



Global Economic Development, outlook and policy recommendations for Vietnam

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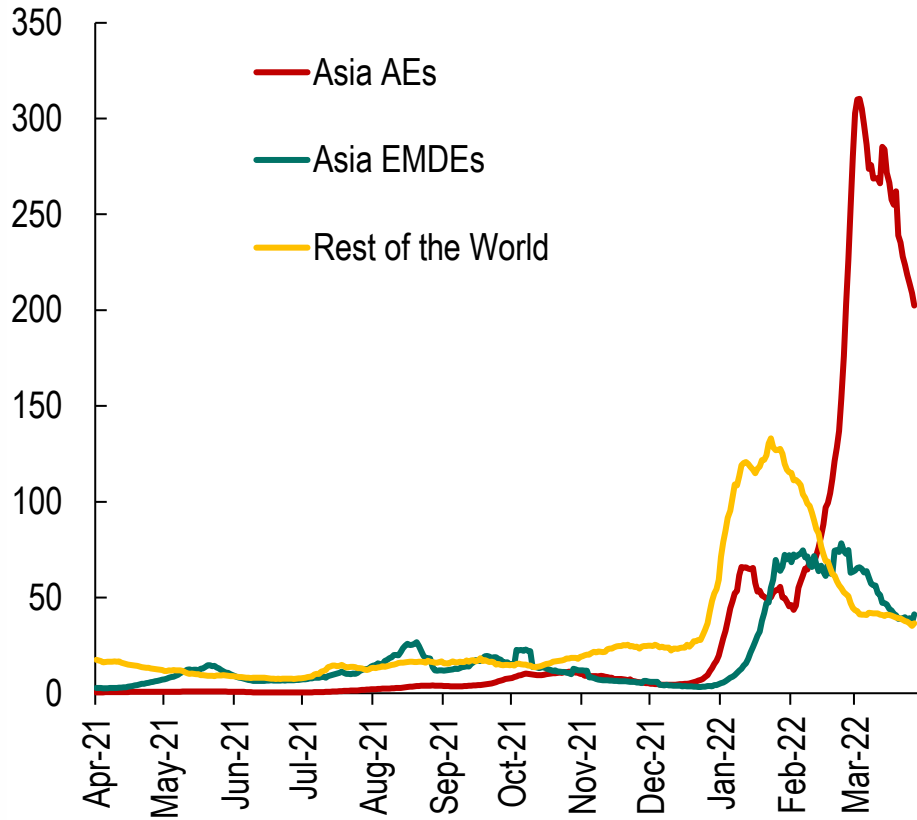
APRIL 2022

Global Developments



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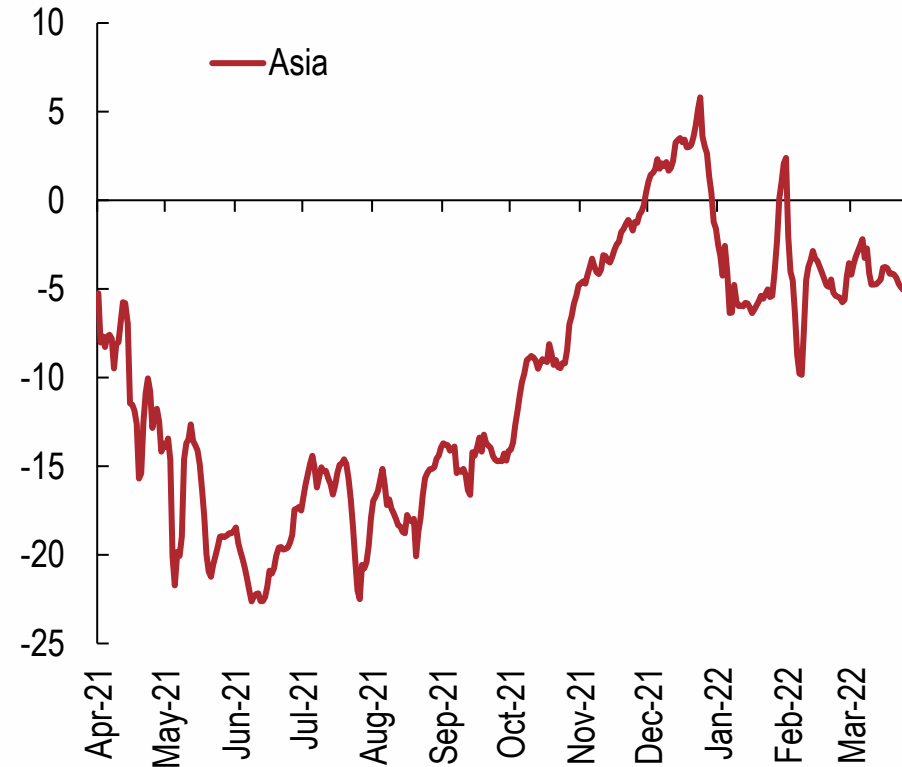
Covid-19 cases per 100,000 inhabitants (7-day moving average)



Sources: Johns Hopkins University and IMF staff calculations.
 Note: Data as of March 30, 2022.

