VIET NAM

GDP (current US$, billions):  $186.20  Population (thousands):  90,729
Share of GDP in developing Asia-Pacific:  0.8%  GDP per capita (current US$):  $2,052.32
Share of GDP in South-East Asia:  6.2%  Average inflation (2015):  0.6%

- The economy of Viet Nam expanded by a robust 6.7% in 2015 compared with 6% in the previous year.
- Recovery in domestic demand gained momentum. Favorable consumer sentiments were underpinned by low inflation, which dropped to only 0.6% in 2015 from 4.1% in 2014 and more than 11% on average in the preceding three years.
- Total investment grew by 9% amid robust FDI inflows and rising government expenditures marking completion of the country’s five-year planning cycle.
- Exports of foreign-invested, higher-value sectors, such as mobile telephones and electronics, continued to expand rapidly, while commodity exports were more subdued. In addition to diversification into higher-value products, a competitive exchange rate helped to boost the export of manufactures.
- The central bank devalued the currency three times in 2015 by a cumulative 3% and widened the trading band in an effort to preserve stability in the currency market.
- Economic growth is projected to edge up further to 6.8 - 6.9% in 2016 and 2017 mainly owing to continued strong performance in domestic private demand.
- Consumer spending would be supported by increases in real incomes and credits. Investment should benefit from government measures to enhance the business environment, including the March 2015 resolution on improving the ease of paying taxes and border clearance procedures.
- The Trans-Pacific Partnership trade agreement is also expected to attract more foreign investment to build up export capacity, although more stringent environmental and labour requirements may raise production costs in the short run. The conclusion of the free trade agreement with the European Union, which accounts for one fifth of total exports, would provide a boost to the economy.
- Despite strong growth performance in recent years, macroeconomic policy management remains a challenge.
- On the monetary front, reported nonperforming loans have declined to about 3% of total loans; this improvement is due in part to transfers of default credits to the country’s asset management company, which had purchased roughly $10 billion in bad debts as of October 2015. The resolution of these bad debts, however, has been slow in the absence of an adequate legal framework.
- On the fiscal front, countercyclical fiscal policy during the past few years has weakened the country’s fiscal position. The budget deficit reached 6.6% of GDP in 2015, while public debt edged up to 61% of GDP. Declining oil revenue and a further cut in corporate income tax rates constrained revenue collection.
- Amid increasingly limited access to concessional external finance, the Government has relied mainly on domestic debt, which involves higher borrowing costs and results in shorter maturity of the public debt profile.