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Viet Nam: Recent Economic Performance and Medium-Term Prospects

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Outline of Presentation

Part 1. Recent Economic Performance

- Growth performance
- External sector developments
- Fiscal performance
- Financial sector developments
- Inflation

Outline of Presentation (Continued)

Part 2. Economic Prospects

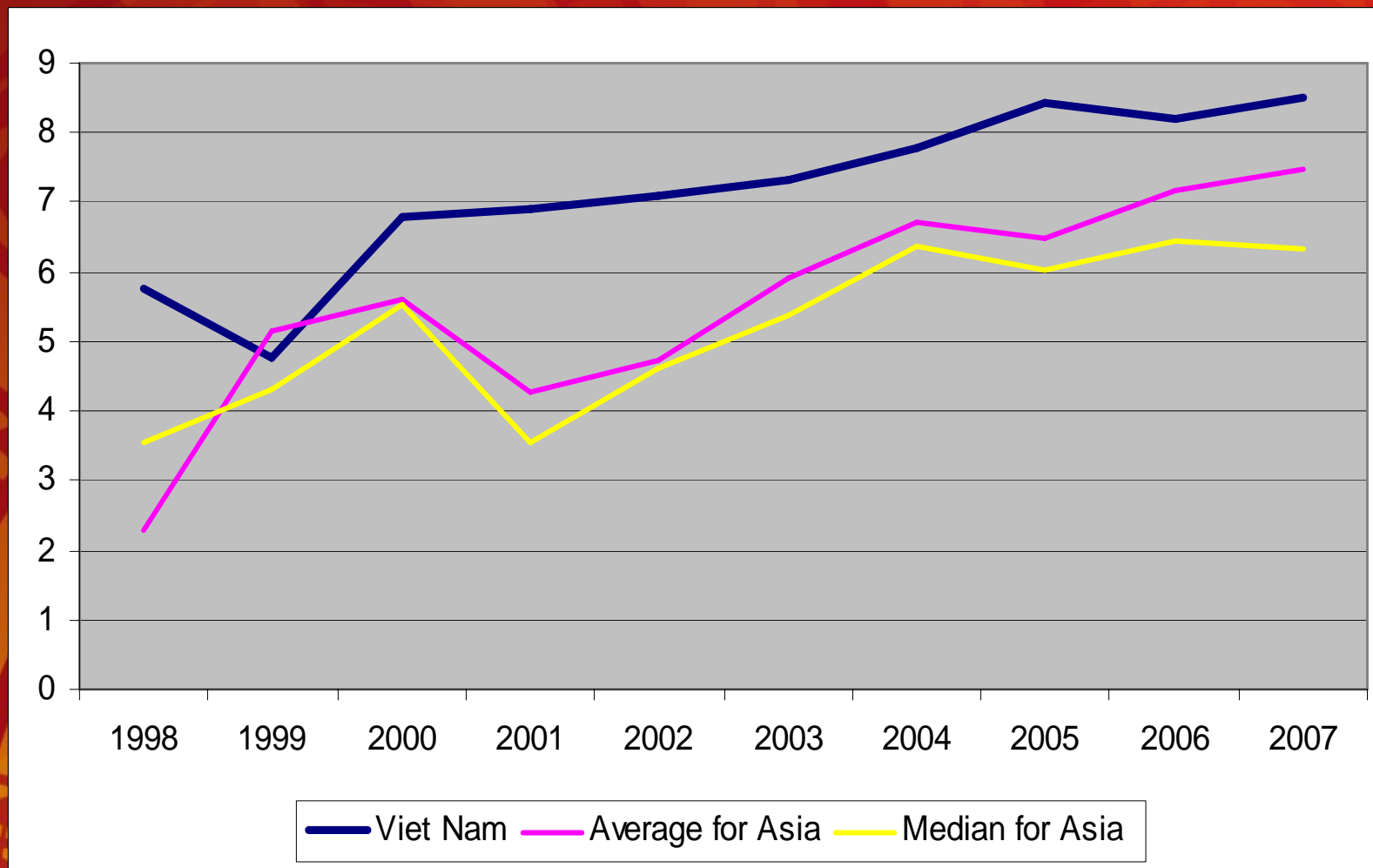
- Global context
- Short- and medium-term economic challenges and priorities
- Government's response
- Growth and inflation forecasts for 2008 and 2009
- Medium- to long-term economic prospects



