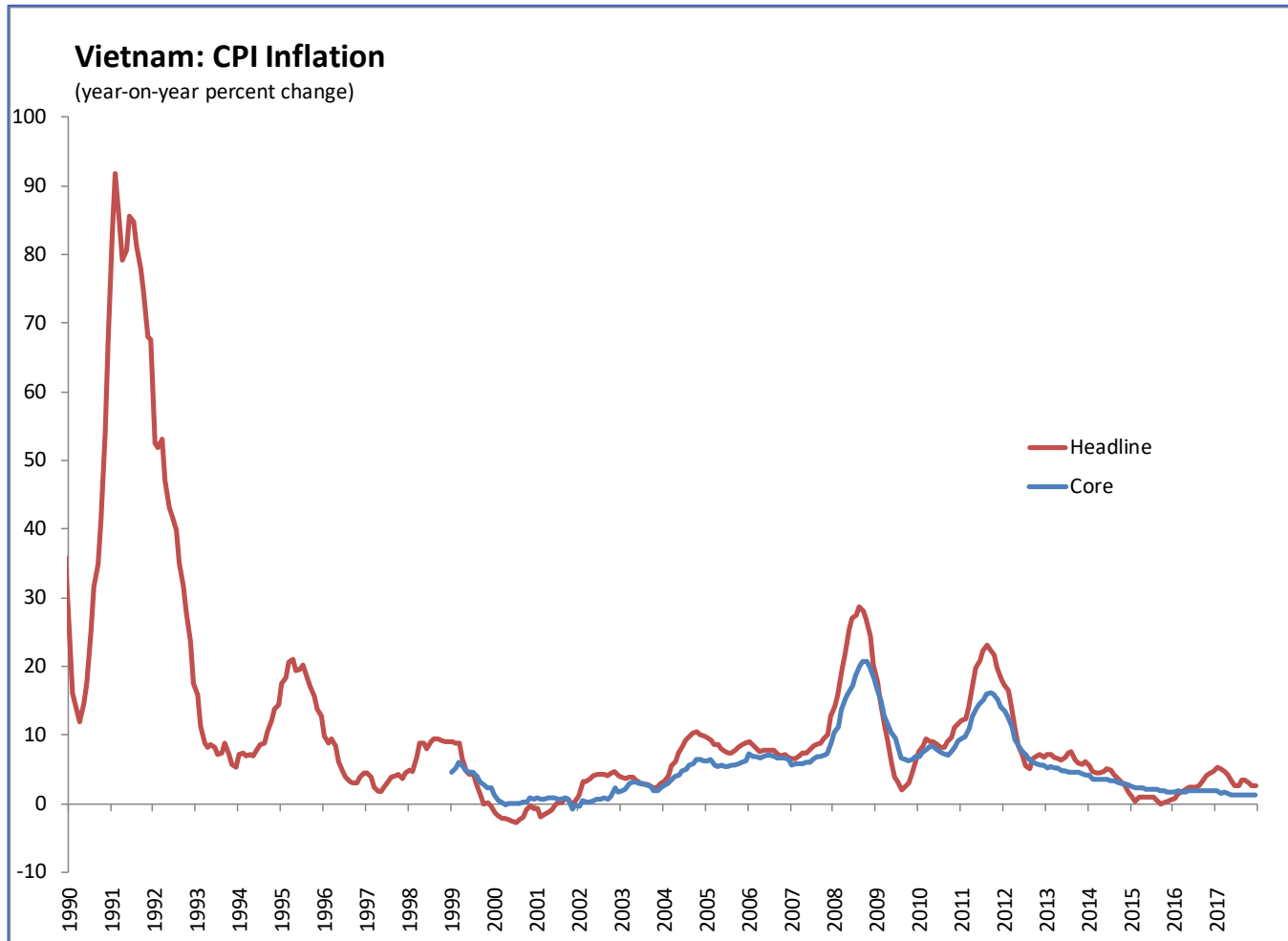
Source: The World Bank.

## Poverty headcount ratio at \$3.10 a day

(2011 PPP, percent of population)



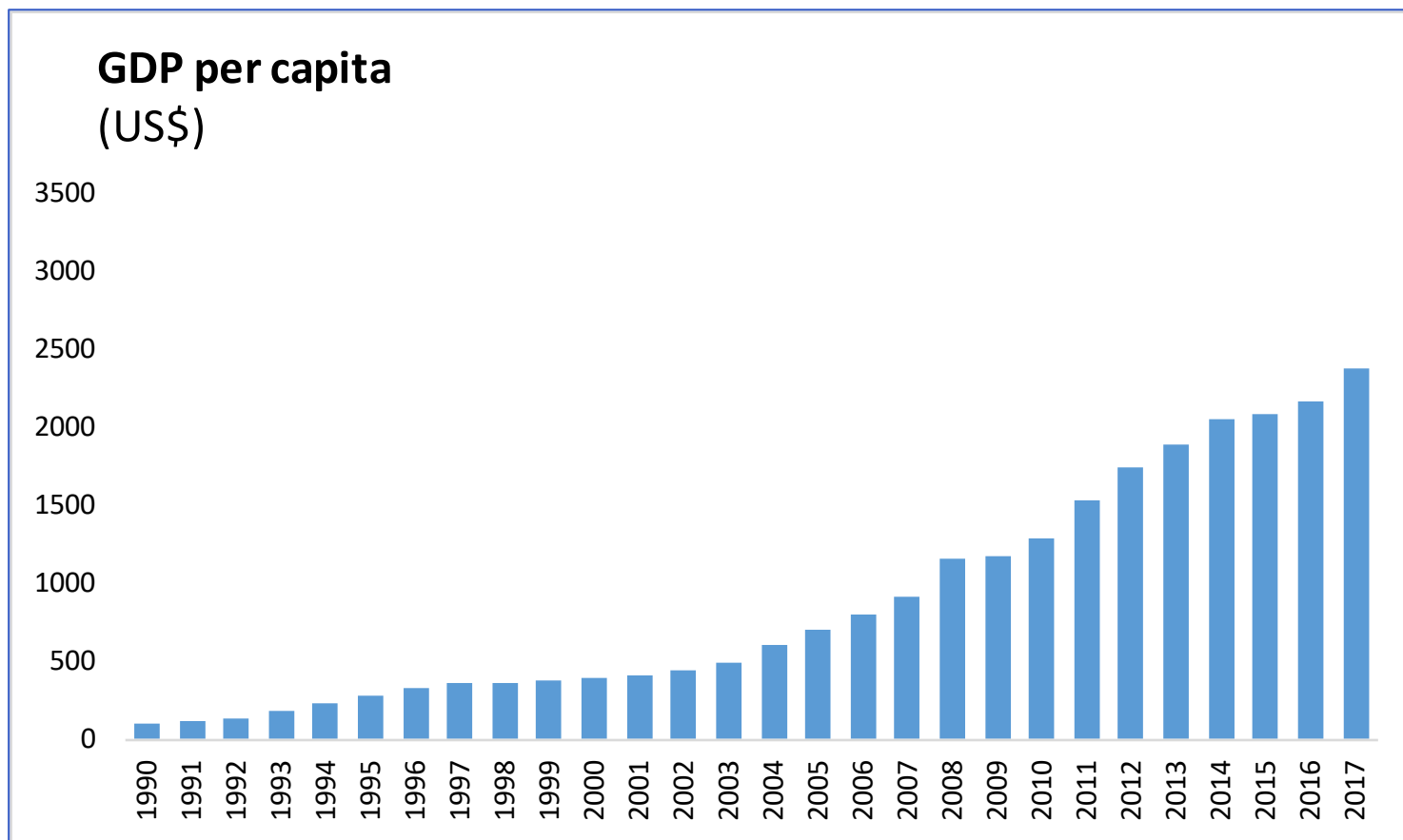
# After hyperinflation in the 1980s and 1990s, inflation has been tamed in recent years



