AUSTRALIA FOR REFORM PROGRAM

MACROECONOMIC REPORT
FIRST QUARTER 2018

INTRODUCTION

Vietnam has entered 2018 with immense optimism from the acknowledged progress of business environment reforms and the improvement of economic growth momentum in 2017. Building on previous lessons and experiences, the conduct of policies and institutional reforms have been decisive since the first quarter. Nevertheless, domestic economy, to some extent, has still been subject to uncertainties in the global economic context.

This Macroeconomic Report serves several objectives, including: (i) to update macroeconomic developments and policy changes in Q1/2018 with evidence-based analysis and perspectives of experts/Central Institute for Economic Management (CIEM); (ii) to update the macroeconomic projections for 2018; (iii) to cover selected economic issues based on quantitative and/or qualitative assessment; and (iv) to propose recommendations on economic reforms (including institutional reforms) and on policy solutions for macroeconomics management in 2018.

During the preparation and finalization of this Report, the authors have received many valuable comments of various experts from CIEM, and other Ministries and agencies.

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All remaining errors, views and opinions presented in the Report are solely of the authors and may not necessary reflect those of Aus4Reform Program and/or CIEM.

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ABBREVIATIONS

ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFF	Agriculture-Fishery-Forestry
ASEAN	Association of Southeast Asian Nations
CIEM	Central Institute for Economic Management
CPI	Consumer Price Index
CPTPP	Comprehensive and Progressive Trans-Pacific Partnership
DVA	Domestic value added
DB	Doing Business
ECB	European Central Bank
EU	European Union
FDI	Foreign Direct Investment
FED	Federal Reserve
FTA	Free Trade Agreement
GB	Government Bond
GDP	Gross Domestic Product
GSO	General Statistic Office
HNX	Hanoi Stock Exchange
HSBC	The Hong Long and Shanghai Banking Corporation
IFS	International Financial Statistics
IIF	The Institute of International Finance
IIP	Index of Industrial Production
IMF	International Monetary Fund
IP	Industrial Park
JPY	Japanese Yen
M2	Total liquidity
MOF	Ministry of Finance
MOIT	Ministry of Industry and Trade
MoM	Month on month
MPI	Ministry of Planning and Investment
M&A	Merger and Acquisition
NCIF	National Centre for Socio-Economic Information and Forecast
NPL	Non-performing loan
OECD	Organization for Economic Co-operation and Development
PMI	Purchasing Managers Index
QoQ	Quarter on quarter

RCEP	Regional Comprehensive Economic Partnership
REER	Real Effective Exchange Rate
SBV	State Bank of Vietnam
SCIC	State Capital Investment Corporation
SOE	State-owned Enterprise
TPP	Trans-Pacific Partnership
TTIP	Trans-Atlantic Trade and Investment Partnership
USD	US Dollar
VEPI	Vietnam Economic Performance Index
VEPR	Vietnam Institute for Economic and Policy Research
VND	Vietnam Dong
WB	World Bank
WEF	World Economic Forum

EXECUTIVE SUMMARY

1. The recovery of regional and global economy continued in Q1/2018. However, uncertainties have intensified, in particular concern about economic downturn in China, slow structural reform in many economies, and the China-US trade tension. The forecast of world economic growth rate by the International Monetary Fund (IMF) was kept unchanged at 3.9% for both 2018 and 2019.
2. The US economy witnessed positive growth, adding pressure on inflation and interest rate hike; ***The Eurozone*** exhibited some signals of slowdown; ***Japan*** continued to enjoy the fastest growth in the last 2 years; ***China*** outperformed expectation in terms of growth as industrial production and export continued to increase rapidly; out-ward FDI was stable. The global financial market experienced significant volatility. World prices took upward trend in Q1/2018. International economic integration witnessed some positive developments.
3. In domestic context, the Government set the guideline of "discipline, integrity, action, creativity and effectiveness" and drastically made decision on increasing the effectiveness of governance and institutional reform right from the beginning of 2018. Policies mainly focused on building and finalization of regulatory framework, administrative reforms, improving the business environment at the top priority, and in line with sustaining macroeconomic stability.
4. These initial changes were considered as positive, clear and having effect on the business community, contributing to economic growth and poverty reduction, and enhancing the confidence of business community to market; improving the quality of national and provincial business environment; and better business results. However, the actual results were quite far from target. Long-term reforms including restructuring public investment, reforming state-owned enterprises, and dealing with weak commercial banks continued to be implemented.
5. The progress of international economic integration has been uncertain, however, Vietnam has adjusted its path towards participating in developed playing field; communication on international trade agreements was better carried out. Nevertheless, Vietnam's efforts on preparing the implementation roadmap was are still slow.
6. GDP growth attained 7.38% in Q1/2018, relaxing the pressure on growth management for Q2-Q4 to achieve the 2018 target. GDP structure by demand side showed significant change with regards to trade balance of goods and services. Value-added of industry and construction sector grew by 9.7%. The service sector continued its steady growth, attaining 6.7%. Agriculture-forestry and fishery showed more robust recovery, attaining 4.5%. Economic structure changed slightly in Q1/2018.

7. Manufacturing enterprises had positive assessment of production and business. Enterprises showed more positive assessment on the provincial business environment although production and business still faced some difficulties.
8. By the end of 2017, total economically active labor force was 55.16 million people, of which, male labor accounted for 52.1%, while female labor accounted for 47.9%. The participation rate of male labor was always higher than that of female, showing inequality between men and women in accessing to labor market. The income gap between men and women has been increasing and Vietnam was among few countries with increasing gender pay gap.
9. The average Consumer Price Index increased by 2.66% in Q1/2018; average core inflation was stable at low level. Influential factors of CPI in Q1/2018 included: (i) adjustments of petrol and oil prices; (ii) higher demand during Lunar New Year holiday inducing increase of price of food – foodstuff; and (iii) adjustments of state-controlled prices of essential goods and services (healthcare, education).
10. VND-denominated deposit rate was stable and below the ceiling of the State Bank of Vietnam. USD-denominated deposit rate for individuals and organizations remained stable at 0% per annum. The SBV made no adjustment on the ceiling of USD-denominated rate even after the interest rate hike by FED. VND-denominated lending rate was almost unchanged in Q1/2018, and only slightly decreased for short-term lending for 5-prioritized areas
11. Outstanding credit grew by around 3.5% in Q1, which was mainly attributed to: (i) stability of interest rates; (ii) higher credit demand for manufacturing and trade; (iii) relaxed crowding-out effect of government bond issuance; and (iv) some enterprises took advantage of "early loans". NPL ratio went down to 2.34%. Total liquidity expanded by 3.23% in Q1. VND/USD exchange rate and foreign exchange market were relatively more stable.
12. Gross investment was estimated to reach VND 331.2 trillion in Q1, increasing by 10.4%. Investment to GDP ratio attained 32.2%, which witnessed strong incentive to grow of private and FDI sector. FDI attraction was amounted to USD 5.8 billion, of which manufacturing remained the most attractive.
13. Exports attained USD 55.6 billion in Q1, up by 24.8%; the structure of key export products hardly changed in Q1. Exports faced some difficulties, including (i) uncertainty in the recovery of world economic growth; (ii) adverse changes in various markets, such as the increase in trade barriers; (iii) the increase in global supply; (iv) not-as-expected level of linkage and cooperation between domestic and foreign enterprises in the same industry and across industries.
14. Imports were USD 52.9 billion in Q1, up by 13.3%. Imports of production means and inputs accounted for 91.6% of total imports. China remained the largest source of imports. Trade surplus was estimated at USD 2.7 billion; of which domestic sector experienced trade deficit of USD 5.4 billion, while FDI sector (including crude oil) had trade surplus of USD 8.1 billion.

