# VIETNAM'S MAJOR ECONOMIC EVENTS IN 2012

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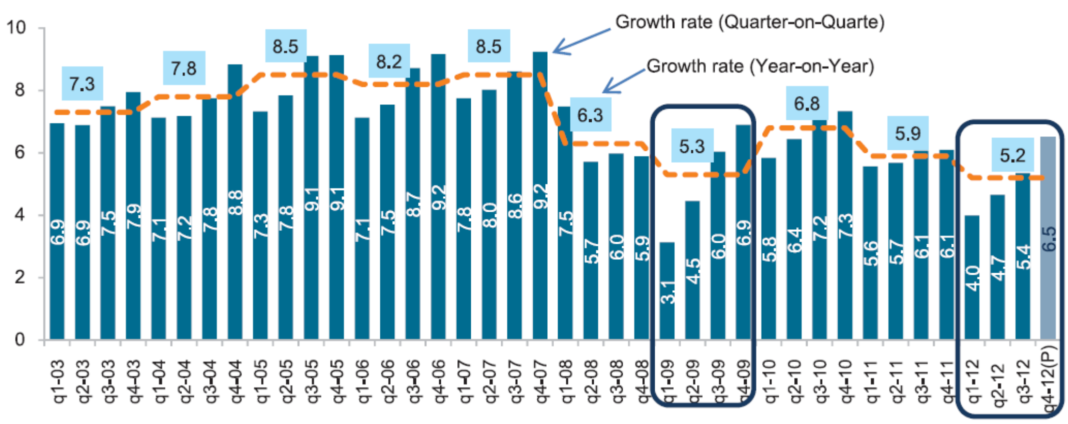
## ■ Low growth rate

- According to the General Statistics Office of Vietnam (GSO), the country's growth rate of gross domestic product (GDP) at 1994 constant prices reached only 5.03% in 2012, which is the slowest performance since 1999 and a little bit lower than the target of 5.2%. Thus, it is difficult for Vietnam to meet its GDP growth rate goal of 6.4-7% set in the country's five-year socio-economic development plan for the period 2011-2015. In order to fulfill this objective, the average GDP growth rate for the rest two years should be 8-9% as the rate in 2011 stood at 5.89% and the forecasted number for 2013 is 5.5%.

Figure 1 - Vietnam's growth rate (%) during the period 2003-2012




*Source: World Bank, 2012*

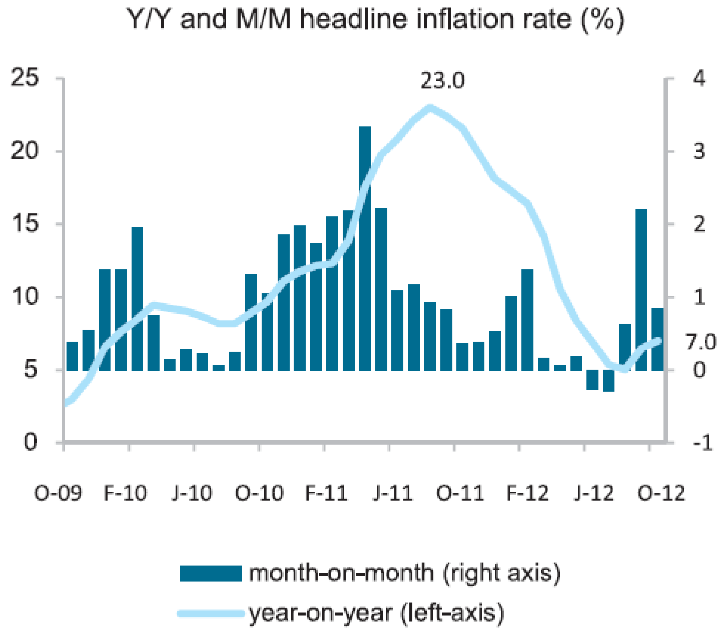
## ■ Inflation lower than expected[1]

- The Consumer Price Index (CPI) in 2012 was curbed at 6.81%, which is much lower than the set norm of 8%. This shows a positive result compared with the 11.75% pace in 2010 and 18.13% surge in 2011. The year 2012 witnessed many fluctuations in the

1) GSO and World Bank, 2012

price index. CPI was not too high for the first two months of the years, which is normally the peak season of consumption. It rose at 1% in January and 1.37% in February 2012. The price index even fell below zero for two months in the middle of the year, June and July. CPI reached its peak of 2.2% in September due to the impact of drug, medical service and educational groups. December's index increased only 0.27% from November.