Sources: GSO and Fund staff calculations

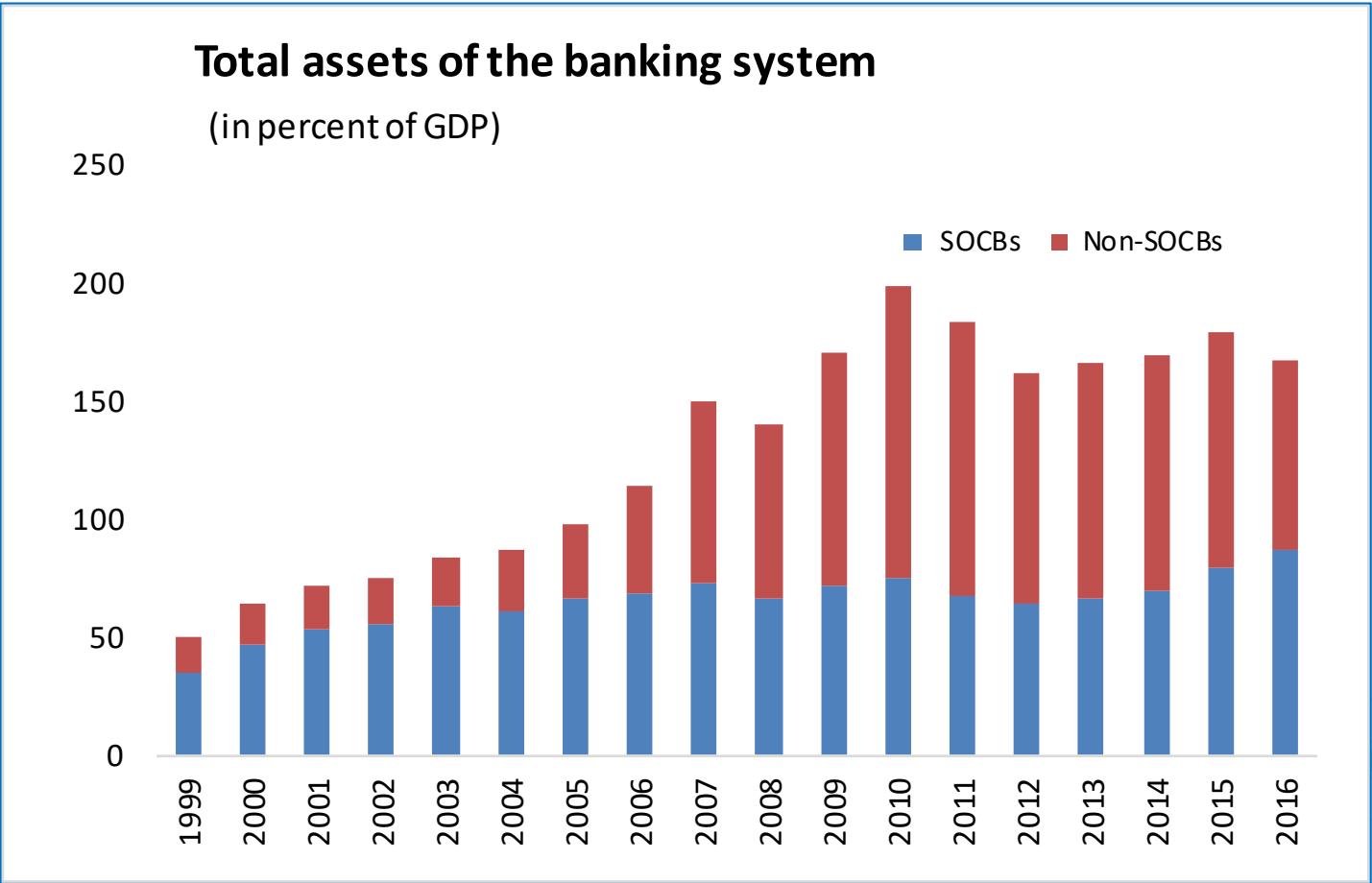


# Transformation from one of the poorest countries in the world to a lower middle-income country



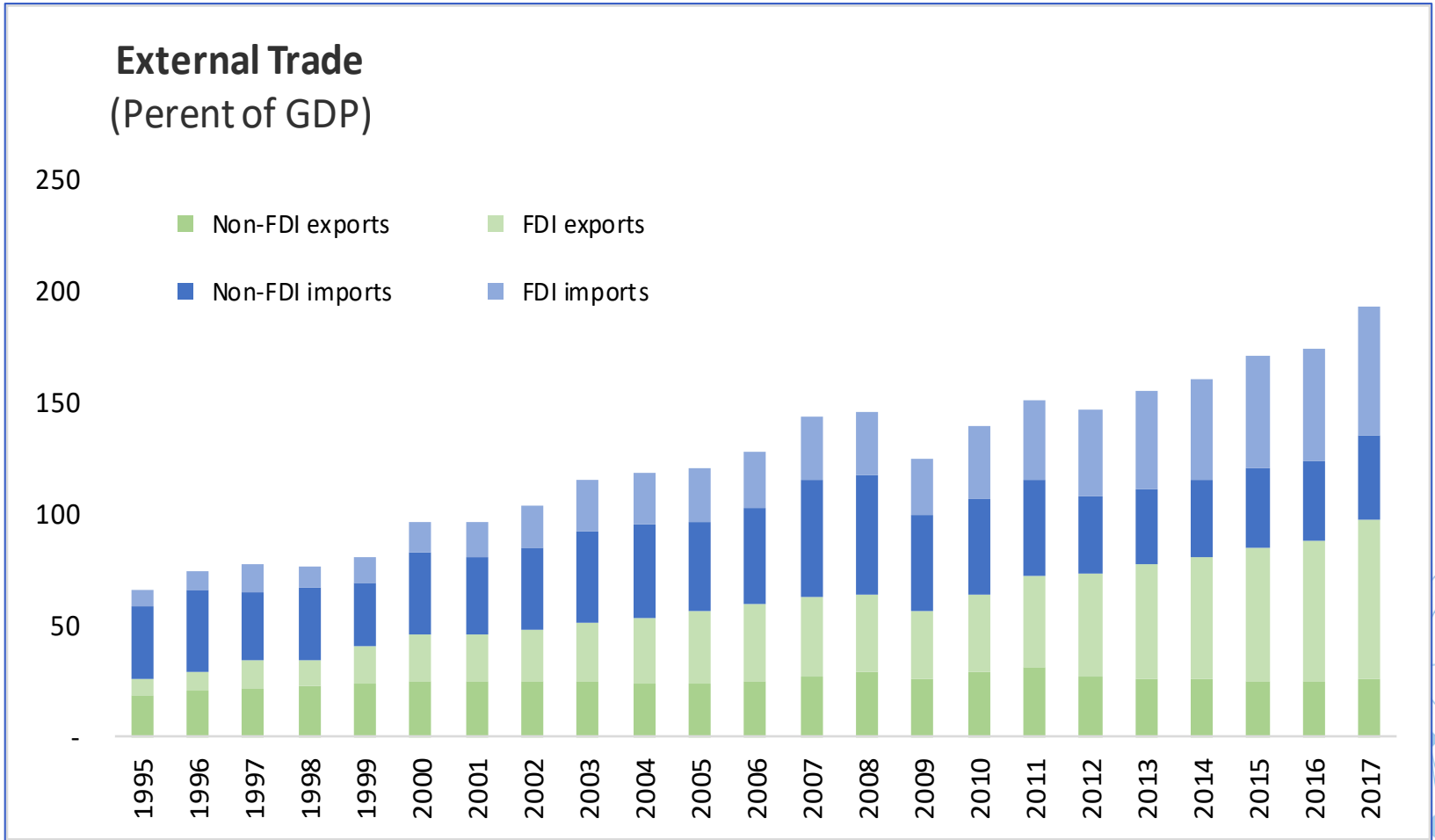
Sources: IMF World Economic Outlook, GSO and Fund Staff Calculation

# Financial deepening



Sources: SBV and Fund staff calculations