15. Budget revenues reached VND 308.5 trillion in Q1, up by 33.8%, equivalent to 34.3% of the planned figures for 2018 and 30.0% of GDP. Budget expansion in Q1 was mainly from domestic market. Budget expenditures were estimated at VND 290.0 trillion in Q1, equal to 19.0% of the planned figure. For the first time after many quarters, Vietnam experienced a budget balance surplus of approximately VND 18.5 trillion. The value of newly issued government bonds amounted to VND 40.4 trillion.

16. A forecast scenario showed that economic growth in 2018 is projected at 6.67%. Export growth may reach 12.15%. Trade deficit is projected at USD 0.68 billion. Average CPI in 2018 will increase by approximately 3.81%.

17. The report analyzed the promotion of women empowerment in the economic restructuring process. Viet Nam has achieved remarkable results in terms of gender equality and the enforcement of women's rights in socio-economic development, including (i) significant improvement of the Gender Gap Index; (ii) female workers continued to be an important part of the workforce; and (iii) improvement of women’s employment status. However, limitations and shortcomings still existed, such as large gap of access to training and re-training, vulnerability of female workers in responses to changes and more likely to be laid-off. The report also provided some reasons for these limitations and proposed some measures for ensuring the women’s rights during economic restructuring.

18. The report also assessed the status and implementation results of Resolution 19 in Q1/2018, including the reforms of regulations on business conditions for promoting competition, incentives for the development of enterprises and specialized regulations exports and imports. As a result, the Report proposed some prioritized issues for being enforced under Resolution 19-2018, and some recommendations for improving business environment and enhancing national competitiveness.

19. International context embodies rapid changes and big challenges, which may significantly affect Vietnam’s prospects in the medium and long term, namely (i) lack of substantial developments of international economic integration; (ii) exposure to issues and risks of both traditional and non-traditional securities; (iii) evolution of regional and global value chains; (iv) more complication in addressing contagion effects/interactions among economies; and (v) the significant technological breakthroughs of 4th Industrial Revolution, in ICT, energy, transport, which eventually affect modes of business and production. Domestically, Vietnam has been facing rapid transition past the “golden demographic structure”, smaller space for macroeconomic policy; limited resources for development in the context of ineffective utilization.

20. This Report re-emphasizes the message of giving continued priority to strengthening microeconomic foundations and reforming economic institutions for a modern market economy. Accordingly, the Report provides some recommendations for furthering reforms of macroeconomic foundations, together with macroeconomic and other measures.

I. ECONOMIC CONTEXT IN Q1/2018

1. Regional and global economic context

1. The recovery of regional and global economy has continued in Q1/2018. Yet uncertainties have intensified, particularly due to concerns about the economic downturn in China, slow structural reform in many economies, and the China-US trade tension. The forecast of world economic growth by the International Monetary Fund (IMF) was kept unchanged at 3.9% for both 2018 and 2019.

Table 1: Global economic prospects

Unit: %

	2018	*2019*	*Difference**	
			2018	*2019*
World GDP (growth rate, %)	3.9	3.9	0.0	0.0
Developed economies	2.5	2.2	0.2	0.0
United States	*2.9*	*2.7*	*0.2*	*0,2*
Japan	*1.2*	*0.9*	*0.0*	*0,0*
Eurozone	*2.4*	*2.0*	*0.2*	*0,0*
Developing and emerging economies	4.9	5.1	0.0	0.1
Developing and emerging economies in Asia	6.5	6.6	0.0	0.0
China	*6.6*	*6.4*	*0.0*	*0.0*
India	*7.4*	*7.8*	*0.0*	*0.0*
World trade (growth rate, %)	5.1	4.7	0.5	0.5
Non-fuel price (% increase, USD)	5.6	0.5	4.4	-0.5

Source: IMF (April 2018).

Note: * Difference between the forecasts for 2018 and 2019 in comparison to those in January 2018.

2. ***The US economy*** witnessed positive growth, adding pressure on inflation and interest rate hike. GDP growth rate was 2.9% in Q4/2017 (second estimate)[1] and 2.6% in 2017, significantly outpacing previous ones.[2] Industrial production increased by 4.4% in February, the highest rate since March 2011. Unemployment rate was stable at the low level of 4.1%; consumer price index increased by 2.1% (YoY), and took the upward trend in the early months of 2018. The manufacturing PMI remained at more than 55 points since December 2017, and attained 55.7 in March. On March 21, FED raised interest rate by 0.25 percentage point, which now stays at 1.5-1.75%. Expectedly, interest rate will undergo two or three upward adjustments in the last three quarters of 2018.

3. ***The Eurozone*** exhibited some signals of slowdown. Inflation increased to 1.2% in February 2018,[3] significantly below the target of 2%. The manufacturing PMI index decreased continuously since December 2017 though remained at high

[1] In this report, growth rate is on YoY basis, unless specifically indicated.
[2] Previous forecasts of the US's GDP growth rate were 2.5% in Q4/2017 and 2.4% in 2017.
3 The lowest growth rate since the ending of 2016.

levels.[4] Industrial production of the Eurozone and EU28 went up by 2.7% and 3.0% in January, respectively, which was considerably down from those in the previous month (5.2% and 4.8%). Political uncertainty posed significant challenges to the region.[5] Despite initial progress[6], the Brexit negotiation remained uncertain. EU members have not reached an agreement on post Brexit financial responsibility as well as budget priorities beyond 2020.

4. ***Japan*** continued to enjoy the fastest growth in the last 2 years thank to high growth rates of domestic consumption and export, expansion of investment and the enhancement of confidence on the business environment. Manufacturing PMI index ranged between 53-54 points in Q1[7]. Exports grew by 12.2% in Q1 and 1.8% in Q2 (YoY).