Part 1

Recent Economic Performance

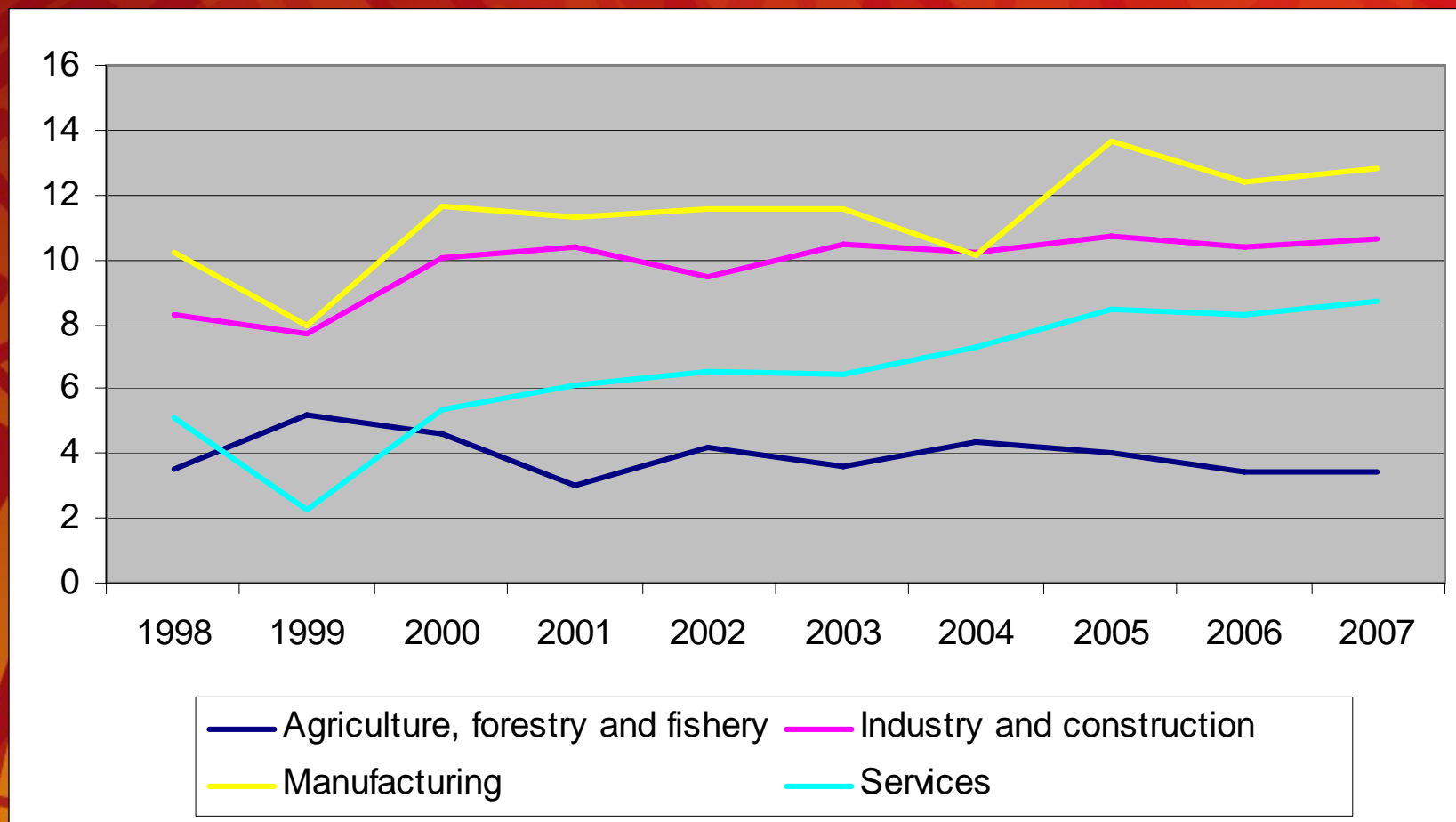
Viet Nam and Asia: Real GDP Growth, 1998-2007 (In percent)



Source: IMF, World Economic Outlook Database, April 2008;