# Rapid integration into the global economy

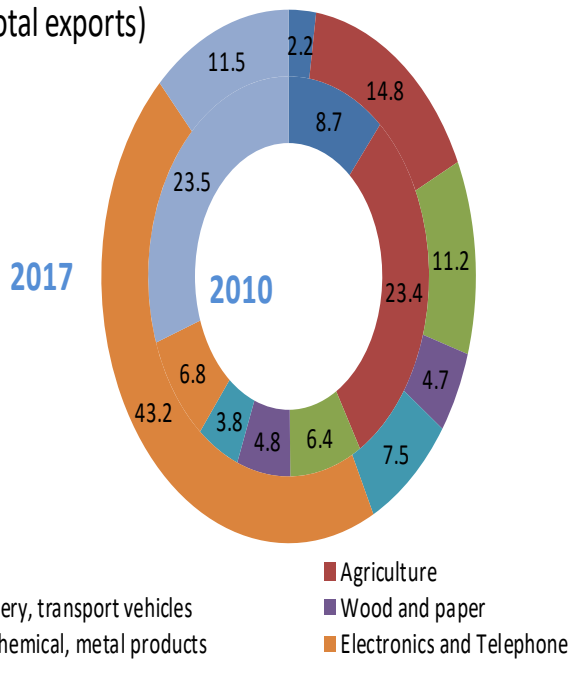


Sources: GSO and Fund staff calculations

# Exports have shifted to manufacturing and high-tech products and markets are expanding in China, the EU and the US

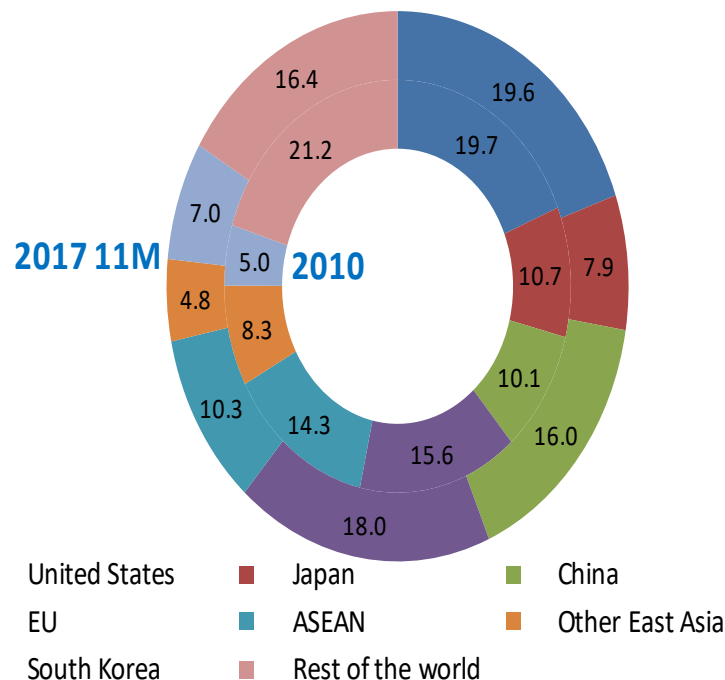
**Vietnam: Export by Commodities**

(In percent of total exports)