5. ***China*** outperformed expectation in terms of growth as industrial production and export continued to increase rapidly; out-ward FDI was stable. Export increased by 24.4% in the first 2 months, and was unexpectedly up by 44.5% in February.[8] In February, the CPI grew by 2.9%, manufacturing PMI attained 51.6 and took the upward trend. The People's Bank of China (PBOC) expanded the RMB daily trading margin from 2% to 3%. A number of important policies were promulgated by the 13th National People's Congress from March 5-20 that will shape the development direction and targets of China in the coming period.[9]

6. The global financial market experienced significant volatility. The global stock exchange market plunged in Q1/2018 due to the US-China trade tensions, interest rate adjustment in the US, and the risk of capital outflows in many markets. The USD depreciated against major currencies.

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[4] The manufacturing PMI of the Eurozone was 56.6 in March 2018, 58.6 in February 2018; 59.6 in January 2018; 60.6 in December 2017.

[5] A coalition deal was established between Social Democrats (SPD) and Christian Democratic Union (CDU) and Christian Social Union (CSU), but disagreement remains regarding policy priorities.

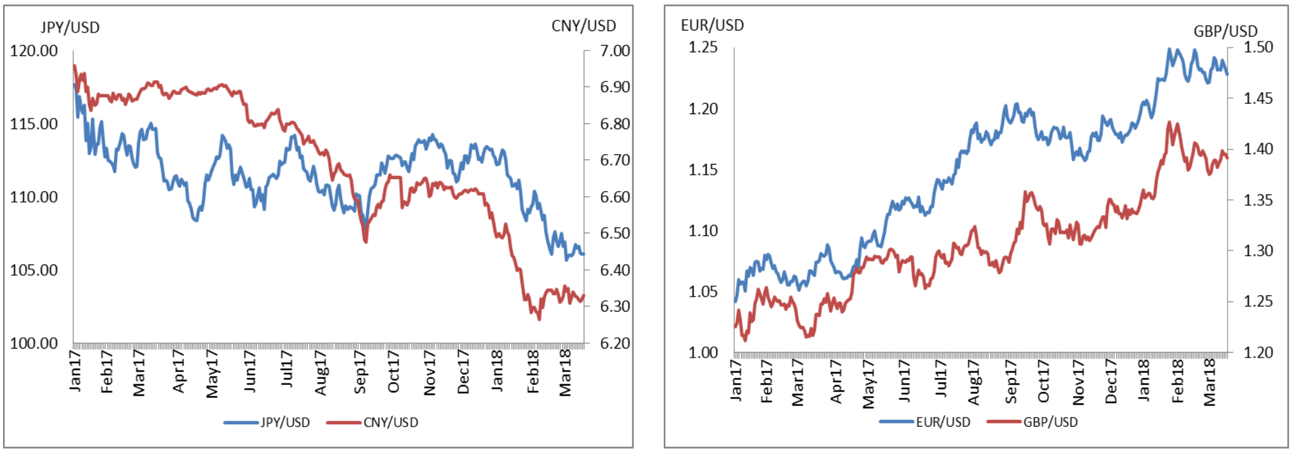
[6] The EU and the UK reached an agreement on the transitional period, which started from March 29, 2018 and will end on December 31, 2020. During this period, the UK will no longer participate in the EU's decision-making process, but still enjoy full rights of a member country, access to the European market and customs union.

[7] Japan's manufacturing PMI in Q1/2018 was 54.8, 54.1 and 53.2, respectively.

[8] The preliminary forecast was only 13.6%.

[9] During the 13th National People's Congress in March 2018, China unveiled a massive cabinet restructure plan; set socio-economic development targets for 2018 (GDP growth rate of about 6.5%, CPI of about 3%; job creation of 11 million; unemployment rate of around 5.5.%; the increase of spending for national defense of 8.1% (equivalent to USD 175 billion)); promulgated important laws (Constitutional Amendments; new Supervision Law, etc.). Regarding the foreign policy, China reaffirmed the pursue of peaceful development, promoting harmonized cooperation among major countries, strengthening relationships with neighboring countries, supporting a more liberalized global economy; etc.

Figure 1: Movement of some major currencies, 2017-2018



Source: The US's Federal Reserve.

7. World prices took the upward trend in Q1/2018 thanks to higher demand and economic recovery in a number of countries. The world oil price was continuously volatile in Q1, drastically down in February and dramatically up in March. Pressures on oil price included: (i) excessive supply as the US's production output of crude oil attained recorded level; (ii) trade tensions among various economies; (iii) OPEC's direction on oil price[10], which may considerably influence supply in the future. Movements of the global financial market, trade and geographical tensions exerted pressures on the frequent volatility of gold price, which plunged in February and bounced back drastically in March.

Figure 2: World price of gold and crude oil, 2016-2018

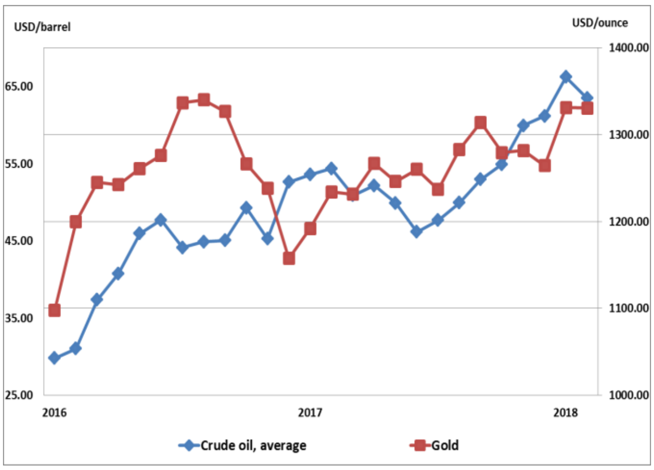
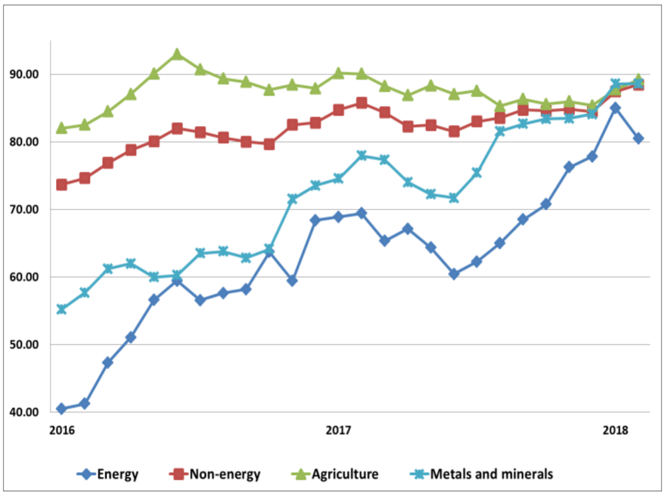


Figure 3: Commodity index, 2016-2018



Source: The World Bank, Commodity price database.