Viet Nam: Growth of Value Added by Sector, 1998-2007

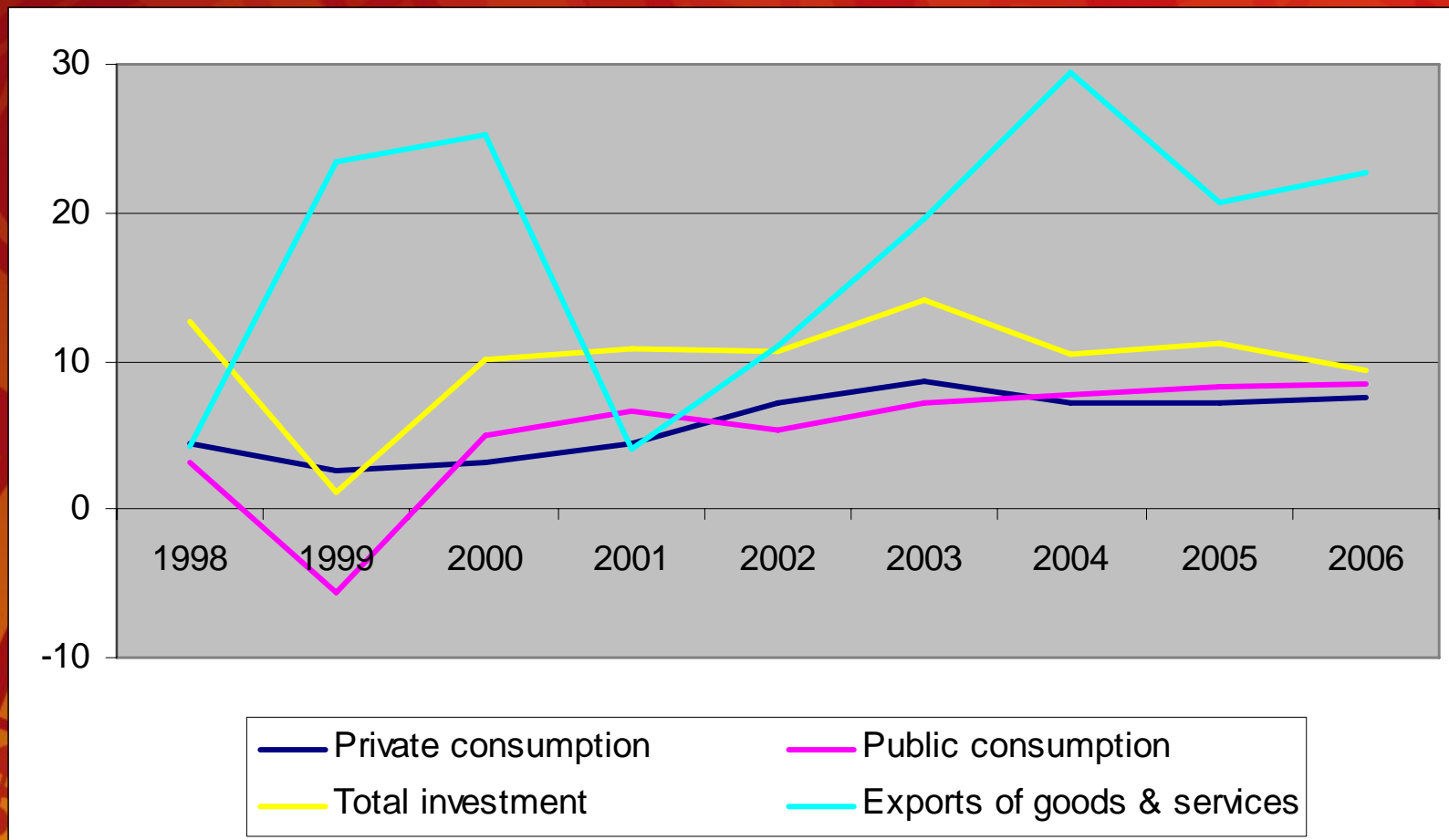
(In percent)



Source: GSO, Viet Nam

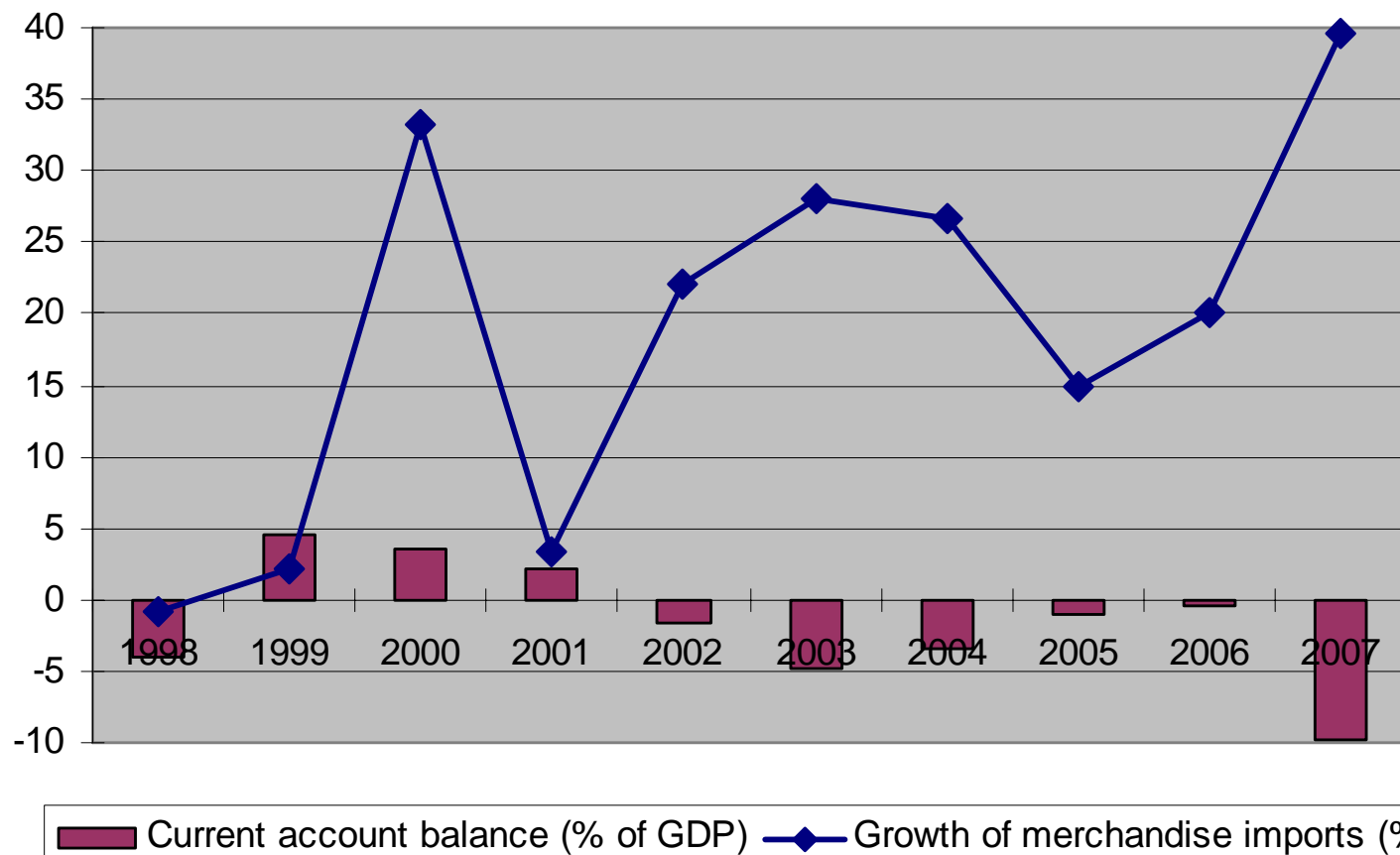
Viet Nam: Growth of Aggregate Demand, 1998-2006