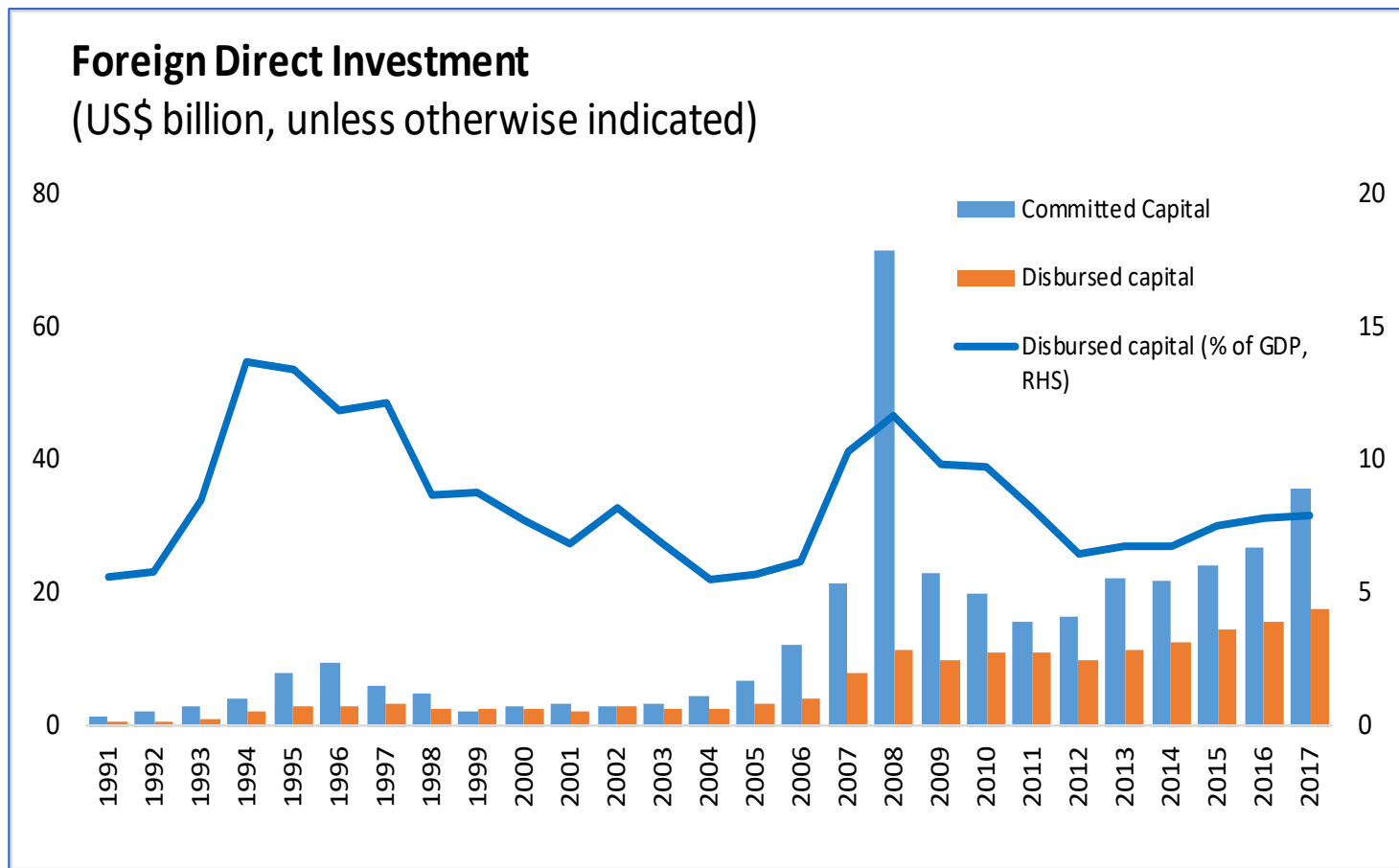
**Vietnam: Exports by destination**

(In percent of total exports)



Sources: GSO and Fund staff calculations

# One of the world's most attractive investment destinations



Sources: MPI, SBV and Fund staff calculations

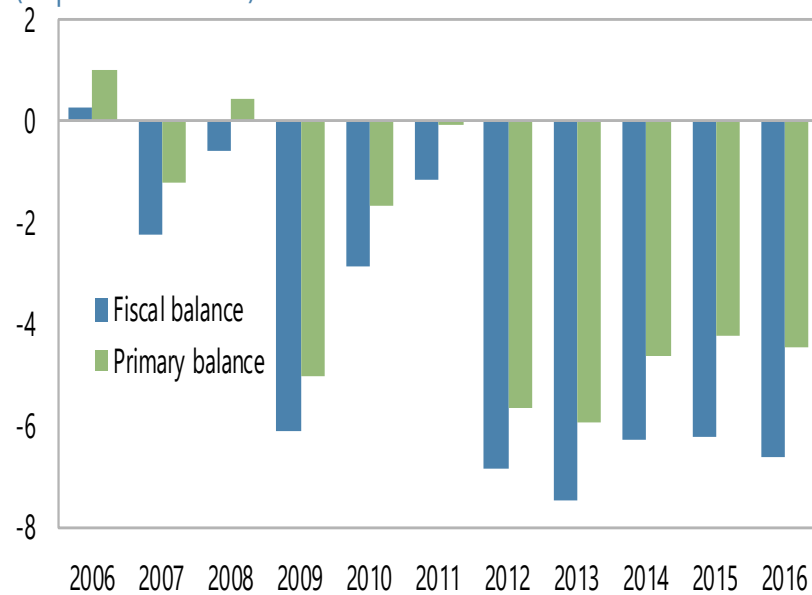
## Challenges of the day....



# Expansionary fiscal policy has resulted in high budget deficits and steadily rising public debt

## Vietnam: Fiscal Balance

(In percent of GDP)

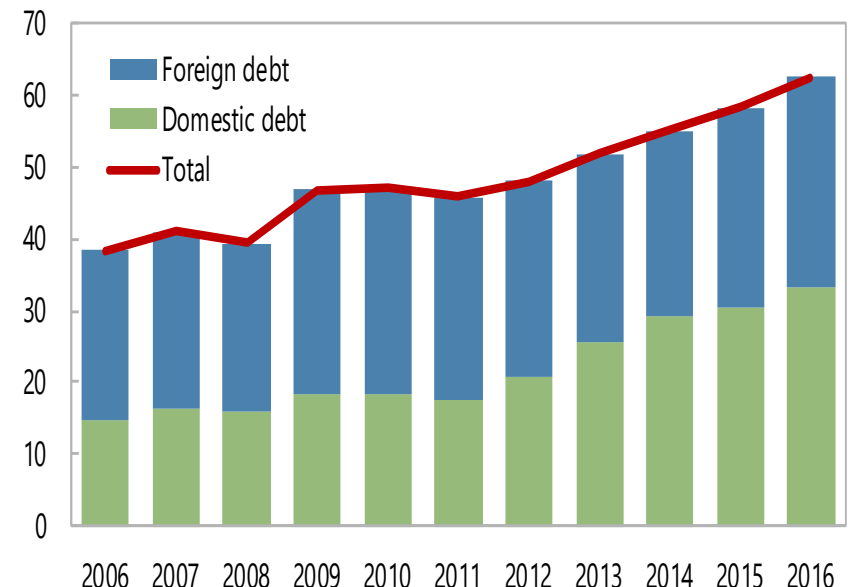


Sources: Vietnamese authorities; and IMF staff calculations.

Est. Proj.