8. International economic integration witnessed some positive developments. On March 8, 2018, the official signing of Comprehensive and Progressive Trans Pacific Partnership (CPTPP) took place in Chile. The US left open the possibility of returning to the CPTPP if there are better commitments. The US,

[10] Saudi Arabia wanted to keep the oil price at around USD 70 per barrel or higher level, while Iran preferred the price of around USD 60 per barrel

Mexico and EU concluded the 9th round of upgrading the trilateral FTA. China continued to promote regional cooperation initiatives, issued the white book on "Arctic Policy" with the ambition of a Polar Silk Road that will facilitate economic and trade connection with the Europe.

2. Domestic context

9. During the first months of 2018 – an important transitional year of 2016-2020 Socio-Economic Development Plan, the Government set the guideline of "discipline, integrity, action, creativity and effectiveness". Building on lessons from previous years, the Government has drastically made decision on increasing the effectiveness of governance and institutional reform right from the beginning of 2018. Policies mainly focused on building and improving regulatory framework, administrative reforms, improving the business environment as the top priorities, and in line with sustaining macroeconomic stability.

10. The Prime Minister requested each ministry, agency, province, and corporation to prepare their own plan and quarterly forecast scenario for 2018, for submission in Q1/2018. The policy mindset has targeted more directly macroeconomic stability, with special focus on price stability (the Ordinance on price stabilization during the Lunar New Year, without increasing in prices of state-managed commodities, and stabilizing exchange rates), and managing foreign capital flows and stock market.

11. Reforming the business environment through reducing regulations related to business conditions initially achieved certain results. Business environment experienced more positive changes. With the purpose of reducing from 1/3 to ½ current business conditions, some line ministries and agencies had active and prompt moves to promulgate documents and measures for reducing unreasonable business conditions immediately in Q1/2018.

12. The Government also requested related ministries and agencies to continue reviewing mechanisms, policies and regulations; to resolve problems particularly those relating to investment, business, planning, environment, land, etc. Provinces also paid more attention to measures on improve the business environment via regular dialogues with enterprises, applying online public services, or some initiatives to reform public administration center in Quang Ninh, Thai Binh, Da Nang, Vung Tau, Binh Duong, etc .; improve the quality of public administrative services. In fact, the provinces being really serious about implementing Resolution 19/2017 also gained better improvement of provincial competitiveness. The Provincial Competitiveness Index (PCI2017) Report showed that average PCI scores were at the highest for the last 13 years, which was a positive change in the quality of provincial management and administration.

13. These initial changes were considered as positive, clear and having effect on the business community, contributing to economic growth and poverty reduction, and enhancing the confidence of business community to market;

improving the quality of national and provincial business environment[11]; and better business results. The spirit of “the Government accompanying the business community” was again reflected under Directive 05/CT-TTg dated 5 March, 2018 on further promoting and implementing effectively Resolution 35/NQ-CP dated 16 March, 2016 on support to and development of enterprises to 2020 and Directive 26/CT-TTg dated 6 June 2017.

14. However, the actual results were quite far from target, some ministries combined the numbers of business conditions which were abolished and/or revised so as to seek completion of targets. The proportion of goods subject to specialized inspection before customs clearance was only reduced by 10 percentage points.[12] The progress of business environment reforms was unevenly enforced across the country, still existing large gap of indexes and performance of ministries and provinces. In particular, the issuance of some guiding documents was slower than expected by the business community (such as Decree 15). For those ministries and provinces, where Ministers and Chairpersons of Provincial People's Committee actively and drastically participated in executing and fostering enforcement, experienced positive movements, and clear results and improvements.[13] In contrast, enforcement was modest and there was almost no change even at the operational level.

15. Long-term reforms including restructuring public investment, reforming state-owned enterprises (SOEs), and dealing with weak commercial banks (CBs) continued to be implemented. Under the 2016-2020 economic restructuring plan, the Prime Minister issued Decision 280/QD-TTg on reducing the plan of government bonds during 2012-2015 and 2014-2016 with a total of VND 3,776.869 billion and extended the implementation and disbursement to 2018. Therefore, the quality of public investment remains a big question as the progress of disbursement has been extended and lasted until the end of Q1/2018.

16. In 2018, the Government recognized the priority on rearranging, equitizing and restructuring of 64 SOEs, including big corporations. Resolution on the establishment of the State Capital Management Committee was promulgated on 3 February 2018. Accordingly, the State Capital Management Committee is a governmental agency, functioning as representative of state capital ownership for enterprise with 100% of chartered capital and state capital investment. At present, the decree regulates the functions, tasks and organizational structure of the State Capital Management Committee is being drafted and expected to promulgate in Q2/2018. In this context, the personnel of State Capital Management Committee was an important priority.

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[11] JETRO’s report published at the end of February revealed that nearly 70% of Japanese firms in Vietnam intended to expand business. Over 62% Japanese firms confirmed that their business gained profit in Vietnam. PMI in February was at the highest of 53.5 among ASEAN nations.

[12] Meanwhile, the target was set at least 20 percentage points (according to the Report on the improvement of business environment during 2014-2017 and solutions for business environment in 2018 and coming years)

[13] Ministry of Industry and Trade, Ministry of Construction, Ministry of Health, Quang Ninh, and Dong Thap (according to Report on solutions for business environment in 2018 and coming years)

17. The progress of international economic integration has been uncertain, however, Vietnam has adjusted its path towards participating in developed playing field. Vietnam was more actively cooperated with its partners to re-launch and accelerate the negotiation of international economic integration agreements. CPTPP was concluded its negotiation and signed by 11 members on March 9 in Chile. Basically, CPTPP remained the same as its original version and only temporarily suspended the implementation of 22 articles so that to ensuring a balance among its 11 member states. Both Vietnam and the EU have been highly committed to revised legal framework as well as enforcement of EVFTA roadmap.

18. Compared to previous periods, communication on international trade agreements was more effective. Nevertheless, Vietnam's efforts on preparing the implementation roadmap was are still slow, mostly seeking to "watch out the situation" rather than actively participating, even not much caring on the commitments in 2018 within ASEAN[14], WTO. Effectively implementing international economic integration remains important requirements for Vietnam in 2018, as it witnessed full implementation of many integration commitments, particularly related to removal of import duty on important products. In the first months of 2018, there has no change in the recognition of market economy status for Vietnam; the benefits gained from integration are difficult to realize if Vietnam has not been officially recognized as market economy. Thus, lobbying for the mentioned recognition plays an important role; however, it should be even more meaningful if the market economy foundation is truly respected and strengthened.

[14] In 2018, over 90% of product lines will be applied 0% import tariffs, as committed in ASEAN Trade in Goods Agreement (ATIGA), and 400 products having 5-10% import tariff will be reduce to 0% in ASEAN-Korean FTA.