Mobility in Asia

(Percent deviation from baseline during Jan 3 - Feb 6 2020, 7-day MA)

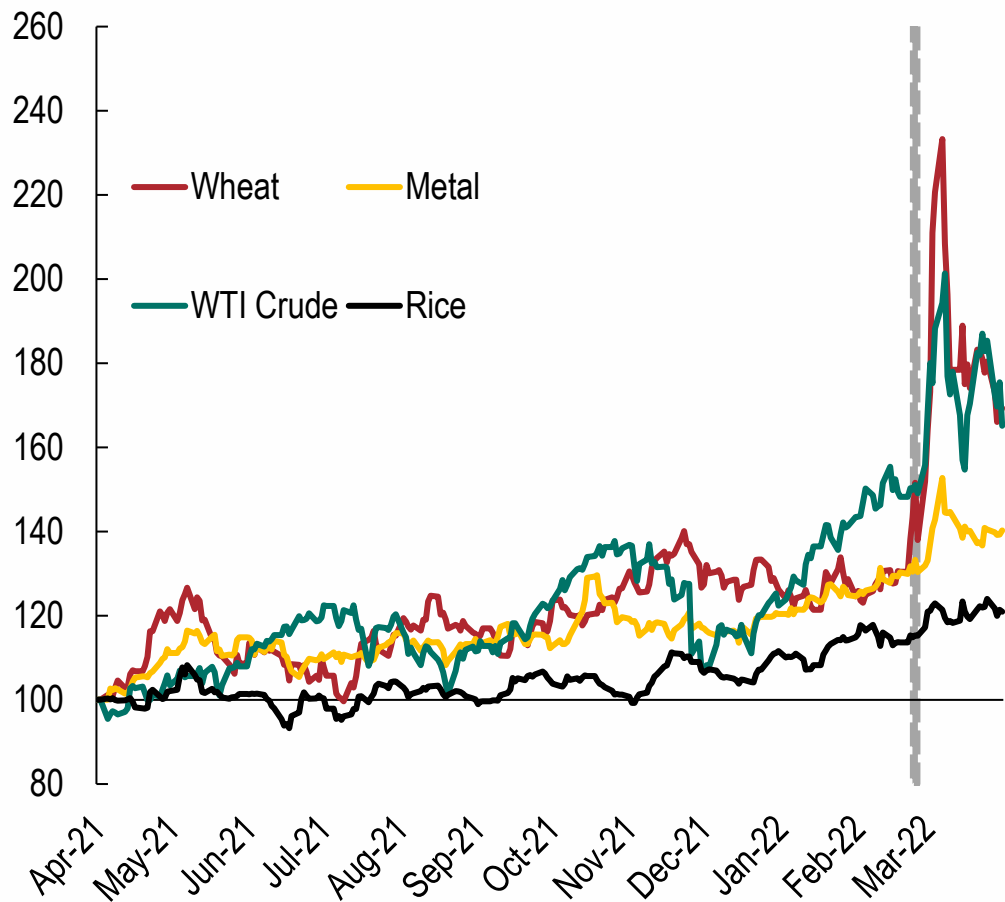


Source: Google COVID-19 Community Mobility Report and IMF staff calculations.
 Note: The figure display the 7-day moving average of overall mobility, defined as percentage change from pre-pandemic baselines. Computed as the mean of the following categories: retail, grocery and pharmacy, parks, transit and workplaces. Median within Asia. Data as of March 31, 2022.



Impact of the war in Ukraine on commodity prices

Commodity prices
(Index; April 2021=100)



Source: Bloomberg LLP.

Note: Metals index based on Bloomberg Base Metals Spot Price Commodity Index with the following weights: Aluminum (45%), Copper (25%), Nickel (2%), Lead (12%), Zinc (15%), and Tin (1%). Data as of March 31, 2022.

Inflation forecast

| | AEs | EMDEs |
|---------------|------------|------------|
| 2021 | 3.1 | 5.9 |
| 2022 | 5.7 | 8.7 |
| January 2022 | 3.9 | 5.9 |
| Change | 1.8 | 2.8 |
| 2023 | 2.5 | 6.5 |

Source: IMF World Economic Outlook as of April 5, 2022.



GDP Growth forecast

| | World | AEs | US | Euro Area | EMDEs | EMDEs Asia | China |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 2021 | 6.1 | 5.2 | 5.7 | 5.3 | 6.8 | 7.3 | 8.1 |
| 2022 | 3.6 | 3.3 | 3.7 | 2.8 | 3.8 | 5.4 | 4.4 |
| January 2022 | 4.4 | 3.9 | 4.0 | 3.9 | 4.8 | 5.9 | 4.8 |
| Change | -0.8 | -0.6 | -0.3 | -1.1 | -1.0 | -0.5 | -0.4 |
| 2023 | 3.6 | 2.4 | 2.3 | 2.3 | 4.4 | 5.6 | 5.1 |

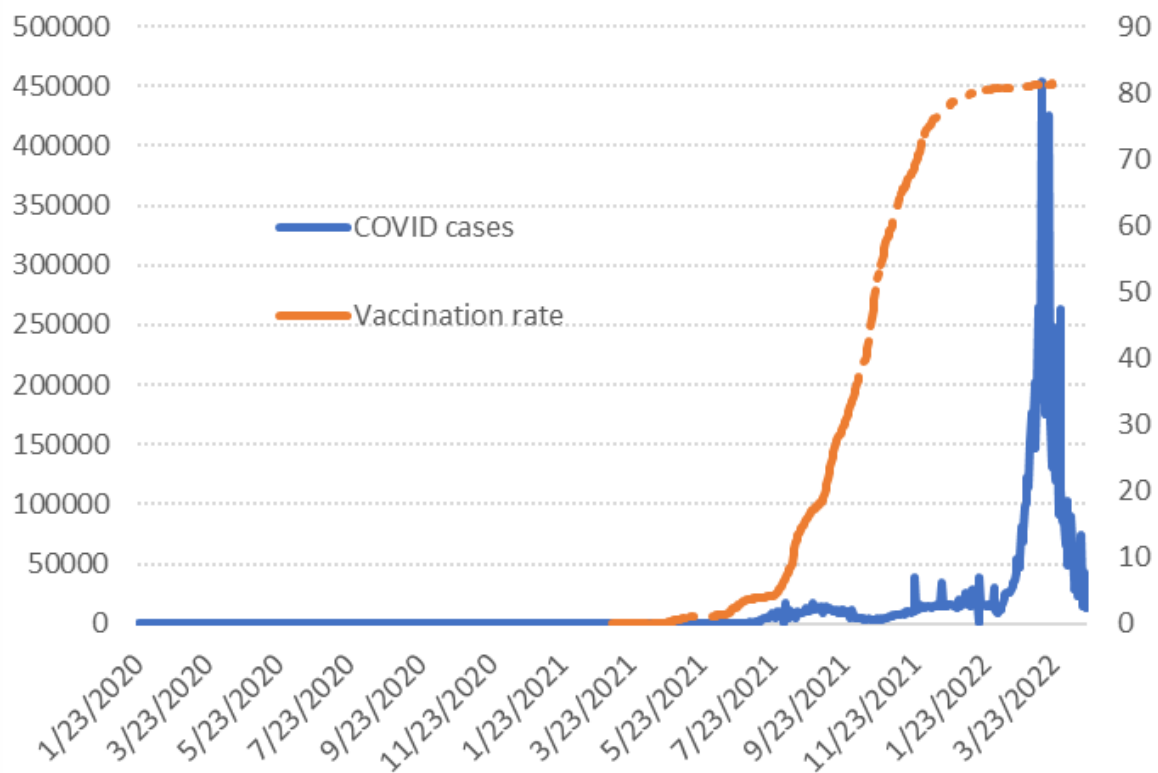
Source: IMF World Economic Outlook as of April 5, 2022.