## Vietnam: Public and Publicly Guaranteed Debt

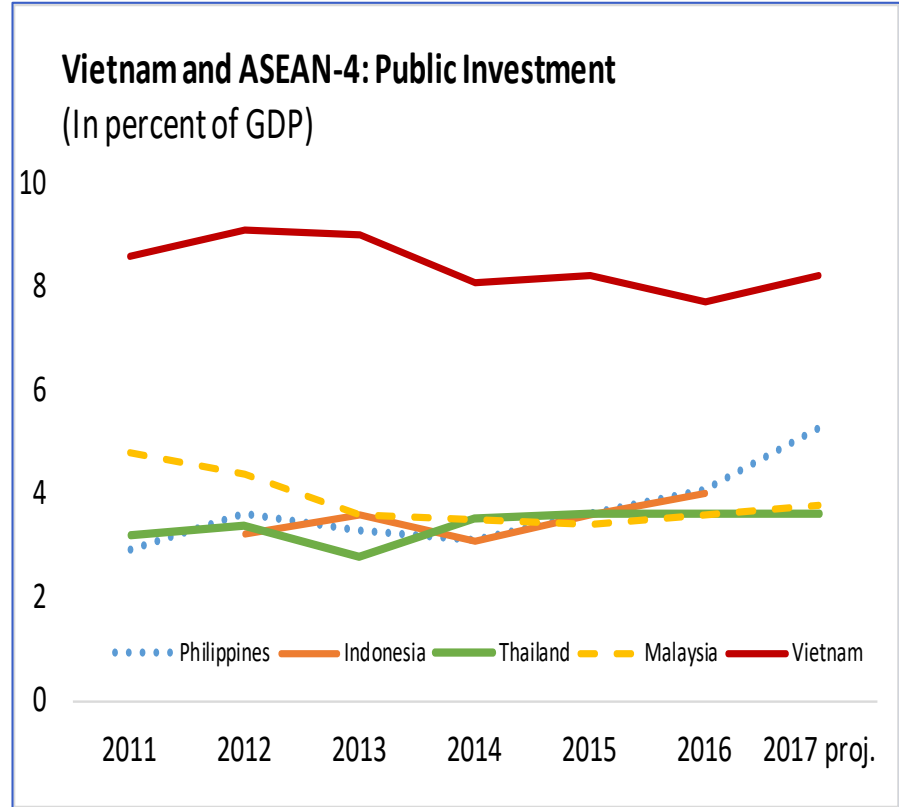
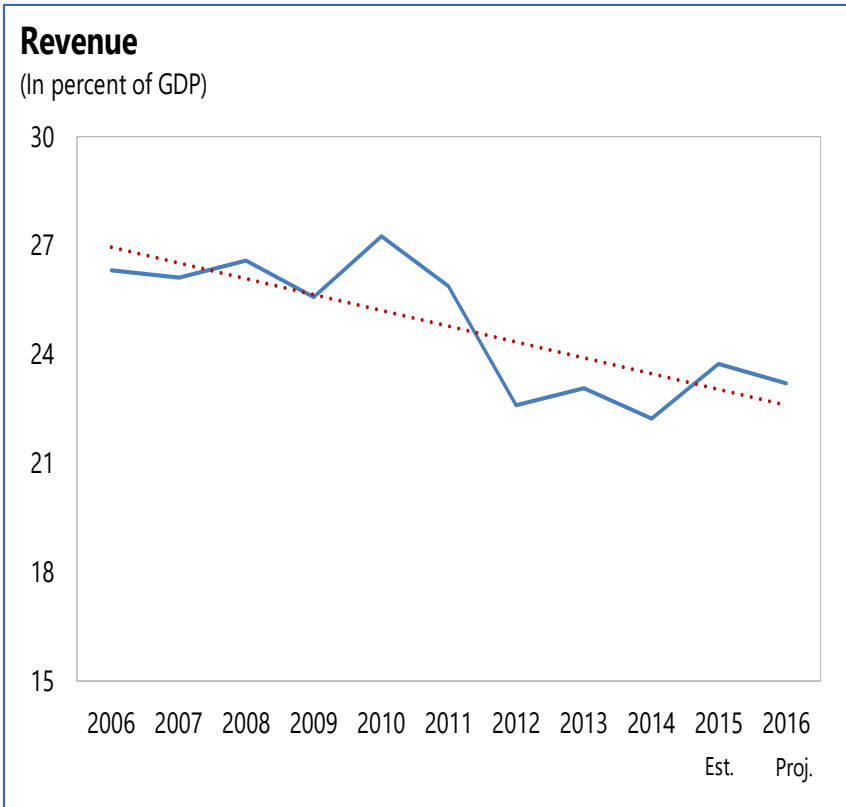
(In percent of GDP)



Sources: Vietnamese authorities; and IMF staff calculations.

Est. Proj.

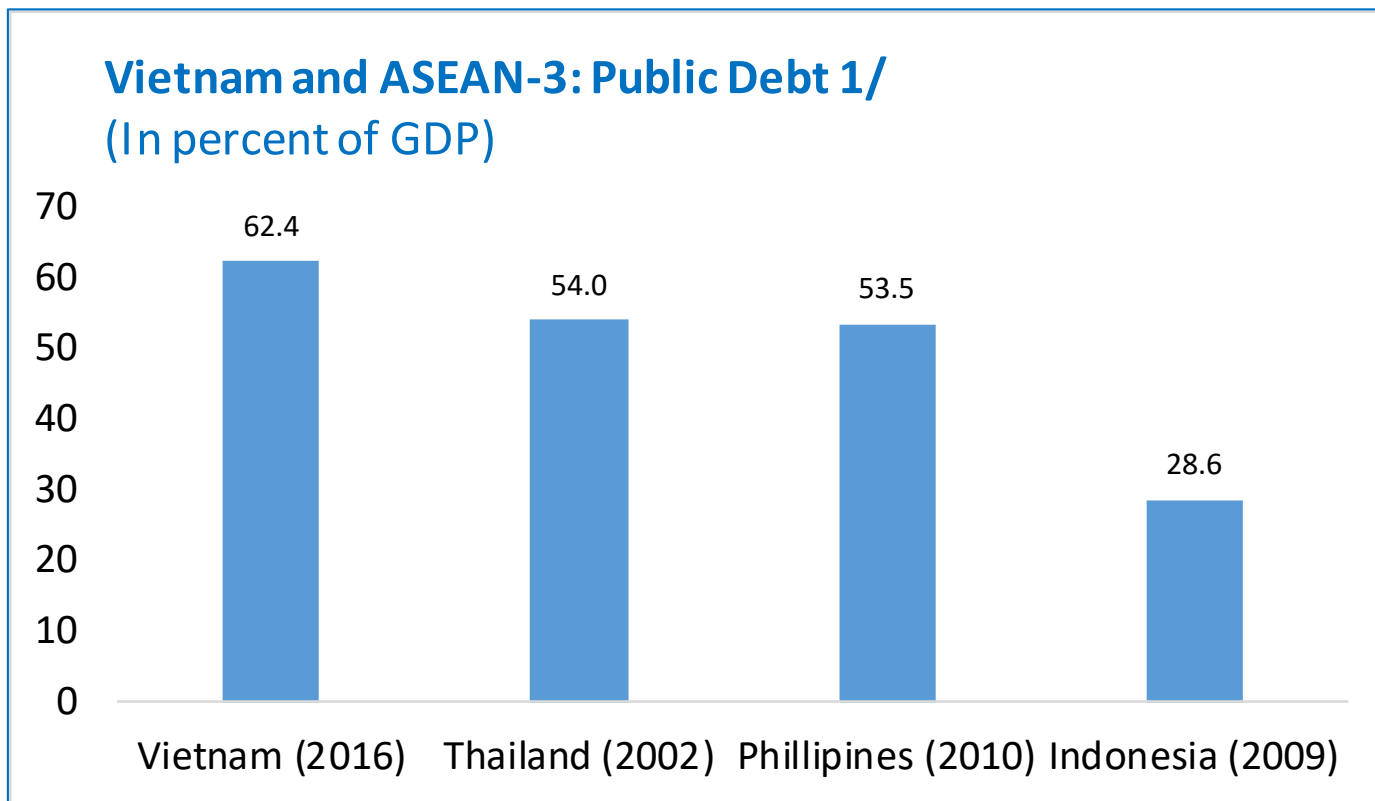
# Declining revenue makes it hard to meet large needs for public investment