(In percent)



Source: GSO, Viet Nam

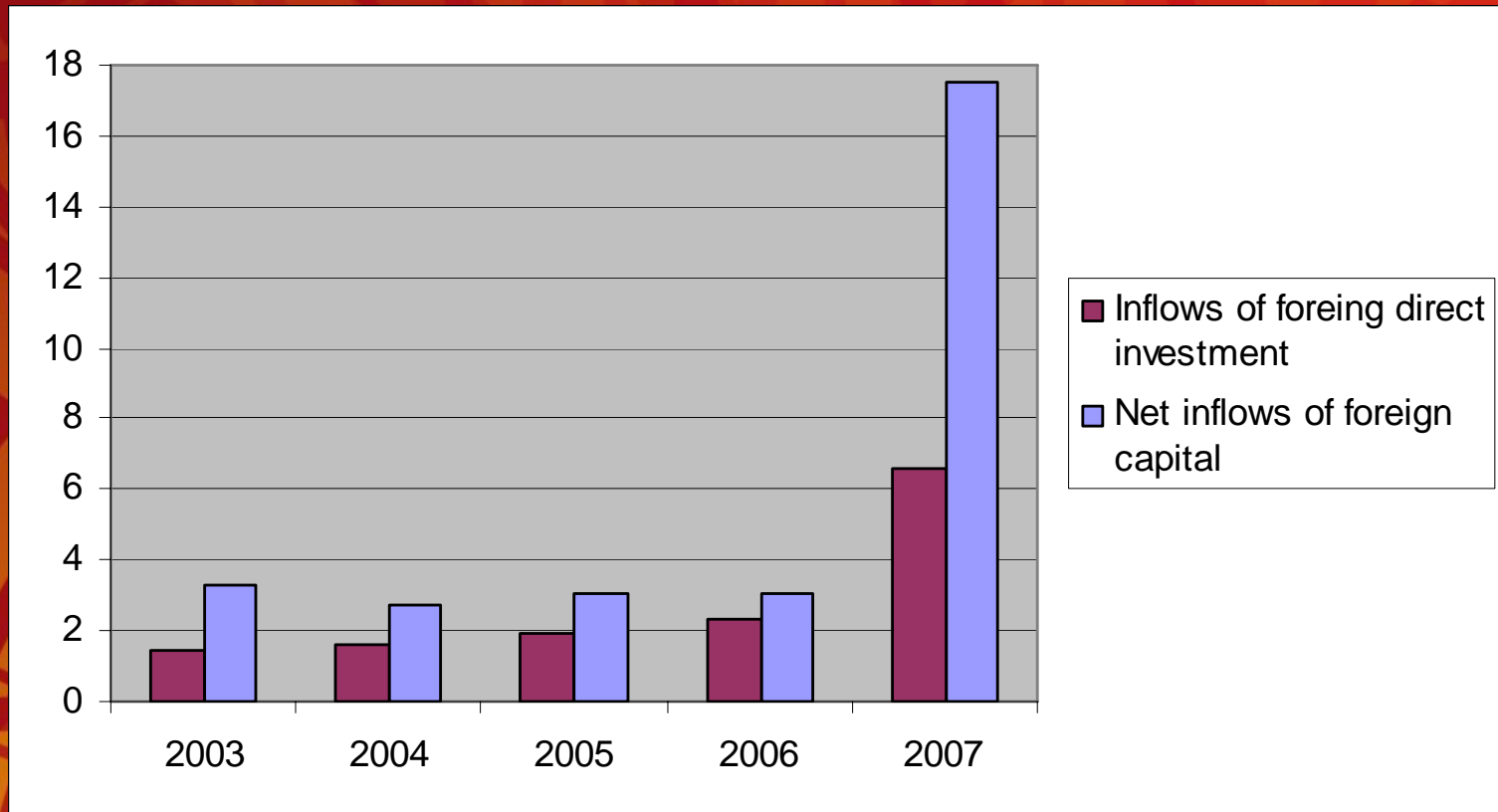
Viet Nam: Current Account Balance and Growth of Merchandise Imports, 1998-2007