Vietnam: recent developments and outlook



Vietnam has re-opened

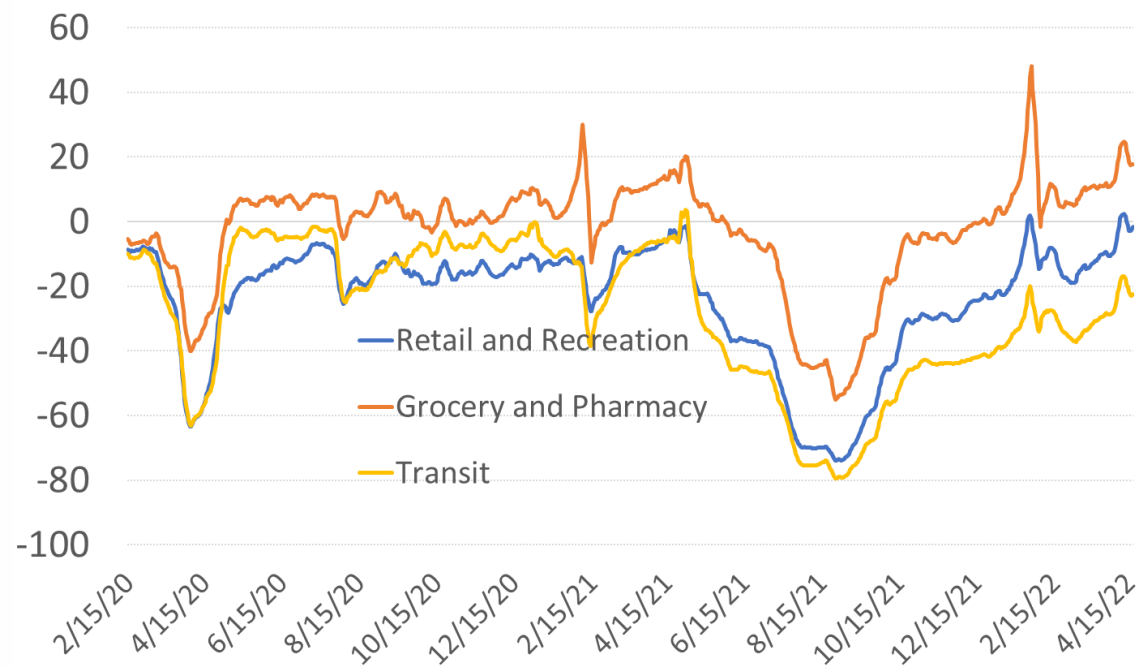
COVID-19 Cases and Vaccination in Vietnam



Source: Our World in Data

Google Mobility Index

(7-day moving average)