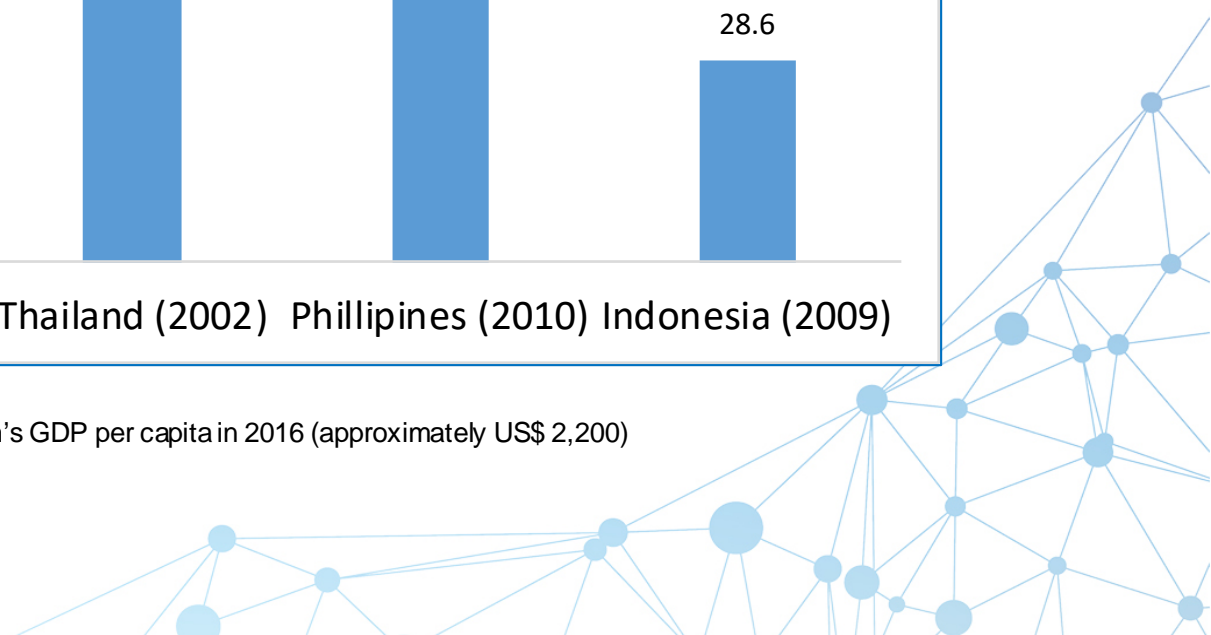
Note: 1/ ASEAN 4 includes Indonesia, Malaysia, Philippines and Thailand  
Sources: MOF and Fund Staff Calculation



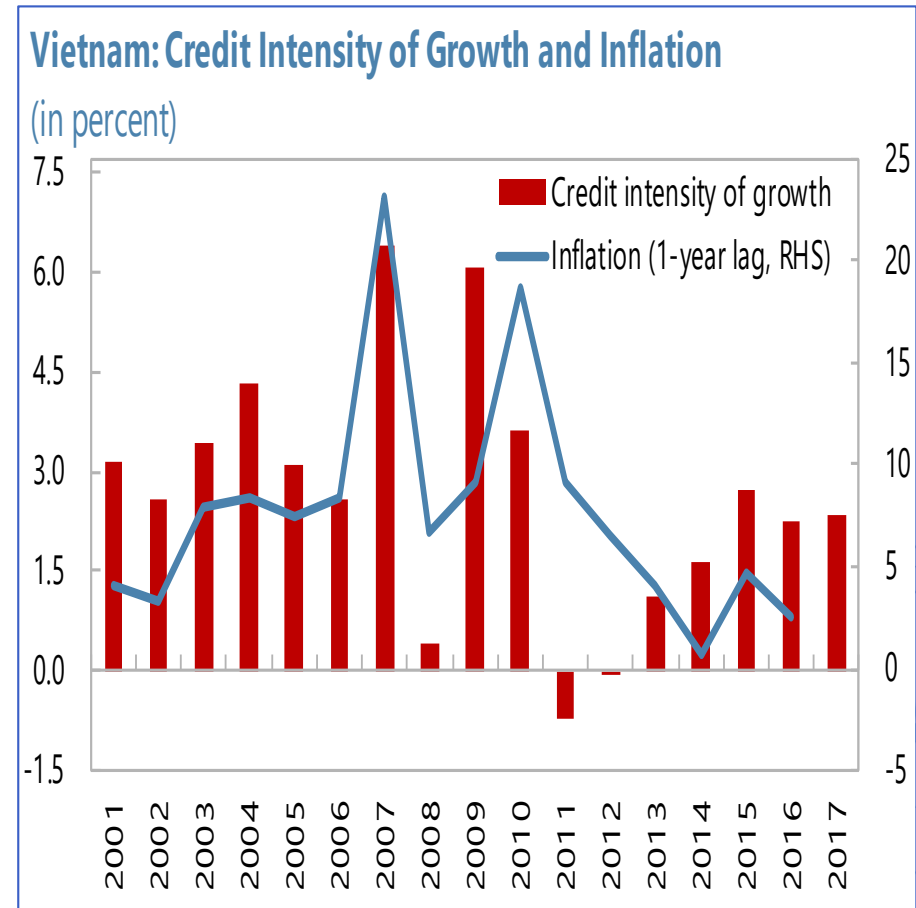
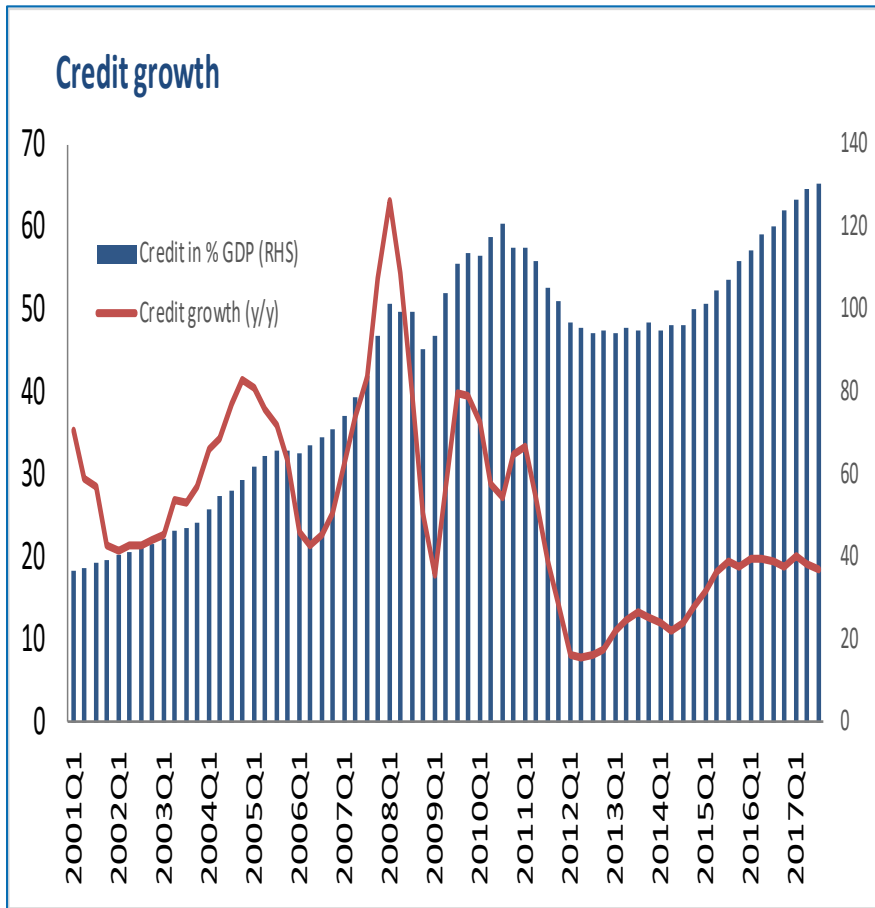
# Public debt higher than in peers