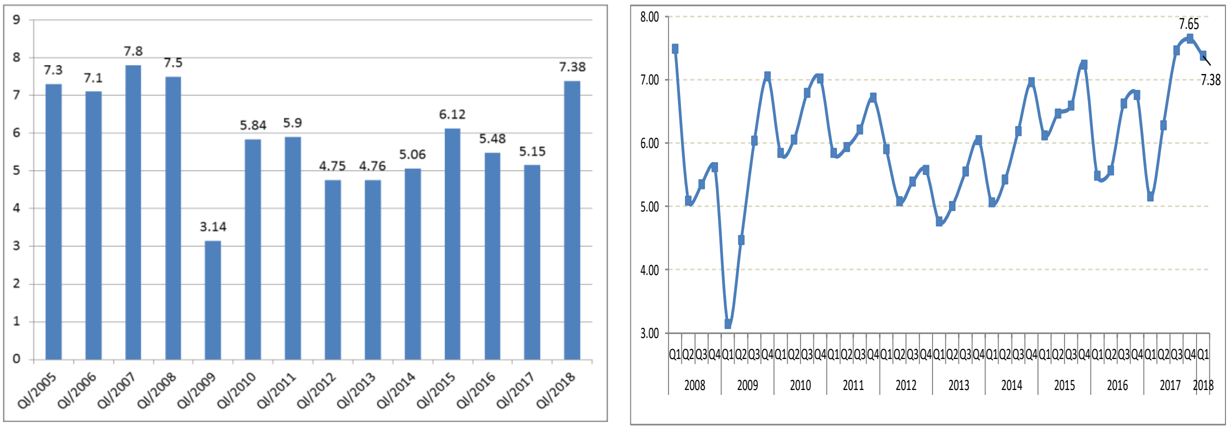
II. MACROECONOMIC PERFORMANCE AND OUTLOOK

1. Macroeconomic performance in Q1/2018

1.1. <u>Real economy</u>

19. GDP growth attained 7.38%[15] in Q1/2018, which was at the highest among first quarters since 2009. This growth rate relaxed the pressure on growth management for Q2-Q4 to achieve the 2018 target (growth rate of 6.5-6.7%).

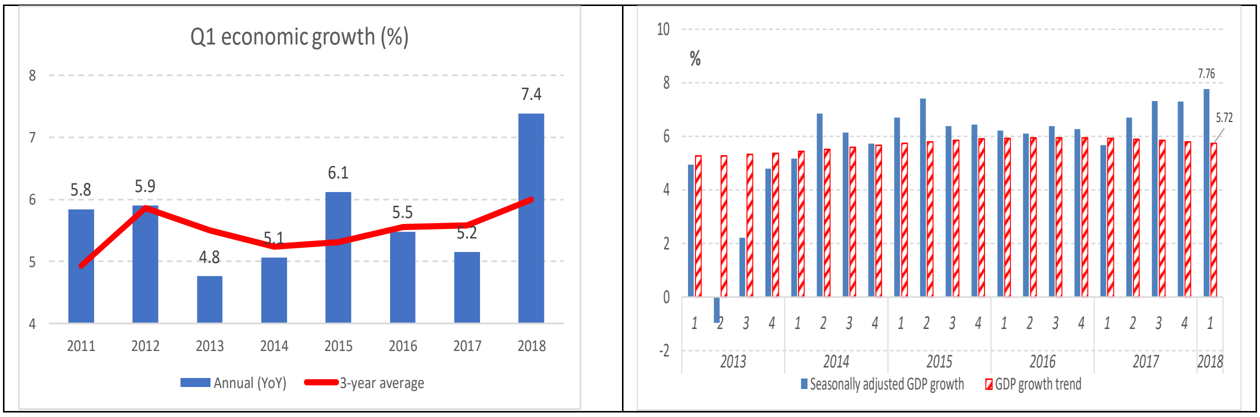
Figure 4: GDP growth rate (%)



Source: General Statistics Office (GSO).

20. Although growth rate in Q1/2018 surpassed most expectations, the average growth in Q1 of the last three years was not improved significantly. Technical analysis also showed that GDP growth exceeded its potential.

Figure 5: GDP growth movement



Source: Authors' calculation from GSO statistics.

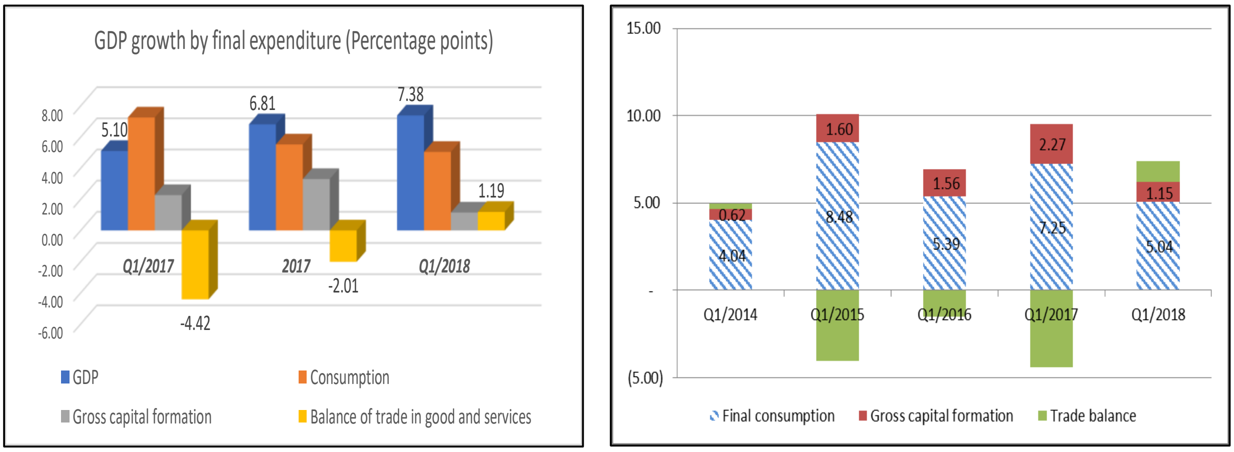
21. Unlike Q1/2017, GDP structure by final expenditure showed significant change with regards to trade balance of goods and services. Meanwhile, the growth rates of gross capital formation and final consumption was lower that those of Q1/2017. Gross capital formation rose more slowly in Q1/2018, partly because of slight reduction of demand for imported inputs. Final consumption also experienced lower rate, mostly attributed to household consumption.[16] Notably,

[15] In section II, growth rate is YoY growth rate (unless otherwise specified).

[16] Not being attributed by cutting down regular expenditure of the Government: recurrent expenditure increased by 20.6% in Q1/2018.

reduction of household consumption can be linked with stricter control of credit for consumption and decrease of imports of some goods (such as CBU automobiles) (Figure 6).

