

Vietnam's Economic Picture Gets Gradually Brighter

September 3, 2008

Vietnam's economy in 2008 is a particularly special picture with two contrast colours: one is the difficulties converged and repressed to the peak; the other is the gradually brighter side of the economy with a lot of spectacular breakthroughs. Ph.D Nguyen Minh Phong tells more.

In the first half of 2008, Vietnam had to cope with many new and complicated difficulties including slow economic growth, high inflation, fluctuations on the foreign exchange, gold, petrol, securities and real estate markets. Trade deficit hit record over the past many years. People's life gets more difficult and many social issues become ever more hard pressed.

However, positive signs of a recovery of the economy have been seen in the later half of the year.

Firstly, foreign direct investment (FDI) attraction has recorded positive achievements with record attraction of FDI. In the first six months of this year, Vietnam attracted US\$31.6 billion worth of FDI, up 3.7 times against the same period last year and exceeding by 48% of the total FDI attraction of the whole year last year.

In July alone, foreign investors registered to invest US\$14.1 billion, equivalent to over 43% of the total FDI attraction in the first half of this year, bringing the total number of FDI attraction in the first seven months of US\$45.7 billion, double that of 2007 and equivalent to 80% of the total FDI attraction from 1988 to 2005

It should be noted here that there have appeared more and more large-scale FDI projects with investments of tens of billion of US dollars to Vietnam and there has been an increase in the number of projects in the supporting industrial sector and service sector. These are the elements that have affirmed the confidence in a bright prospect of the Vietnamese economy by foreign businessmen community.

FDI flows has signalled of stable increase again, especially investment in the financial and banking sector. In August alone, there was a new wave of purchasing stakes at Vietnam commercial banks. SeaBank has sold 15% stake to France's Societe Generale. HSBC has increased its ownership in Techcombank to 20%. Singapore's OCBC has

become a strategic shareholder of VPBank with 15% stake. The trend of buying stocks, setting up joint ventures and merging with Vietnamese banks has been clearer. The proportion of indirect foreign investment to Vietnam has been increasing and currently accounting for 20% of the Vietnam's stock market. Foreign investors have seemed to officially rush to occupy the Vietnamese market in the integration process.

Secondly, the stock and real estate markets have experienced its deep decline and are recovering, slowly but stably. Investors have gradually regained their confidence. Ending the session on August 22, VN-Index increased by 1 points, closing at 526.98 points while HASTC-Index closed at 164.28, up 1.32 points.

The real estate market has also warmed up, especially in the northern region and expanded urban areas. There have been many signs showing that there will be positive development in potential market segments such as housing market for low-income earners, for Vietnamese living overseas and offices for lease.

Thirdly, there has been improvements in indicators of inflation and trade deficit, thus, pushing back the worries of a monetary crisis.

From June and July to date, the increase of the consumer price index (CPI) in the domestic market has clearly been restrained, though not very stably. CPI in August was 1.56%. International payments have been maintained. The tense in payment balance shortfall in April and May has been gradually improved. Domestic monetary and foreign exchange market has been stable again, at least psychologically.

Vietnam's trade deficit in the first seven months of this year was US\$15 billion. However, the issue has been clearly improved in June and July. In these two months, trade deficit was less than US\$1 billion, compared to the average US\$2.7 billion of the first five months of the year.

Export turnover in June and July exceeded US\$6.2 billion each, up 53.7% and 46.1% against the same period last year, respectively. This has been the first time in November 2006 when export turnover exceeded import turnover.

Fourthly, different economic sectors have been gradually recovered, though there have been many difficulties and challenges on the domestic and foreign markets.

The tightening monetary policy more or less has caused direct negative impacts to credit sources of economic sectors, however, the development impetus has been maintained, especially in the foreign-invested sector.

What should be noteworthy is that Vietnam's export activities have continued to increase sharply this year, despite the fact that the domestic and world markets are still facing many difficulties.

The expansion of export products has been very impressive. New discovered crude oil reserve and exploitation production has been increasing. The agricultural sector has reported bumper harvests. By mid-August, the country had exported 2.86 million tonnes of rice, earning US\$1.67 billion, out of the target of US\$3 billion this year. Exports of garments and textiles products in the first seven months of 2008 increased by 19.7% against the same period last year; footwear, 18% and computers and electronic appliances, 30%.

Lastly, the prestige and trademark of Vietnam has been consolidated in the world market. The success of Vietnam in economic management and various business sectors recently has been undeniable and recognised by many world organisations and press.

According to AT Kearney and US's Foreign Policy Magazine's Globalisation Index 2007, Vietnam ranked 48 out of the 72 selected countries (neighbouring Thailand ranked 53 and Indonesia, 69). Specifically, Vietnam ranked tenth in trade, 15th in foreign remittance, 19th in economic growth and integration and 33rd in foreign direct investment.

It can be said that the world is understanding more and getting closer to Vietnam. On the other hand, Vietnam has also been more conscious determined to speed up the process of integration, while seeking technical support from important members of the World Trade Organisation.

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These are the reliable signals showing a Vietnam which is prepared for active integration as well as for impacts of the world economy. This has really been an important fulcrum to promote Vietnam's sustainable development.

Source: Nhan Dan