Source: State Bank of Vietnam

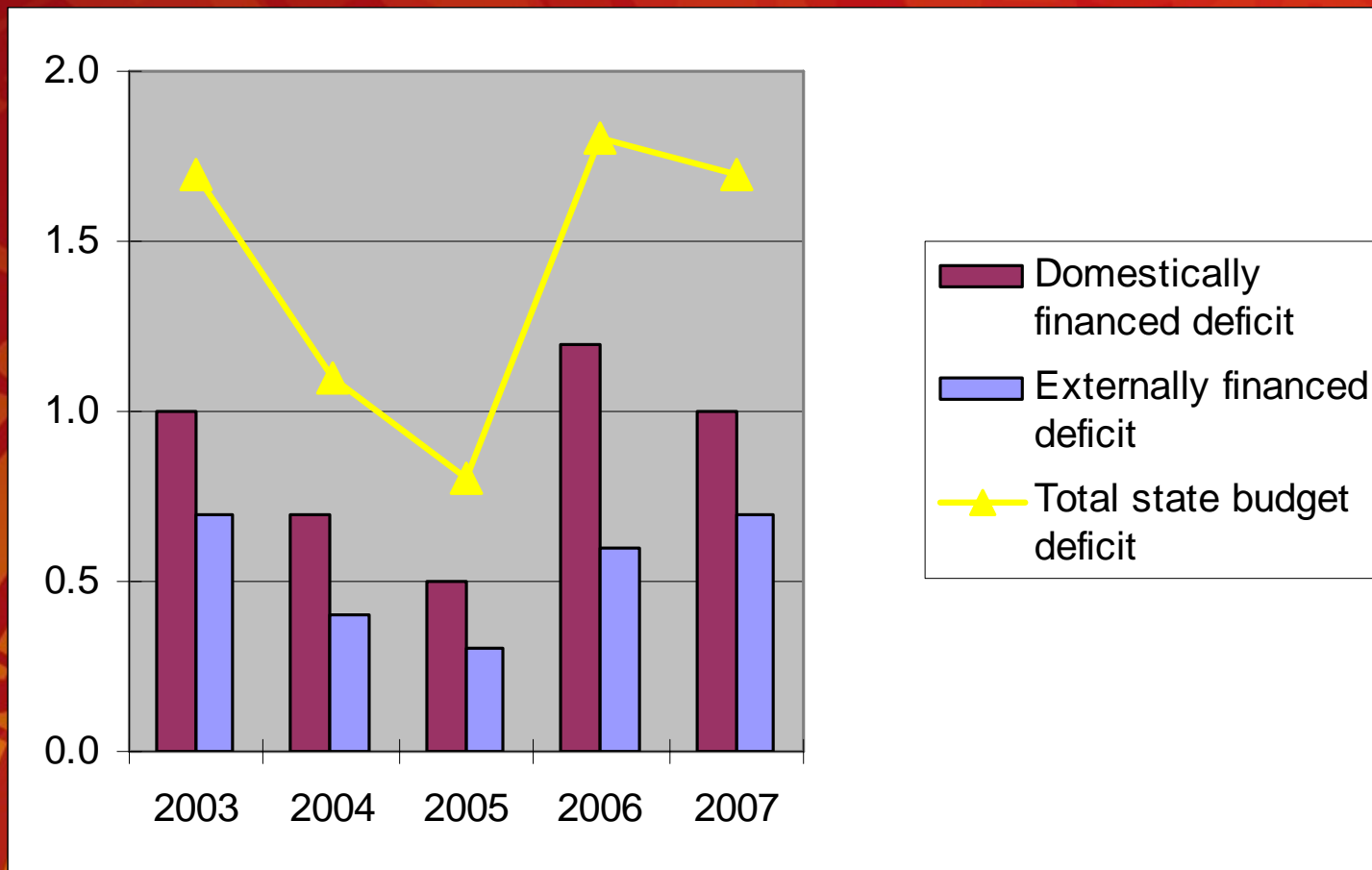
Viet Nam: Foreign Capital Inflows, 2003-2007

(In US\$ billion)