Figure 6: Contributions of gross capital formation and final consumption to GDP growth

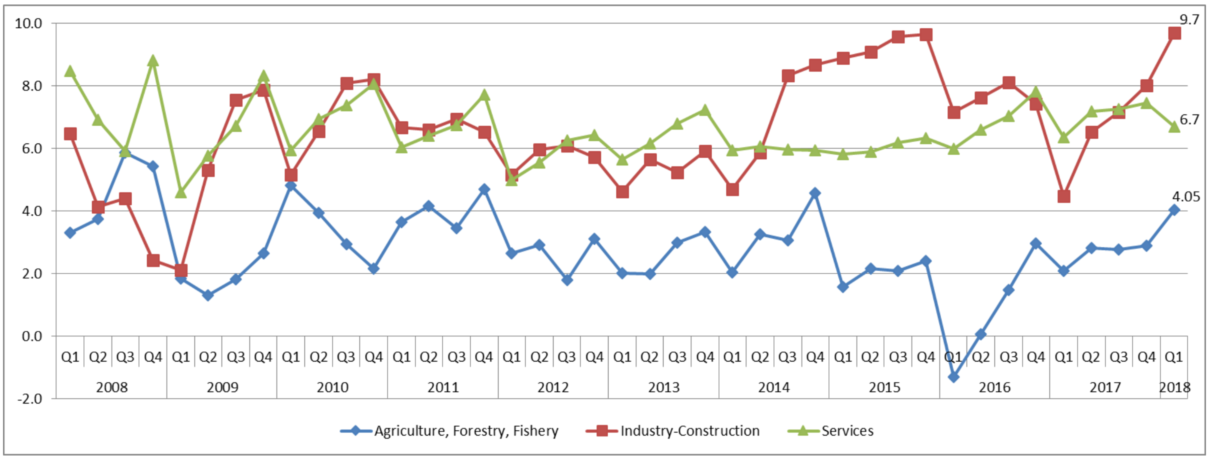


Source: GSO.

22. Value-added of industry and construction sector grew by 9.7% in Q1 (Figure 7). A major note is the high growth of manufacturing sub-sector, attaining 13.56%, which was at the highest since the last 7 years[17]). Simultaneously, mining also experienced positive growth (at 0.40%, YoY) after two consecutive years of declining[18] as outputs of coal, metal and gas increased.

Figure 7: GDP growth by sector, 2008-Q1/2018

Unit: %



Source: GSO.

23. The Index of Industrial Production (IIP) rose by 11.6% in Q1/2018 (Figure 8), much higher than Q1s of 2015-2017[19]. IIP of manufacturing sub-sector continued to show high growth (13.9%); in January, IIP even went up by

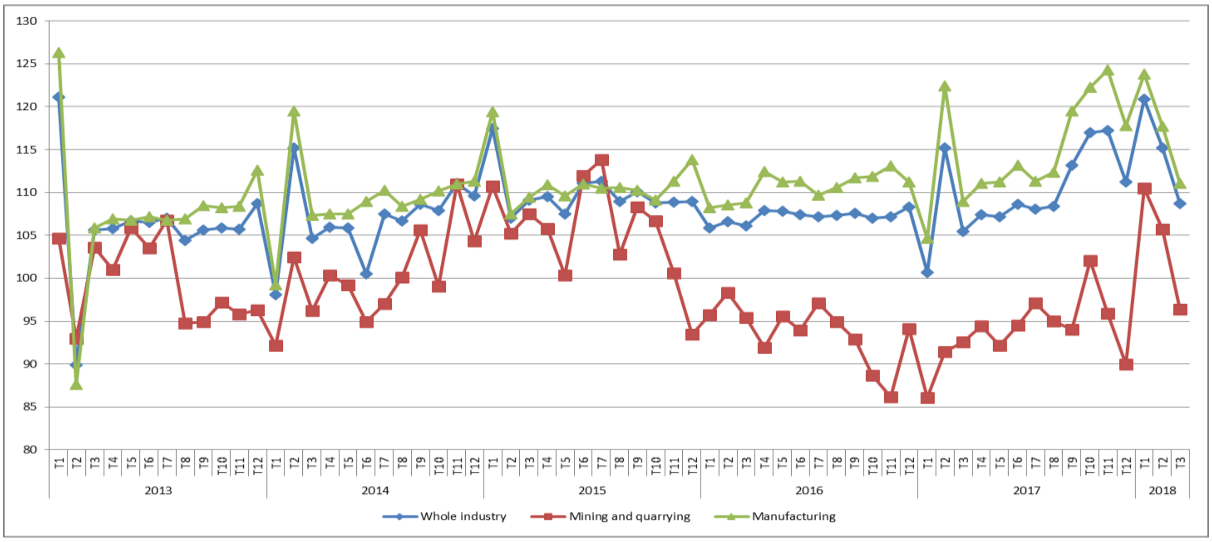
[17] The growth of manufacturing in some selected years: increasing by 8.74% in 2012; 4.38% in 2013; 5.97% in 2014; 9.70% in 2015; 8.94% in 2016; and 8.60% in 2015.

[18] The growth rate in Q1 of mining sub-sector: decreasing by 0.2% in 2016; and 10.0% in 2017.

[19] IIP for the whole industry in Q1: increasing by 9.3% in 2015; 8.2% in 2016 and 5.1% in 2017.

23.8% largely due to electronics, computers, optical products and metal products.

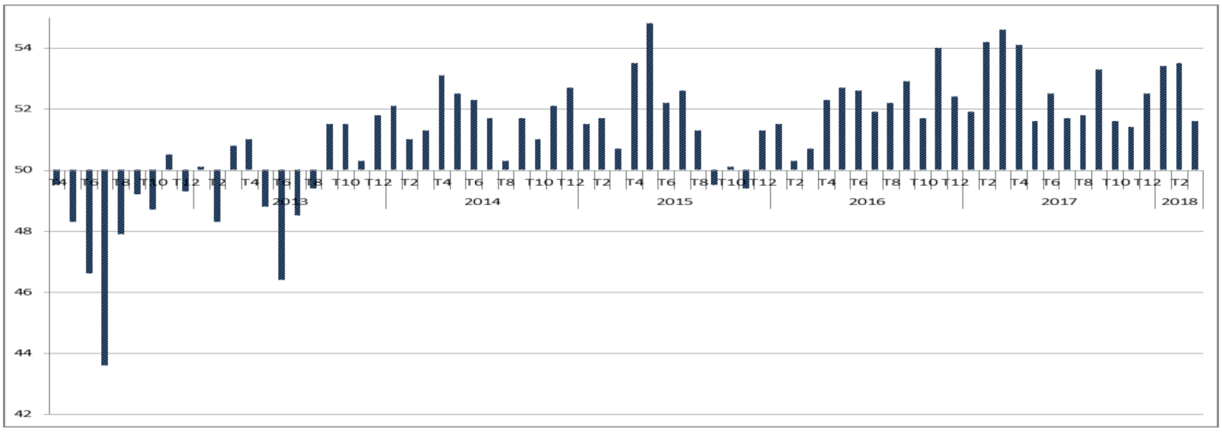
Figure 8: Index of Industrial Production, 2013-March 2018



Source: GSO.