Source: Google Mobility Index and IMF Staff calculations

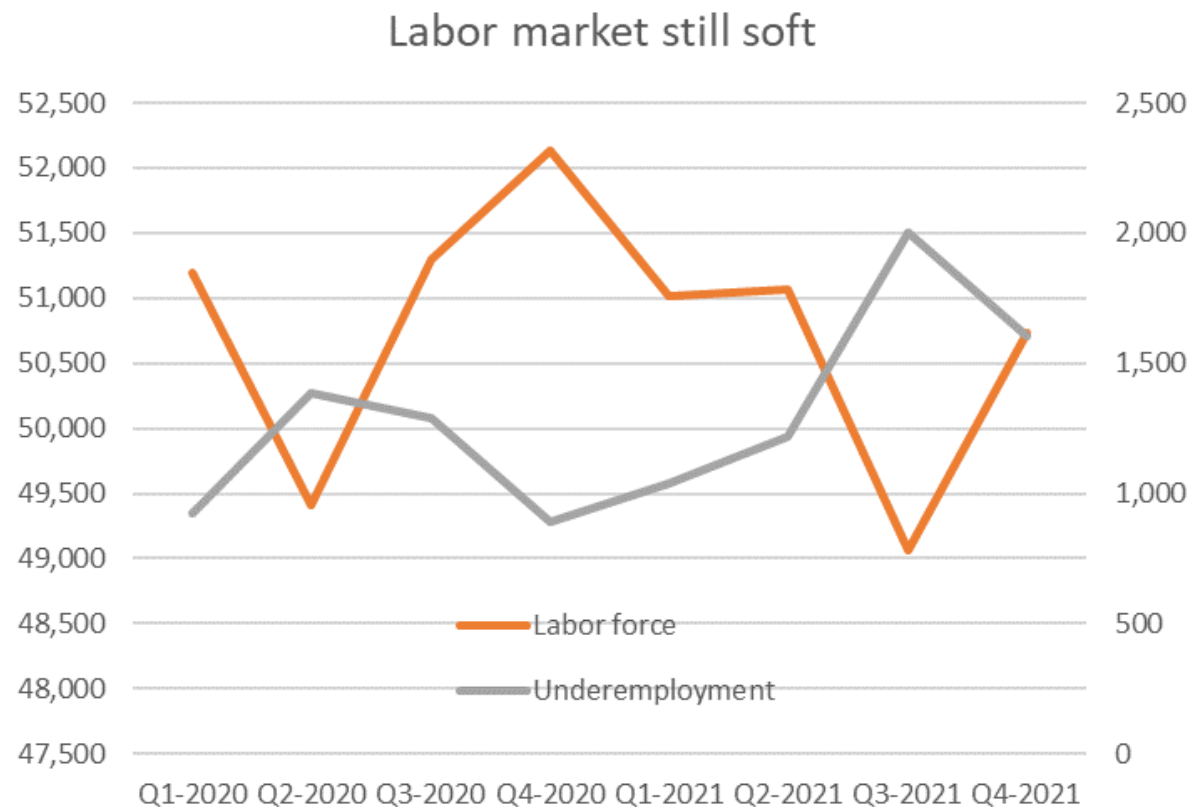
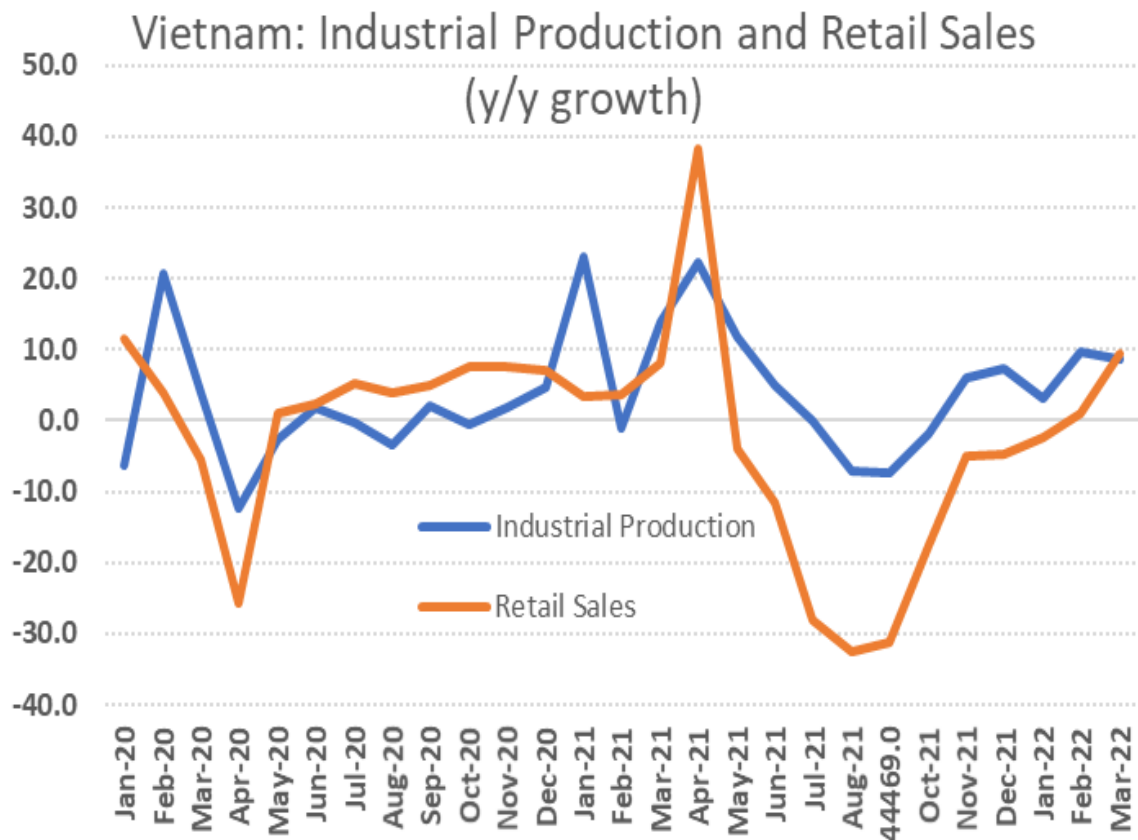


Policies have remained supportive

- **Vietnam has successfully maintained fiscal, external, and financial stability**
- **Macroeconomic policies have helped cushion the impact of COVID**
- **The recently-approved Program for Recovery and Development (PRD) is timely and well-placed to entrench the economic recovery**