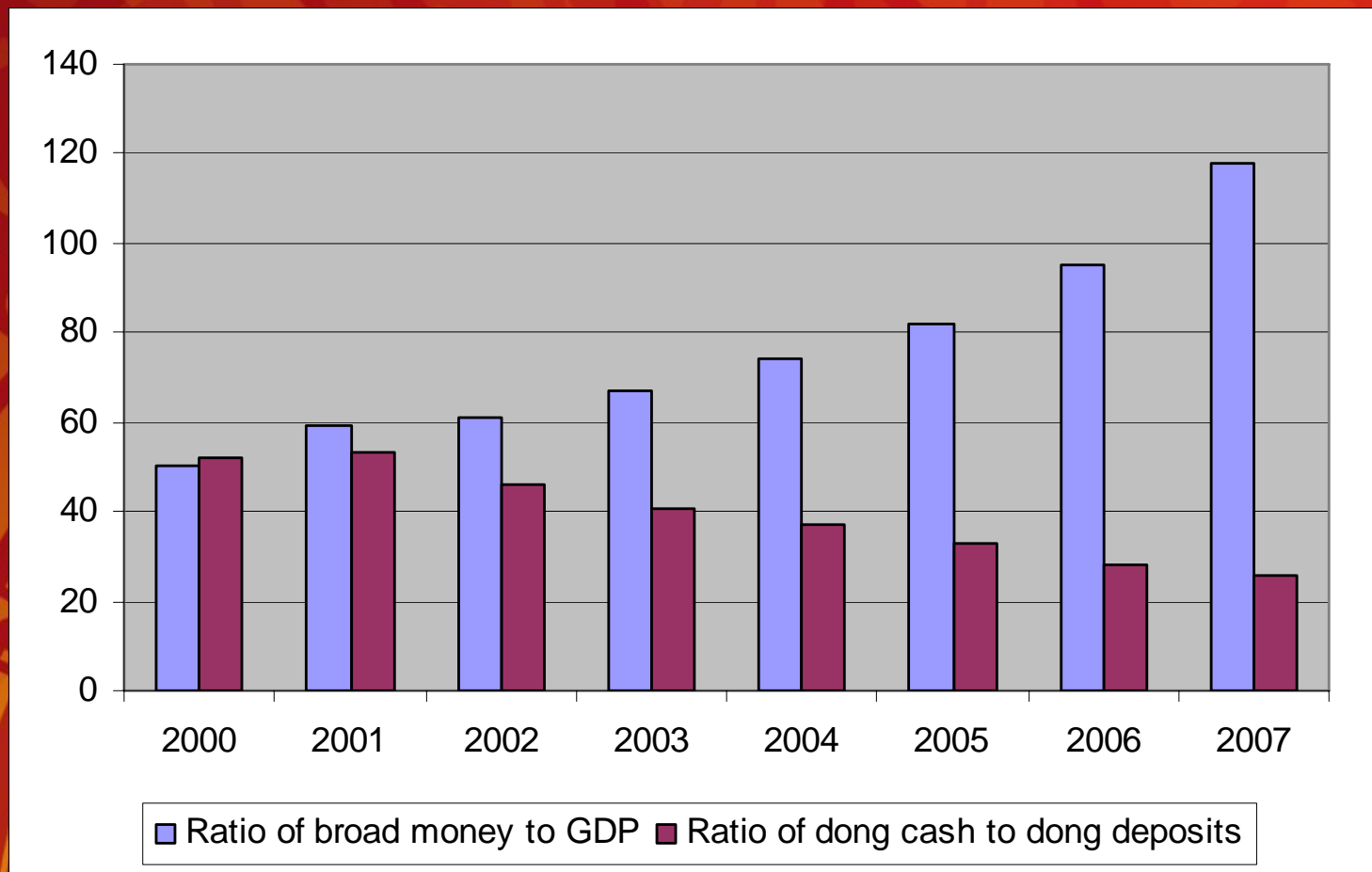
Source: State Bank of Vietnam

Viet Nam: State Budget Deficit, 2003-2007 (In percent of GDP)



Source: MOF

Viet Nam: Ratio of Broad Money to GDP and Cash to Deposits, 2000-2007 (In percent)



Source: SBV and IMF

Viet Nam: Achievements in Capital Market Development, As of end-2007

- Number of companies listed in the Ha Noi and Ho Chi Minh City Stock stock markets: 253
- Capitalization of the stock markets: about 40% of GDP
- Number of licensed securities companies: 75
- Number of licensed fund management companies: 24

Capital Market Development Goals and Targets

Overall Goals:

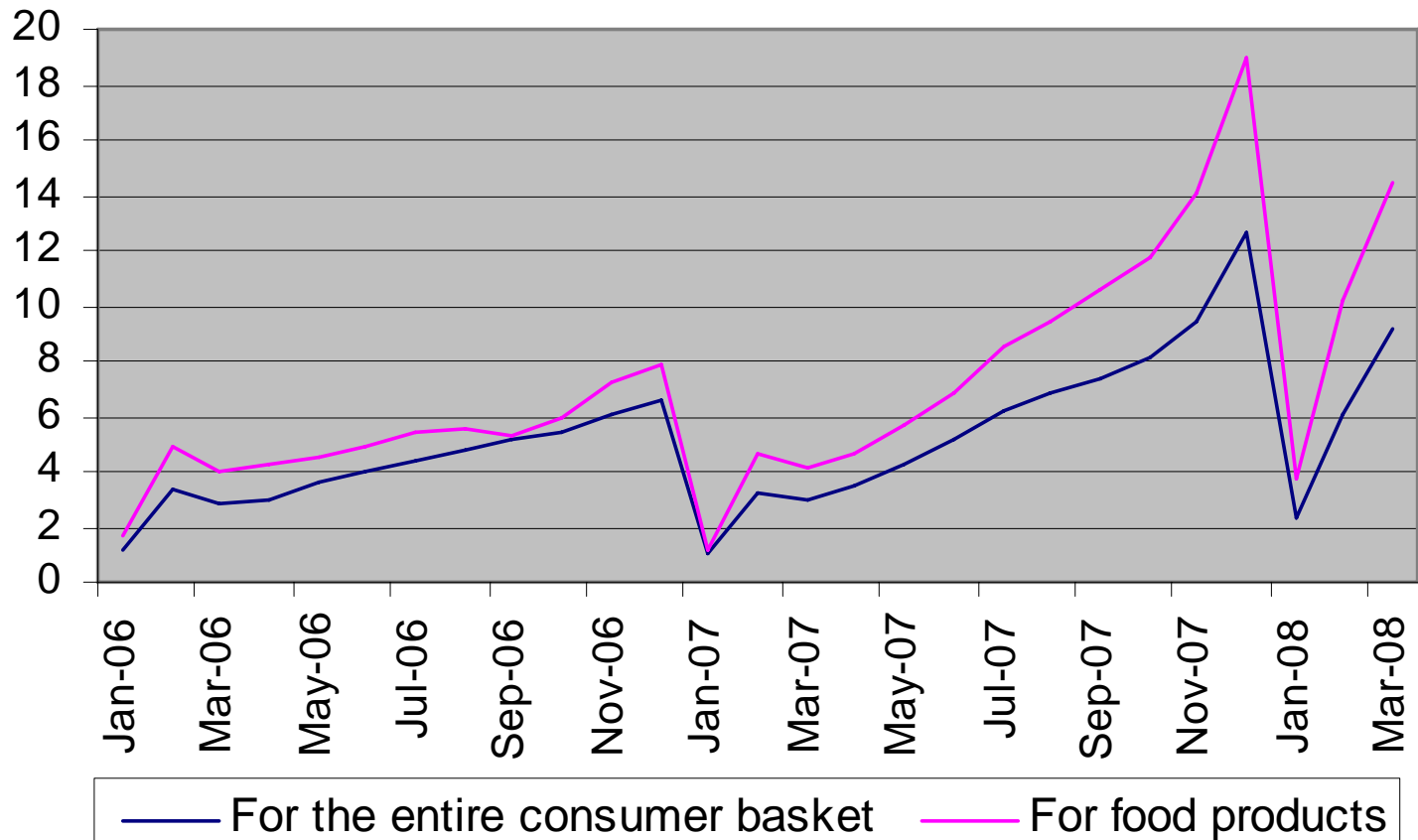
- Fast, comprehensive and stable development of capital markets
- A major role of securities markets in financial markets
- Transparency, safety, and sound supervision of securities markets

Specific Targets:

- Diversification of capital markets
- Increase in capitalization of the stock markets to 50% of GDP by 2010 and 70% of GDP by 2020

Viet Nam: Consumer Price Inflation, 2006-2008

(Relative to December of previous year, in percent)