Note: 1/ At the same level of Vietnam's GDP per capita in 2016 (approximately US\$ 2,200)  
Sources: IMF staff reports



# Recent sustained high credit growth accompanied by a rising credit intensity of growth



Sources: SBV and Fund staff calculations

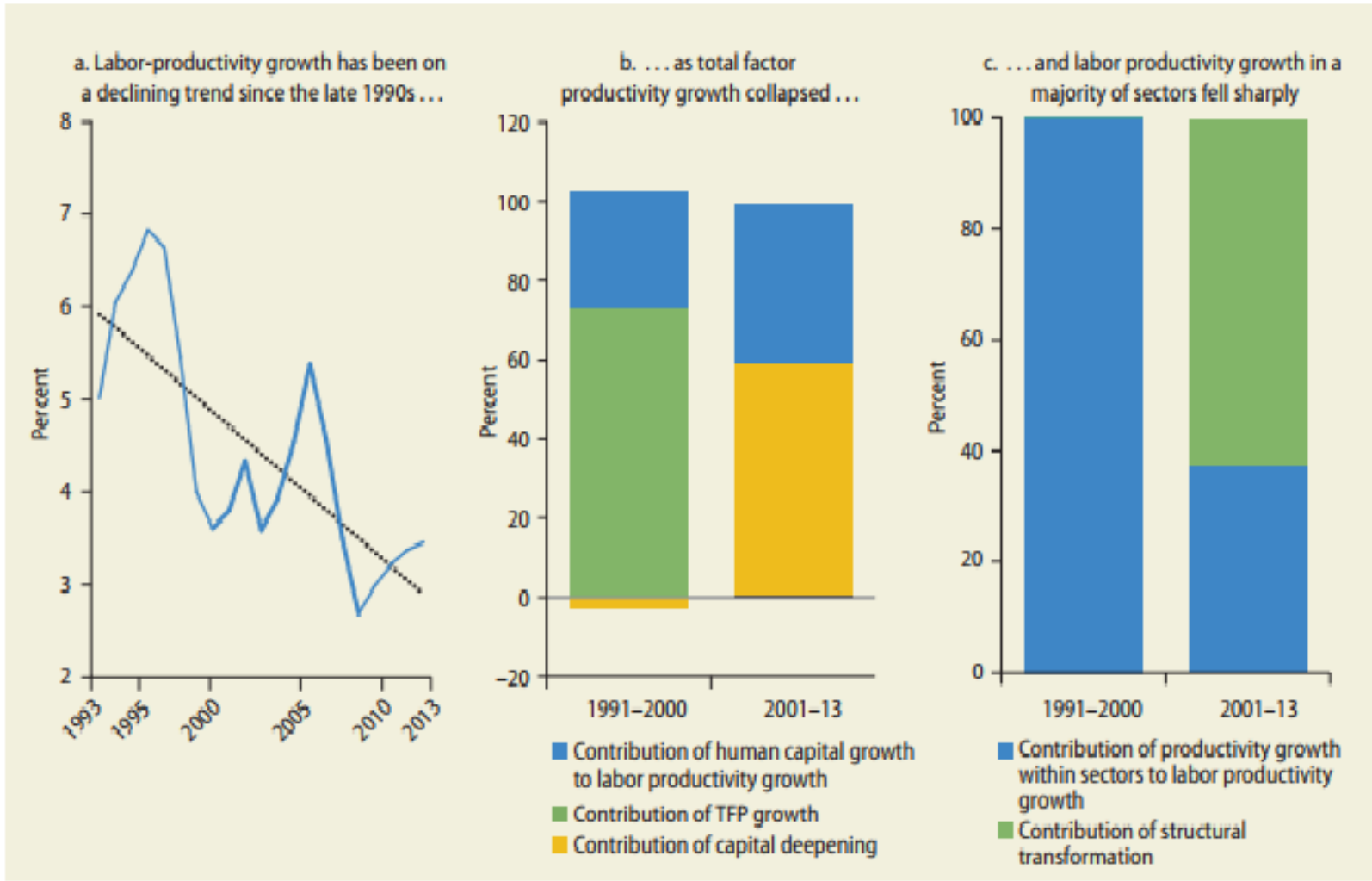
# Legacy high NPLs are gradually being addressed

Impaired Loans								
(In trillion of Vietnamese dong, unless otherwise indicated)								
	Total loans	Impaired loans	Impaired loans, of which:				Impaired Loan Ratio (Dec. 2016)	Impaired Loan Ratio (Jun. 2015)
			Classified as NPL	Sold to VAMC	Decision 780 loans			
Total banking sector	5,575	470	139	195	136	8.4	12.7	
State-owned bank	2,638	150	43	78	29	5.7	13.7	
Private sector bank 1/	2,937	321	97	117	107	10.9	11.7	

Sources: Data from Vietnam authorities and IMF staff calculations.

1/ Joint stock banks, joint venture banks, fully foreign-owned bank and branches.