Figure 2 – Vietnam's Consumer Price Index (%), 2009–2012




*Source: World Bank, 2012*

## ■ Unexpected trade surplus

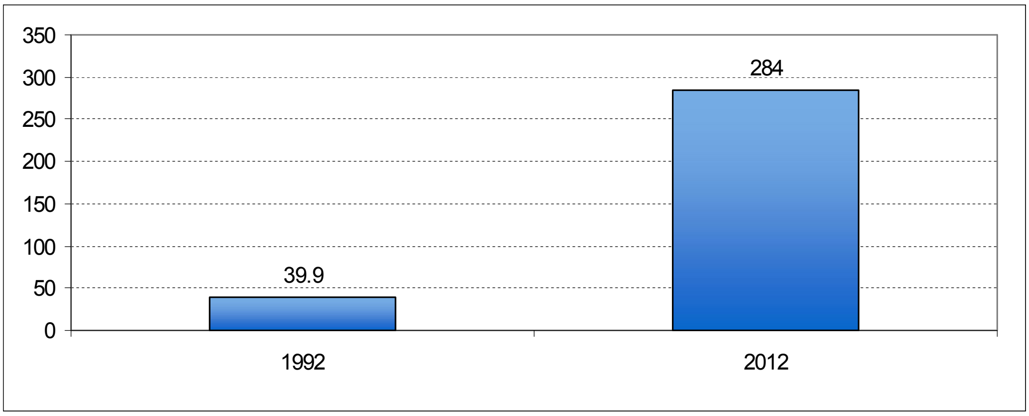
– According to the statistics from GSO and Vietnam Customs, the export turnover in 2012 rose 18.3% from 2011 to reach approximately US$114.6 billion while the country's import turnover was about US$114.3 billion, which was 7.1% higher than the number in 2011[2). As a result, Vietnam ran a trade surplus of US$284 million for the first time after 20 years of persistent trade deficit since 1993. In 1992, just a few years after the implementation of open-door policy, the country had a positive trade balance of nearly US$40 million. Although it was just a modest number, the positive trade performance was unexpected and a bright sign in a slowing economy in 2012 as the Ministry of Industry and Trade set the norm for trade deficit at US$1.8 billion at the

2) GSO and Vietnam Customs

beginning of the year and still forecasted a trade shortfall of US$1 billion in November.

**Figure 3 – Vietnam's trade balance, 1992-2012**

*(Unit: US$ million)*




*Source: GSO*

- Experts from GSO indicated that this result came from the increasing exports of phone, phone accessories, computers, electronics and components, all of which, however, are heavily relied on imported inputs for export production; thus, the real foreign currency turnover from these groups was low. In the meantime, trade surpluses in some other items came from increasing export volumes with lower export prices than those in 2011. Moreover, out of US$114.6 billion of export revenue, US$72.3 billion was generated by FDI sector[3]. According to Dr. Le Dang Doanh, one of the most famous economic experts in Vietnam, trade surplus in this sector was mainly originated from Samsung with 2012's export value of US$12 billion. However, the value added created by this foreign invested enterprise in Vietnam was just 10% and if transportation fees excluded, the number was only 2% because Samsung imported all parts and components from China. Therefore, the modest positive trade performance in 2012 cannot remove the concern of continuing trade deficit in Vietnam.

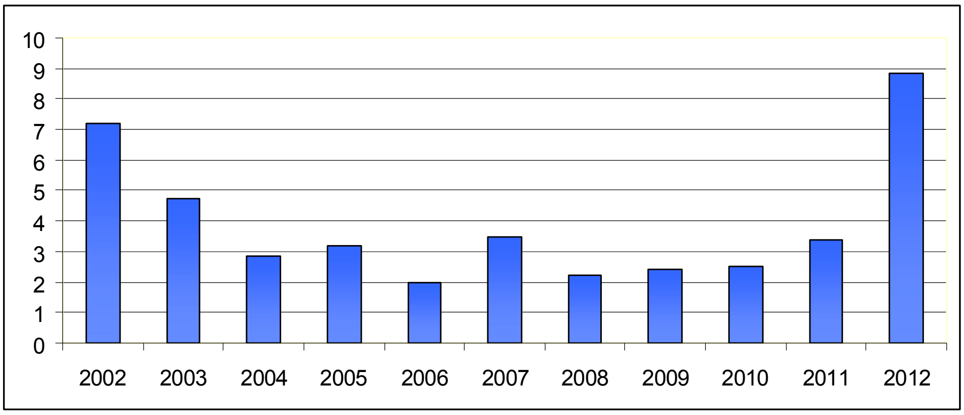
## ■ Record non-performing loans

- Growing non-performing loan (NPL) problem was the most burning issue of Vietnam in 2012. According to Mr. Nguyen Van Binh, the Governor of the State Bank of Vietnam, by September 2012, NPLs reached nearly VND240,000 billion, accounting for about 8.82% of the total outstanding loans, which was the highest level ever and much

3) GSO

bigger than the conventional threshold of 3%. The ratio of NPLs was less than 3% during 2008-2010 and stood at 3.39% in 2011. NPL has rapidly grown since 2008. Its growth rate reached 74% in 2008 and 57% in 2009. The numbers were 41%, 64% and nearly 70% for 2010, 2011 and the first three quarters of 2012, respectively.

**Figure 4 – Ratios of non-performing loans (%) in Vietnam, 2002-2012**




*Source: State Bank of Vietnam, various years*

- Hot credit growth and ineffective credit management are pointed out as the two main causes of the spiraling NPLs. Moreover, the extremely low liquidity of real estate market while real-estate backed loans accounts for about 70% of NPLs and the difficulties facing companies have worsen the situation since 2011. Enterprises in Vietnam are struggling with high inventory level which stood at 20.3% in October 2012[4]. As firms cannot sell their products to free up their inventory, they cannot pay back their debts and as a result, NPLs increase. The Ministry of Planning and Investment estimated that there were about 55.000 businesses which would stop operation or get dissolved by the end of 2012.

※ **References**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4) GSO