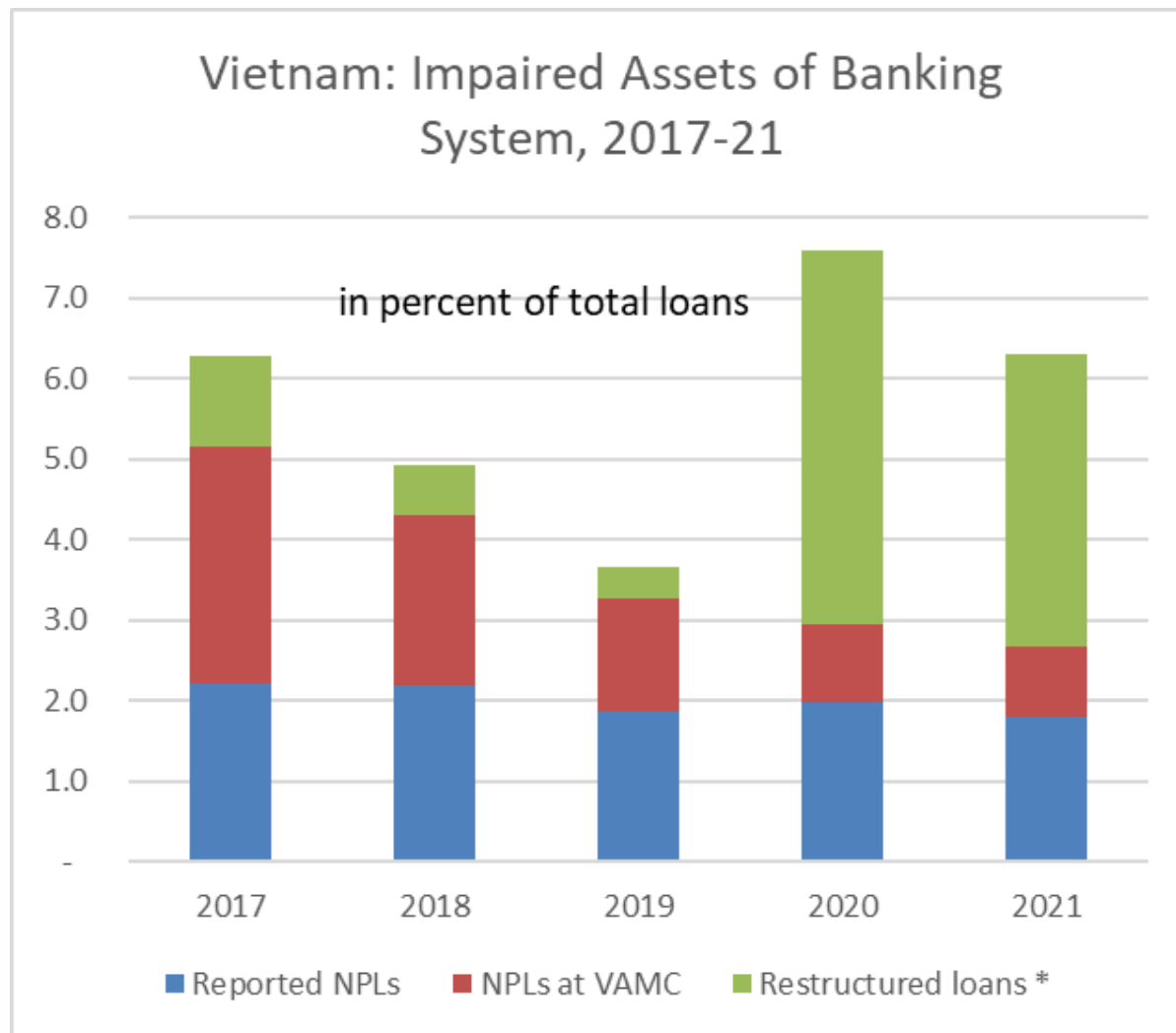
But the recovery is uneven...



Source: GSO



Deteriorating asset quality





Impact of the war in Ukraine on Vietnam

- **Direct trade and financial links are limited**
- **Most salient and immediate impact is through the rise in commodity prices**
- **Second round effects (external demand, supply chains, ...)**
- **Overall impact: growth (-0.5) inflation (+0.8)**



Outlook

- **The recovery is projected to strengthen**
 - Growth is projected to be 6 percent in 2022 and 7.2 percent in 2023
- **Inflation is expected to edge up in the near-term**
 - In 2022-23, inflation is expected to be slightly below the SBV's target of 4.0 percent



Significant risks to the outlook

- **Growth risks are tilted to the downside while inflation risks are tilted to the upside.**
- **The most immediate risks: geopolitical tensions and a slowdown in China.**
- **Other risks: tightening of global financial conditions and developments in the domestic real estate and corporate bond markets.**

Policy priorities: entrenching the recovery, preserving financial stability, and promoting inclusive growth



Short-term policies

- **Policymaking should be agile**
- **Fiscal policy should take the lead in policy support, especially if downside risks materialize**
- **Limited scope for further monetary easing in light of rising inflation risks.**
- **Financial sector: unwound forbearance and enhance monitoring**



Medium-term policies

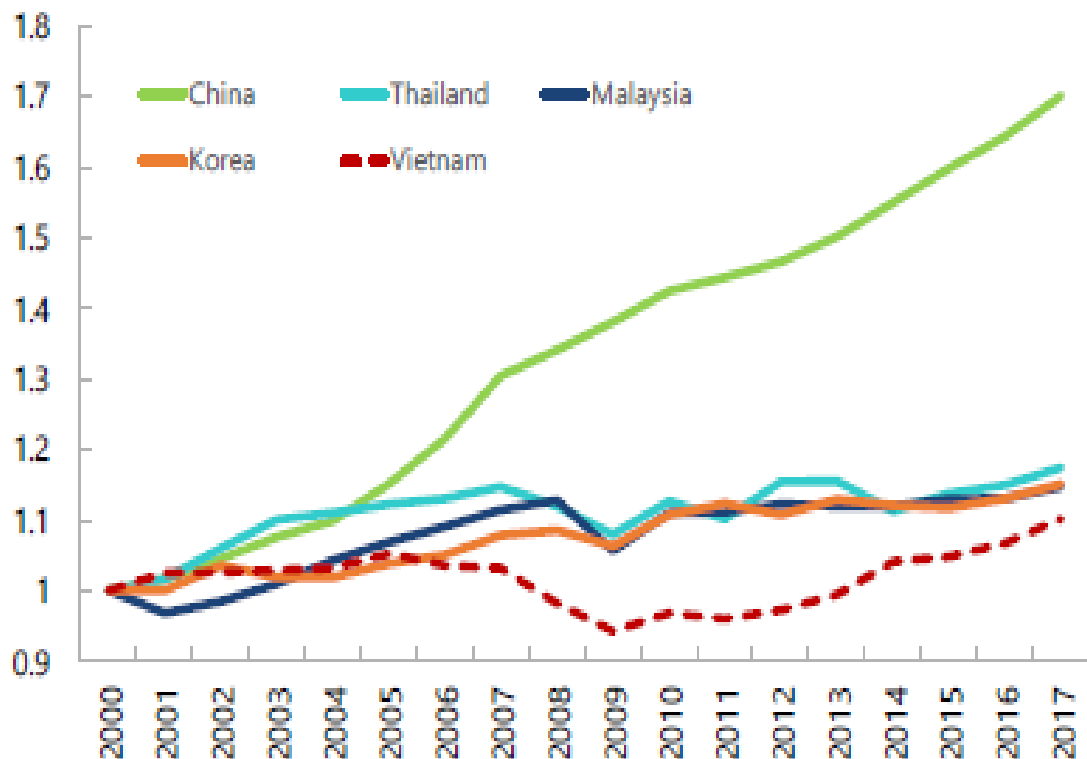
- **Rebuilding fiscal buffers and revenue mobilization**
- **Strengthening social security**
- **Enhancing monetary policy flexibility**
- **Increasing banking system resilience**



