

Positive changes in Vietnamese economy 2018

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Vietnamese world-class car brand VinFast displayed at the Paris Motor Show 2018.

NDO - The National Assembly's approval of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the successful organisation of the World Economic Forum on ASEAN 2018 and the launch of two Vietnamese world-class car brands by a Vietnamese firm at the world's largest motor show in 2018 boasted the images of a dynamic country with high entrepreneurial spirit.

The bright colours of 2018

Minh Dieu Staps, an overseas Vietnamese from Germany who returned to Vietnam to attend a meeting with small and medium enterprises said: "I have never seen such a bustling business atmosphere, everyone is overflowing with entrepreneurial spirit and making money". The number of more than 130,000 newly established enterprises proved this, she added.

Statistics on socio-economic development along with the vibrant operations from the

private sector and startups brought about bright colours and optimism to the picture of the Vietnamese economy in 2018.

At the Government's year-end meeting, Prime Minister Nguyen Xuan Phuc announced that Vietnam accomplished all of the socio-economic targets set out for 2018, including several targets exceeding the National Assembly's set targets and targets outlined in the Government Resolution 01. He noted that the macroeconomy continued to be stable and inflation was controlled in the past year. The country's GDP growth rate reached 7.08%, the highest level over the past 10 years, the Government leader added.

The index of industrial production remained high, expanding over 11.4% in 2018. The processing and manufacturing industry continued to grow impressively at 13.7%. Vietnam also welcomed approximately 15.5 million foreign visitors last year, an increase of 11.7% over the previous year. In particular, the country posted a record high trade surplus of roughly US\$7.2 billion. Newly established enterprises posted an increase of 14.1% in total registered capital. 2018 also witnessed more than 34,000 firms resume their operations.

World Bank (WB) Country Director to Vietnam, Ousmane Dione, said he was very impressed with the purchasing power of the Vietnamese people. "In Hanoi, we see commercial centres including Aeon Mall, Royal City and Lotte, with a lot of families shopping on weekends. Middle-class families now have more time and money for recreational activities," he noted. Research by Boston Consulting Group (BCG) showed that the middle class is growing at a rapid pace in Vietnam. Accordingly, the middle and upper classes with average income from US\$714 per month will increase to 33 million people in the 2014-2020 period. Meanwhile, Nielson, a leading global information and measurement company, estimated that Vietnam's middle-class population will reach 44 million by 2020.

Solidiance, an Asia-focused corporate strategy consulting firm, also provided further

proof for the rapidly improved living standards of the Vietnamese people by revealing the statistics that Vietnam has the fastest growing demand for automobiles among ASEAN countries. In the 2015-2016 period alone, Vietnam's demand for cars rose by 36%. Perhaps that is the reason for the appearance of a domestic investor who pioneers in the production of Vietnamese world-class car brands known by both domestic and foreign markets in 2018.

Minister of Planning and Investment Nguyen Chi Dung said that 2018 is a significant year in evaluating and reshaping the five-year socio-economic development plan in the 2016-2020 period. He emphasised that: "We have reached half of the way of this plan with very good results. The GDP growth of the first two years in this period was relatively high, while GDP in 2018 reached 7.08%. Notably, the country witnessed equal economic development in all sectors. Unlike previous years, social and cultural development has been placed in a balance with economic development in 2018 and in the following years. This is a policy of the Party and Government and is being implemented in a very positive manner from the central to local levels."

The annual economic report on Asia Development Outlook announced by the Asian Development Bank (ADB), said that Vietnam's economy continued to grow sharply in 2018 despite domestic and foreign challenges that could affect the growth prospects in this year and next year. "Economic growth has been achieved in all areas with the continued expansion of the manufacturing sector, highly increased agricultural production, stable services, well maintained domestic consumption, and abundant investment from FDI and domestic enterprises," said ADB's Country Director in Vietnam, Eric Sidgwick. He noted that the Vietnamese economy is likely to grow well in the short term thanks to maintained domestic demand, improved business conditions, and a stable macroeconomic environment.

The economy in 2019 to maintain positive

Based on the socio-economic situation in 2018, the Ministry of Planning and

Investment drafted a plan for 2019. It is expected that the GDP will increase by 6.6 - 6.8% compared to 2018, while the consumer price index (CPI) will rise 4-5%. The total export revenue is estimated to reach US\$256 billion in 2019, an increase of 7-8% compared to 2018 and import revenue is anticipated to hit US\$261 billion, up about 10%. The country is predicted to suffer a total trade deficit of US\$5 billion, accounting for less than 3% of the total export turnover.



The terminal at the Van Don International Airport in Quang Ninh province (Photo: Ha Viet)

Despite the outline of optimistic figures, there remain risks and challenges which may affect the Vietnamese economy in 2019 including trade wars between countries, geopolitical risks, and the trend of domestic trade protectionism, among others.

In addition, there are challenges from the domestic economy such as low technology levels, declining land and natural resources, the disparity in the level of development between the domestic and foreign sectors, especially in import and export areas. However, Vietnam's economic prospects in 2019 and 2020 are forecast to be positive, particularly the stable macroeconomic environment and consolidated confidence in the improvements to the investment and business environment.

The Ministry of Planning and Investment has set out several key tasks and solutions in 2019 to achieve the established targets. The ministry will continue to strengthen the macroeconomic foundation, enhance the resilience of the economy, control inflation, improve the business and investment environment, and boost GDP growth.

Furthermore, the ministry will implement three strategic breakthroughs and restructure the economy, aligned with stronger reforms of the growth model, improvements to the growth quality, labour productivity and the competitiveness of the economy, in a bid to create more substantial changes in each industry and sector in the context of the implementation of the national strategy on the industrial revolution 4.0.