Source: SBV

Causes of High Inflation in Recent Months

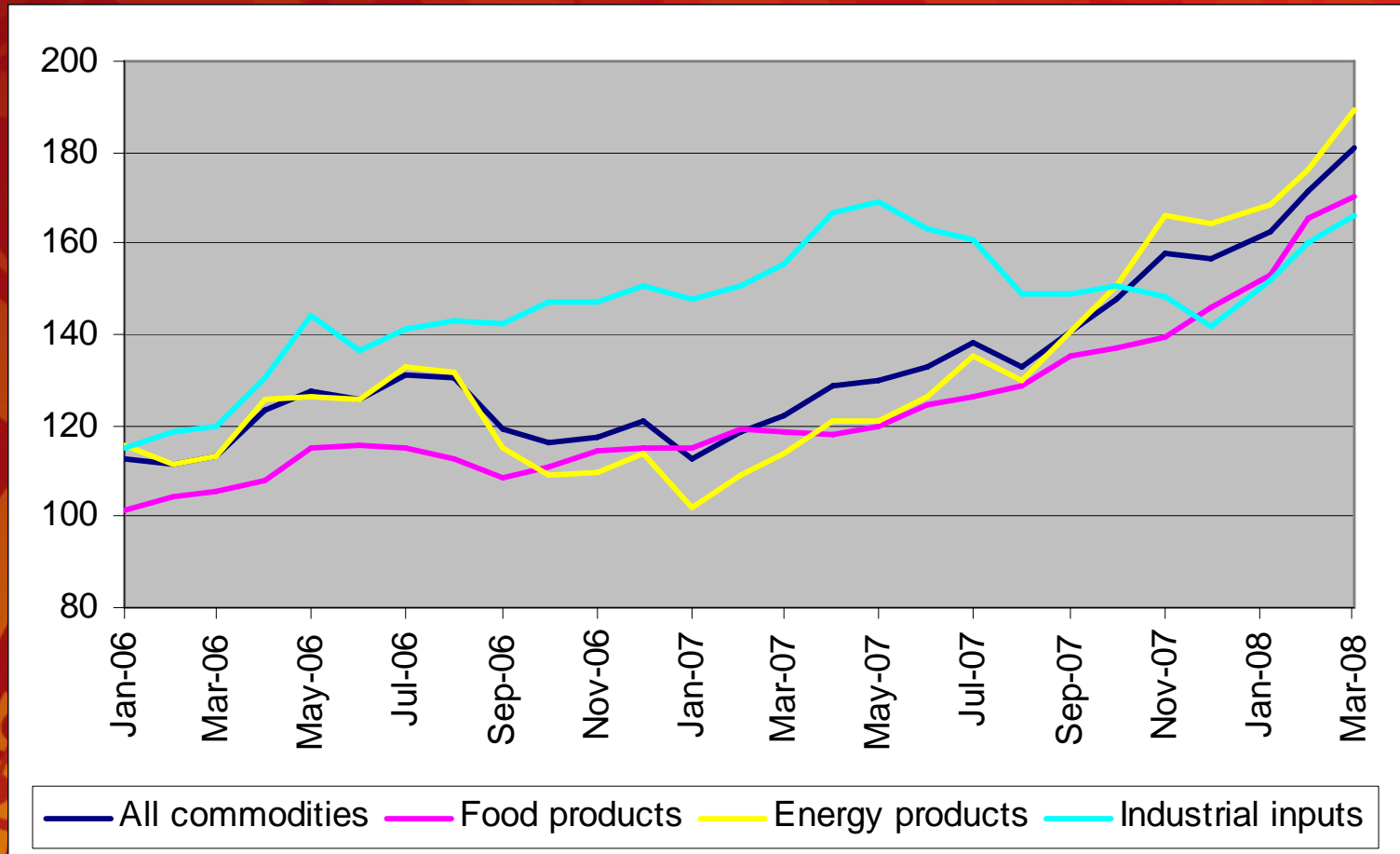
- Rise in world price of many commodities (“imported inflation”)
- Domestic supply-side shocks
- Large inflows of foreign capital
- Expansion of the banking system’s credit to the economy
- Upward adjustment in various types of administered price
- Relatively expansionary fiscal policy



Part 2

Medium-Term Economic Prospects

Commodity Price Indexes, 2006-2008 (2005=100)



Source: IMF

Real GDP Growth in Key Destination Countries/ Regions for Viet Nam's Exports, 2005-2009 (In %)

	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b
United States	3.1	2.9	2.2	0.5	0.6
Euro area	1.6	2.8	2.6	1.4	1.2
United Kingdom	1.8	2.9	3.1	1.6	1.6
Japan	1.9	2.4	2.1	1.4	1.5
Developing Asia	9.0	9.6	9.7	8.2	8.4

^a Actual

^b Projections

Source: IMF, World Economic Outlook database, April 2008

Viet Nam: Short - and Medium-Term Economic Challenges and Priorities

- Bring inflation down quickly without damaging the economy's medium-term growth prospects
- Ensure stable supply of food products
- Diversify export markets
- Manage capital flows
- Maintain growth momentum in the medium-term, while keeping inflation under control

Viet Nam: Short - and Medium-Term Economic Challenges and Priorities (Continued)

- Increase the supply of skilled labor
- Improve efficiency of public investment
- Strengthen institutional capacity of government agencies for macroeconomic policy management
- Strengthen prudential regulation and supervision of banks
- Continue market-oriented reforms

Government's Responses

- **Shift of policy priority from maintaining high growth to curbing inflation**
- **Tightening of monetary and fiscal policies**
- **Greater exchange rate flexibility in line with market forces**
- **Closer coordination of macroeconomic policies**
- **Better timing of adjustments in various types of administered price**
- **Increased support to production of food products and exports**
- **Enhanced social assistance to the poor and vulnerable segments of the population**
- **Close monitoring of capital flows**

International Financial Institutions' Forecasts of Growth and Inflation in Viet Nam in 2008-2009

	Real GDP Growth		End-of-Year Inflation	
	2008	2009	2008	2009
ADB	7.0	8.1	15.6	7.6
IMF	7.3	7.3	14.0	8.5
World Bank	7.5-8.0	8.1-8.5	n.a.	n.a.

Medium- to Long-Term Economic Prospects

- Viet Nam's medium- to long-term economic prospects are bright
- Government is committed to macroeconomic stability and market-oriented reforms
- Economic fundamentals are strong
- FDI inflows are likely to remain strong
- Economic growth is likely to rebound after a moderate and short-lived slowdown



Thank you