24. Purchasing Managers Index (PMI) of manufacturing sub-sector was high in January and February and slightly decreased in March[20] (Figure 9). Efforts to reduce business conditions have shown positive impacts on business community as reflected by: (i) improved confidence[21]; (ii) improved national and local quality of business environment[22]; (iii) increasing short-term demand as global economic recovery induced merchandise export and attracted foreign (both direct and indirect) investment; and (iv) relatively stable price and interest rate.

Figure 9: Purchasing Manager Index, 2012-March 2018



Source: Markit, HSBC.

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[20] PMI was high in January and February, at 53.4 and 53.5 respectively, reduced to 51.6 in March.

[21] JETRO's report published at the end of February revealed that nearly 70% of Japanese firms in Vietnam had shown their intention on expanding business. Over 62% Japanese firms confirmed that their business gained profit in Vietnam. PMI in February was at the highest of 53.5 among ASEAN nations.

[22] Eurocham announced the Business Climate Index of Vietnam for Q4/2017, accordingly, over 63% of enterprises experienced good and excellent business and nearly 86% of enterprises continued to maitained and extend their investment.

Note: PMI=50 means no month-on-moth change.

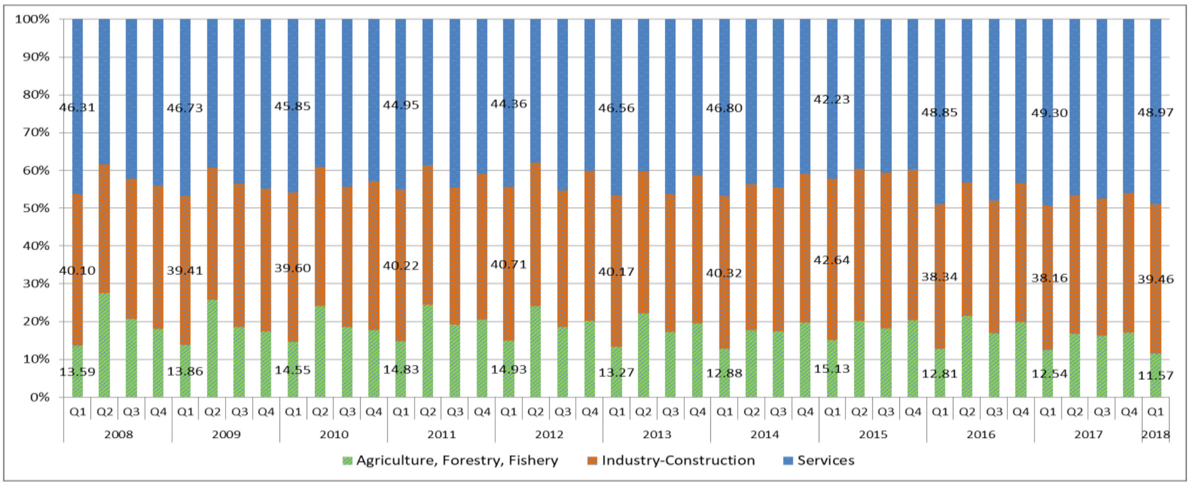
25. The services sector continued its steady growth, attaining 6.7% in Q1/2018. As Q1 was coincident with the Lunar New Year, some service sub-sectors experienced higher growth, such as wholesale and retail trade (increasing by 7.45%), accommodation and food service (7.60%) since international visitors reached 4.2 million in Q1[23].

26. After some difficulties in 2015-2017, agriculture – forestry and fishery (AFF) showed more robust recovery, attaining 4.5% (YoY)[24]. The trend on intra-industry transformation of investment structure towards more high-value products, upgrading quality and production efficiency has produced early results. However, the fishery sub-sector has been facing some difficulties due to EU yellow card and the levy of anti-dumping duties on Vietnam catfish in the US.

27. Economic structure changed slightly in Q1/2018. In spite of higher YoY growth rate, the share of AFF dropped slightly to 11.57% as compared to that of 12.54% in 2017. The shares of industry-construction and service sectors slightly increased (Figure 10).[25]

Figure 10: Quarterly GDP structure, 2008-Q1/2018

Unit: %



Source: GSO.

28. Manufacturing enterprises had positive assessment of production and business. Some 75.4% of enterprises perceived better or stable production and business condition in Q1compared to previous quarter. In addition, 55.7% of enterprises thought that business tendency would be improved, and another 35.7% of enterprises expected stable production and business in Q2/2018 (Figure 11 and Figure 12).

[23] Increasing by 30.9%; tourism revenue went up by 30.3% (YoY).
[24] At the highest in the last 13 years.
[25] In this analysis, the shares of sectors do not take into account the distribution of products taxes less subsidies on production.

Figure 11: Business tendency (Q1/2018 compared to Q4/2017)

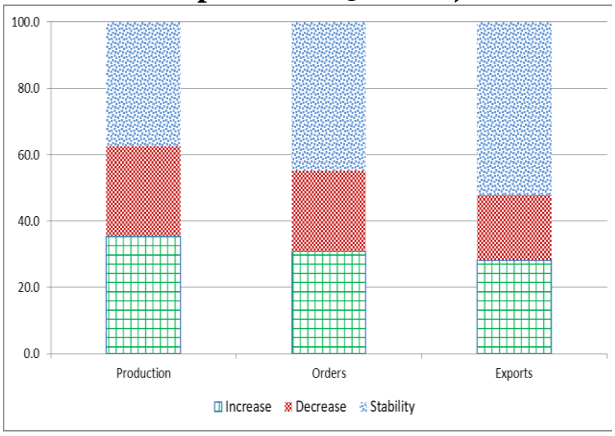
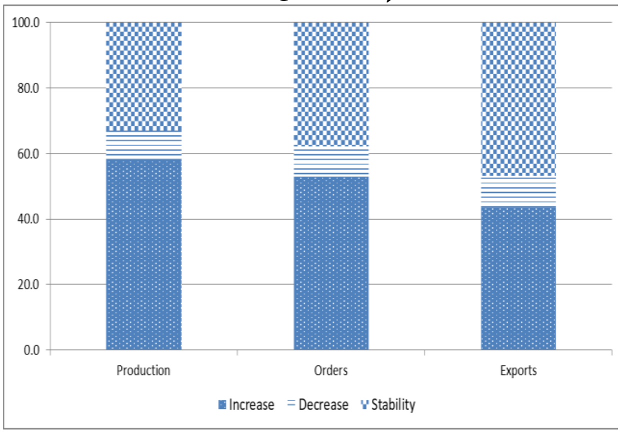