Improving productivity

Productivity Growth

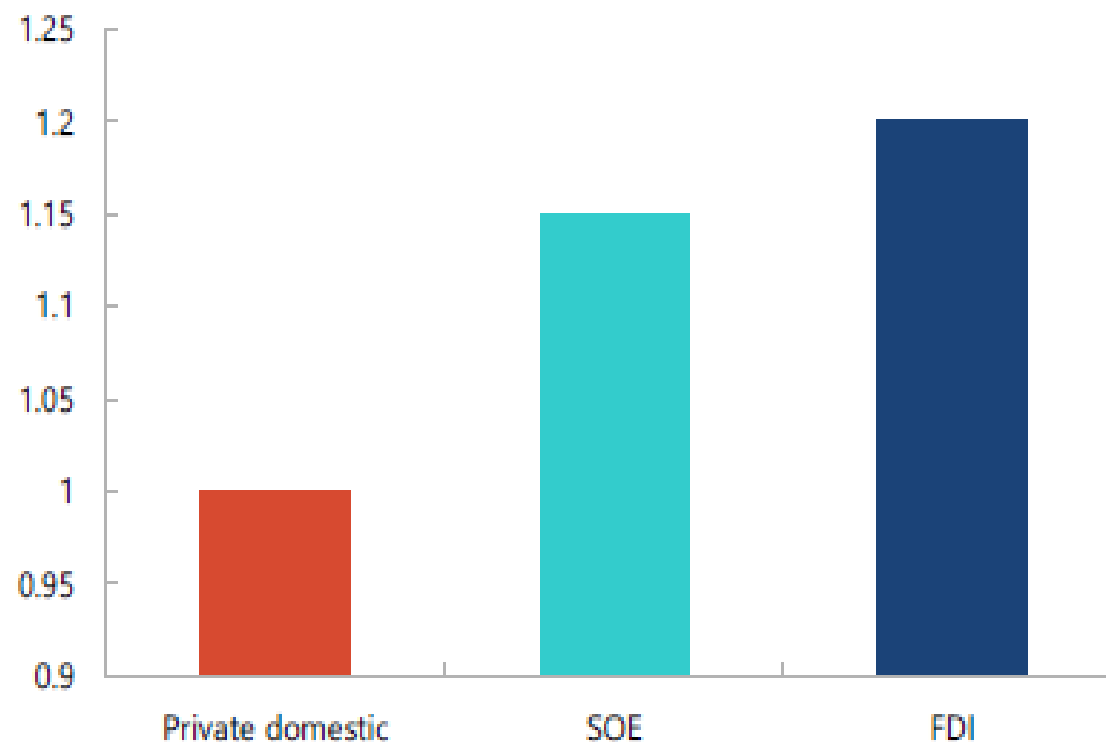
(Index, 2000=1)



Sources: Asian Productivity Organisation, APO Productivity database.

TFP by Firm Ownership, 2018

(Private domestic = 1)



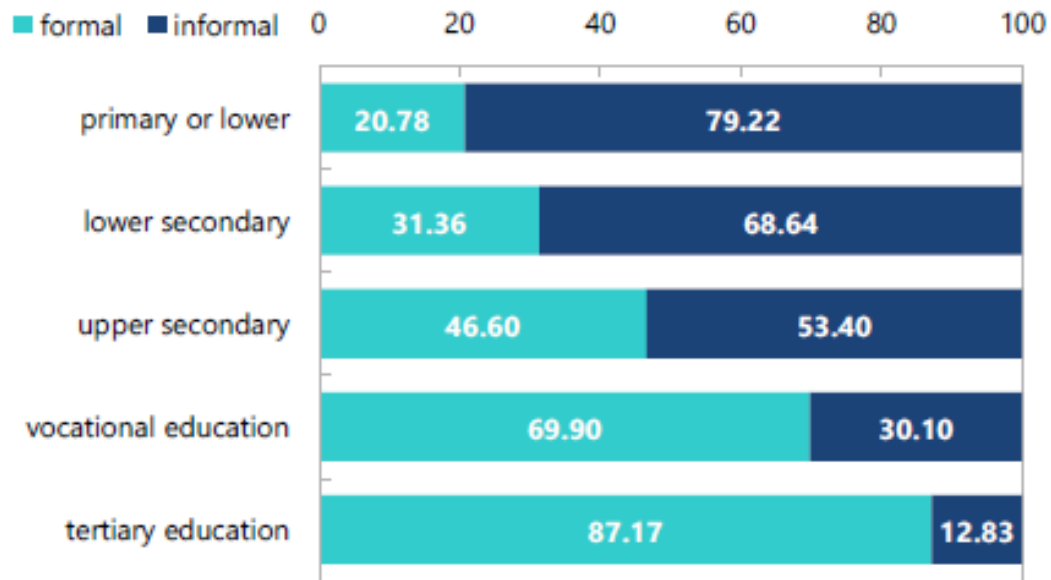
Source: Orbis and IMF staff calculations.