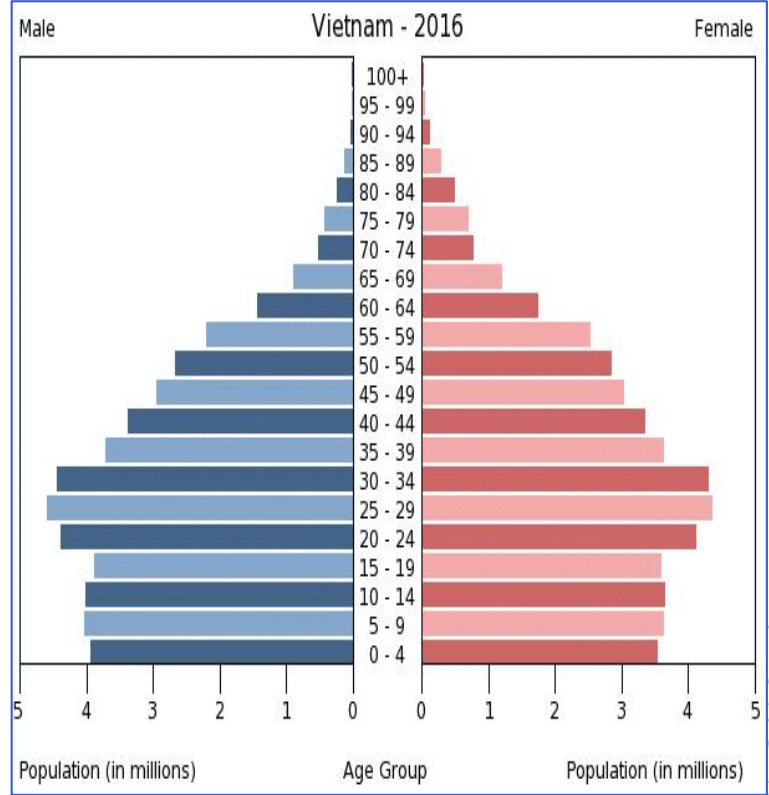
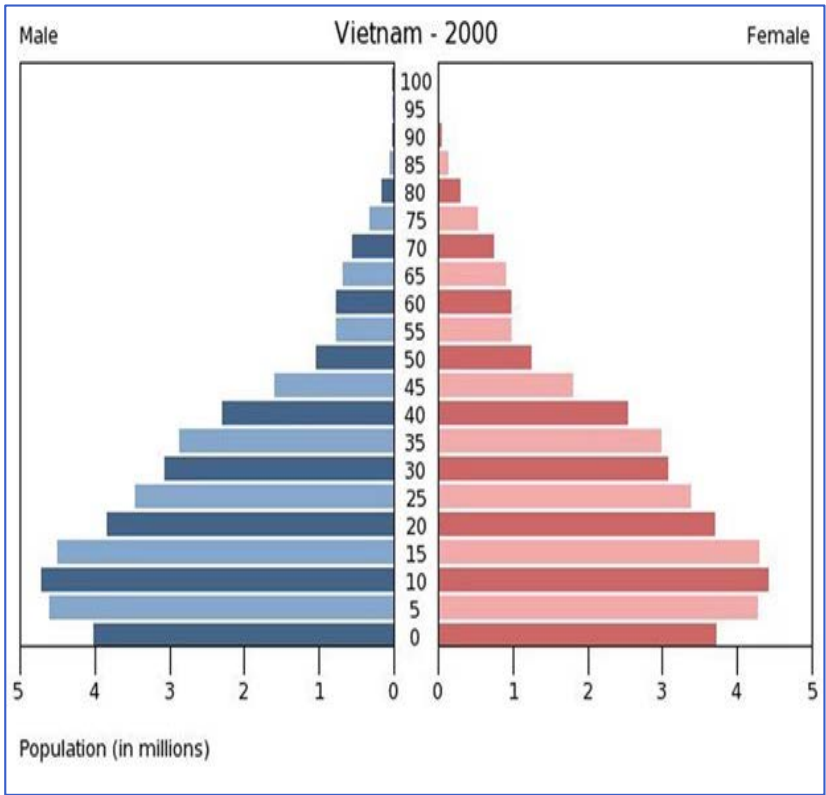
# Productivity has been declining



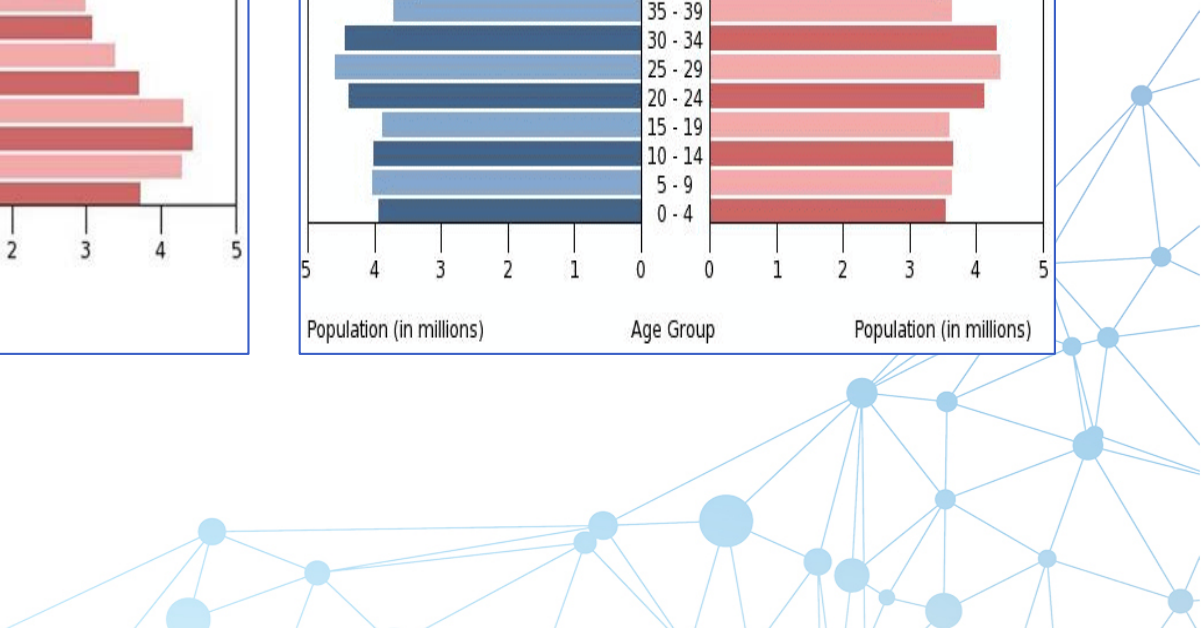
Source: WB report: Vietnam 2035



# Demographic dividend is nearly spent and Vietnam will become one of the world's fastest aging societies



Source: UN



# Environmental challenges

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- Environmental and resource sustainability issues are macro-critical: Vietnam is vulnerable to natural disasters and climate change, and emissions are on the rise.
- The sustainability of growth is threatened by water, air and ground pollution; high vulnerability of the low-lying Mekong Delta to climate change and extreme weather; and unsustainable agriculture that results, inter alia, in soil salinization.



**Thank you!**