Reducing labor skills mismatches

Informality by Education Level

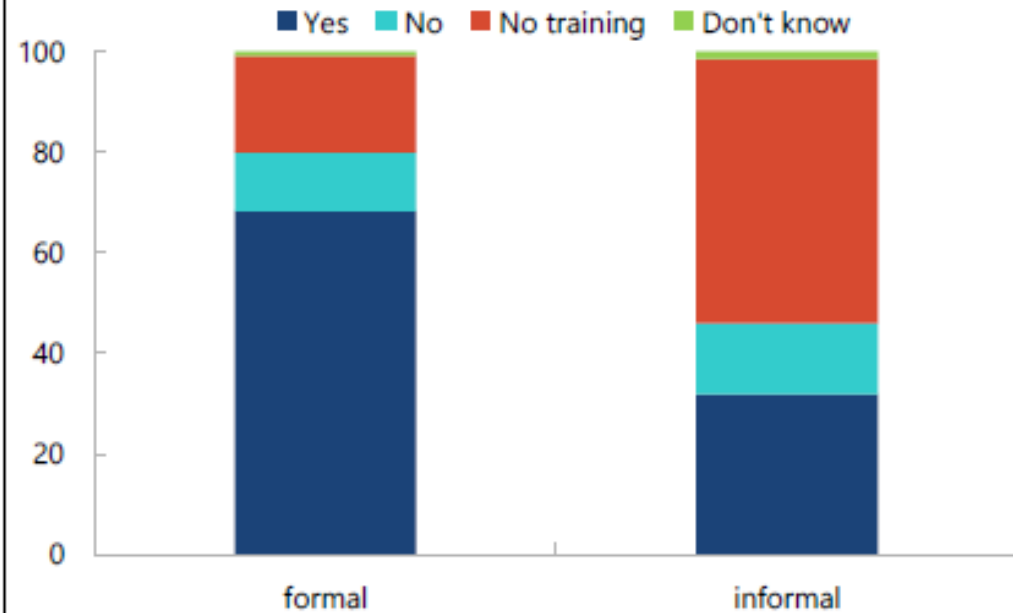
(2018, In percent)



Sources: Vietnam Labor Force Survey 2018; IMF staff calculations.

Skill Mismatch

(2018, In percent)



Note: Answers to a question of "Does the curenly job match with your learning/training".

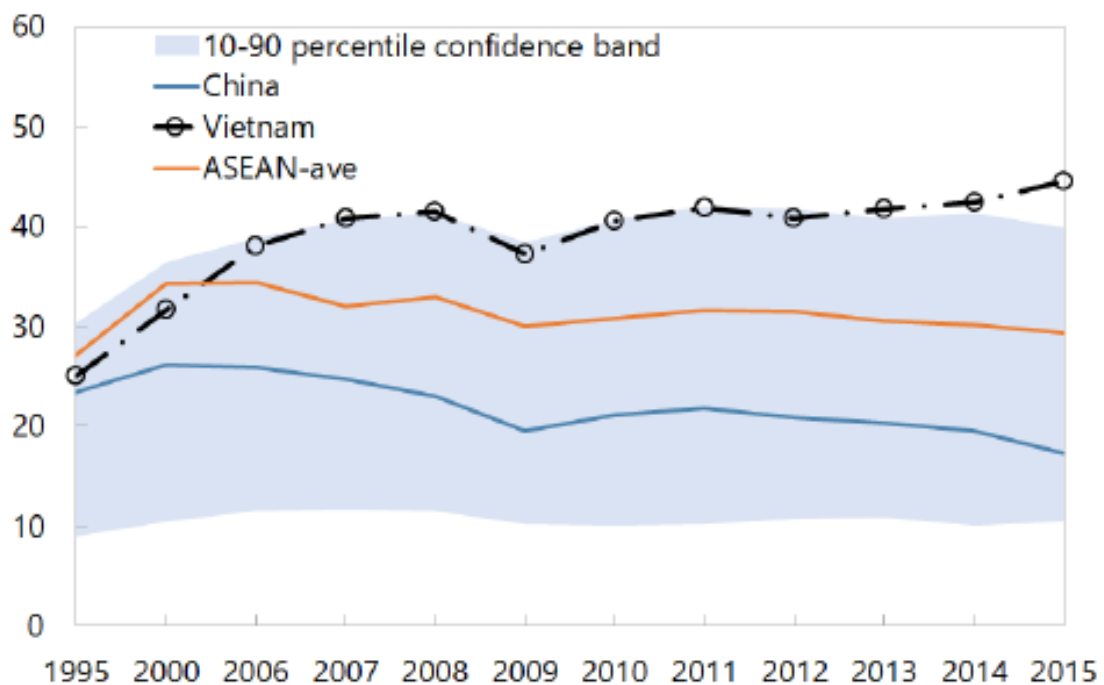
Sources: Vietnam Labor Force Survey; IMF staff calculations.



Reaping benefits from Global Value Chains

Backward Participation in GVCs

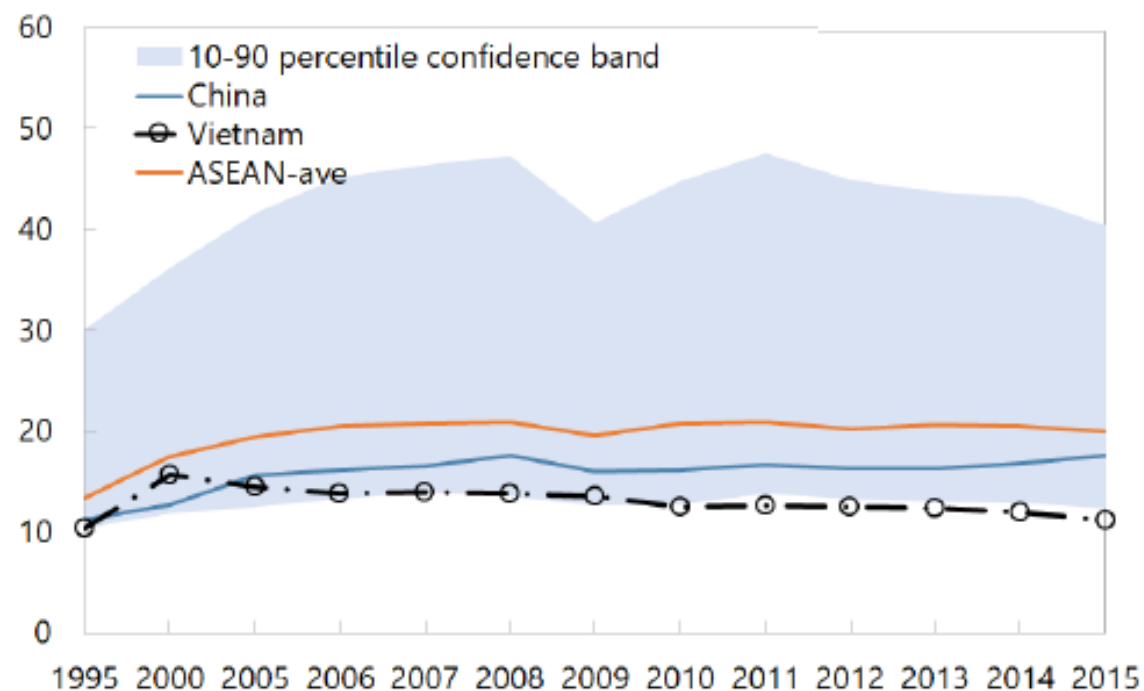
(Foreign Value-added in percent of total gross exports)



Sources: OECD TIVA 2018

Forward Participation in GVCs

(Domestic Value-added in percent of total gross exports)



Sources: OECD TIVA 2018

There is scope to green the recovery

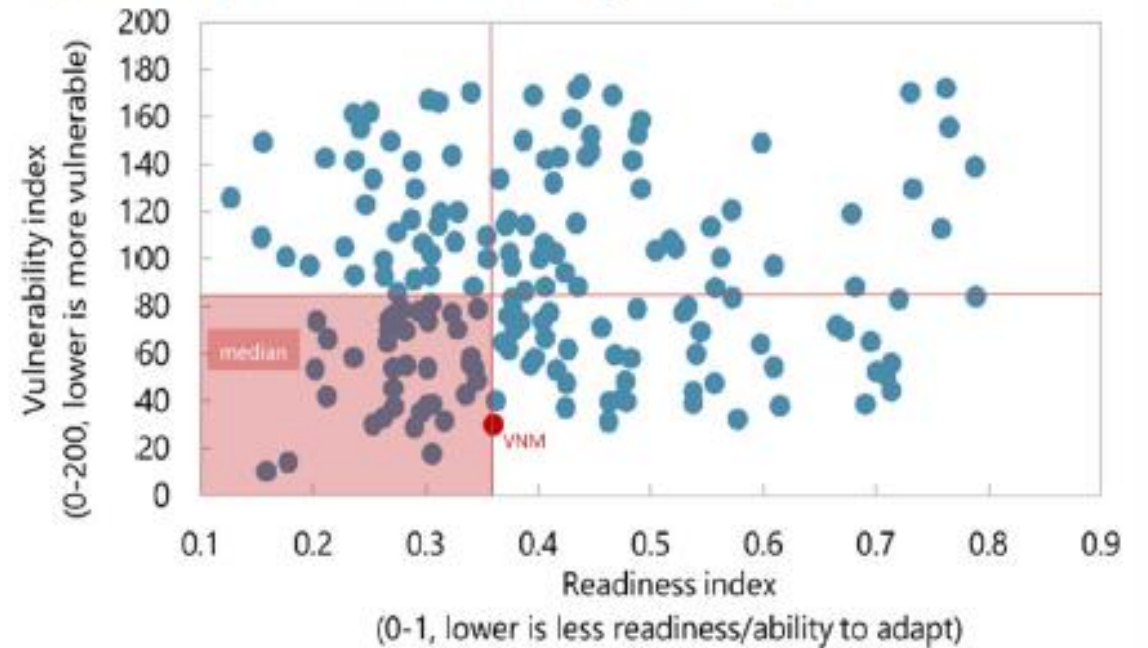
Top 10 Vulnerable Countries from Climate Risk 1/ (Ranking 1 to 10; 1 is most vulnerable)



Sources: INFORM Global Risk Index 2020; GERMANWATCH Global Climate Risk Index 2020.
1/ Natural Hazard Risk Index, by INFORM, is based on physical exposure to natural hazards (actual and relative); Global Climate Risk Index, by GERMANWATCH, is based on fatalities and economic losses from weather-related events.

Exposure to Climate Change

(Vulnerability & Readiness Indices, average 1999-2018)



Sources: Global Climate Risk Index (vulnerability) and Global Adaptation Index (readiness).
Notes: (i) Global climate risk index, by GERMANWATCH, is based on fatalities and economic losses from weather-related events; (ii) Global adaptation index, by ND-GAIN, is based on the country's ability to leverage investments and convert them to adaptation actions.

Thank You!