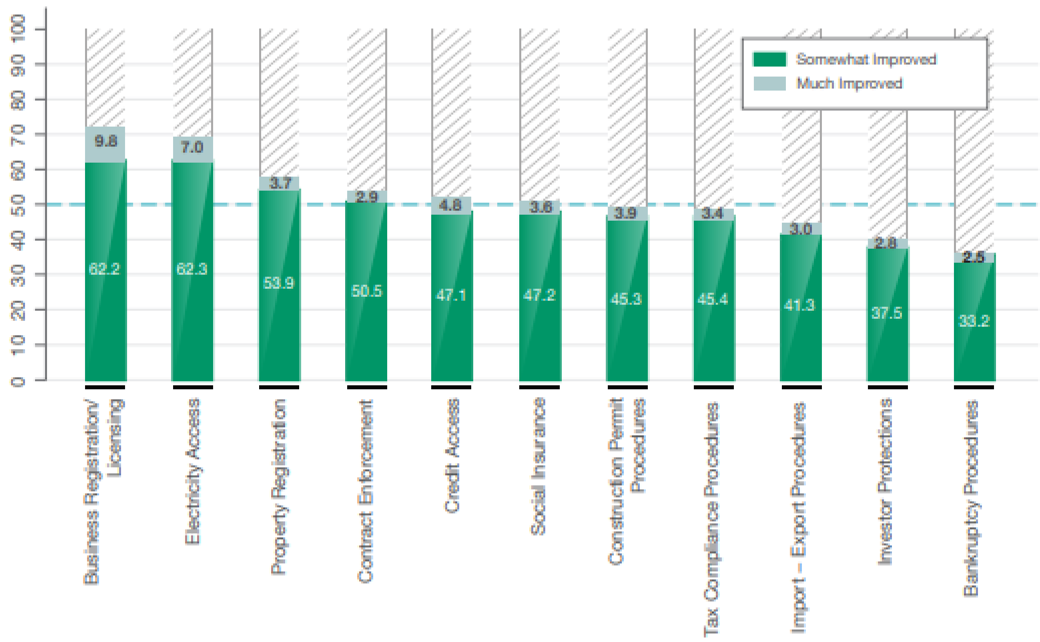
Figure 12: Business tendency (forecast for Q2/2018)



Source: GSO.

29. The Report on Provincial Competitiveness Index 2017[26] showed more positive assessment of enterprises on the provincial business environment. Some indexes were assessed as "good" and "excellent" with high share, for example business registration/licensing (72%), electricity access (69.3%), property registration (57.6%) (Figure 13). At the national level, indexes on informal costs and administrative procedures were improved significantly.

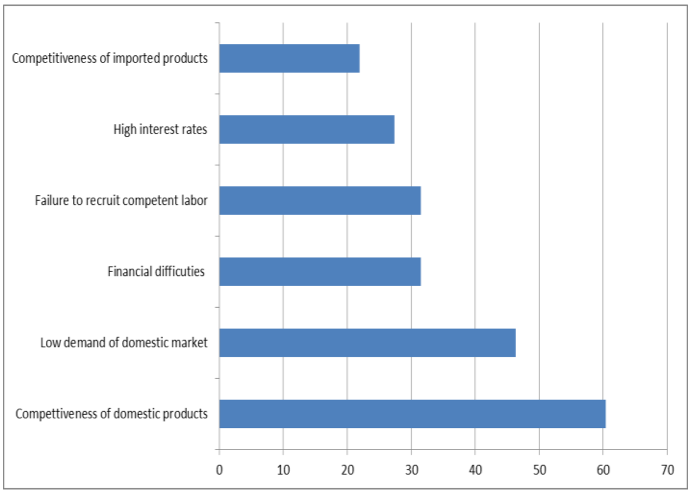
Figure 13: Opinions on Economic Reform Progress



[26] Published by VCCI.

30. In Q1/2018, production and business still faced some difficulties due to modest competitiveness of domestic products (60.4%); low demand of domestic market (46.3%). Other factors such as financial difficulties, failure to recruit competent labor, high interest rates and competitiveness of imported products also had certain impacts on production and business (Figure 14), albeit slight reduction as compared to previous quarter.

Figure 14: Factors affecting production and business

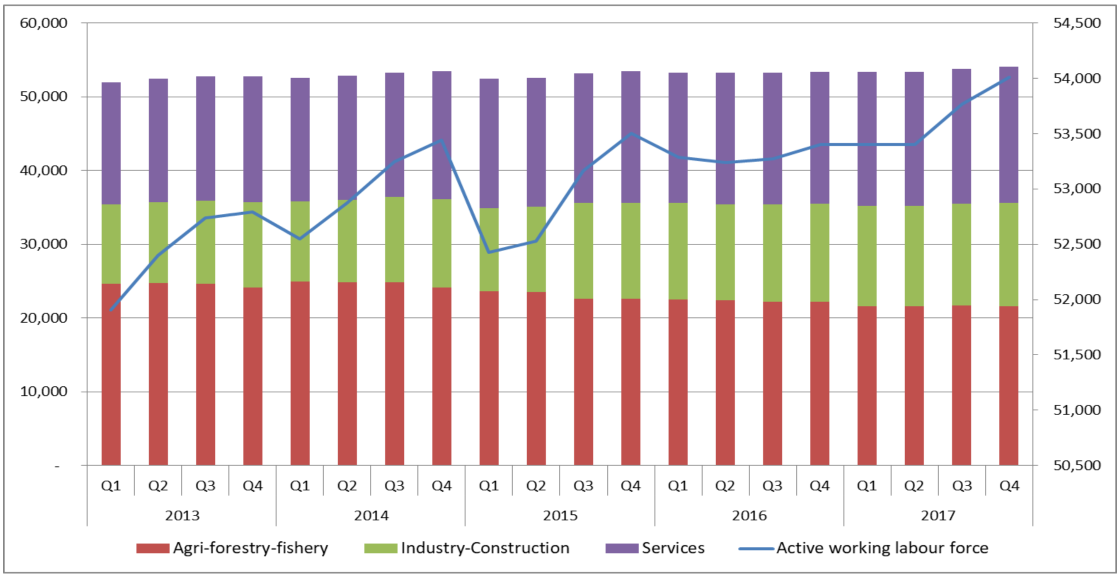


Source: GSO.

31. By the end of 2017, total economically active labor force was 55.16 million people, up by 1.13%. Of which, male labor accounted for 52.1%, while female labor accounted for 47.9%. Labor structure continued to shift towards decreasing the share of labor in AFF sector (to 40.0%), and increasing the share of labor in in industry – construction (to 25.9%) and services sector (34.1%) (Figure 15)

Figure 15. Economically active labor force by economic sector, 2013-2017

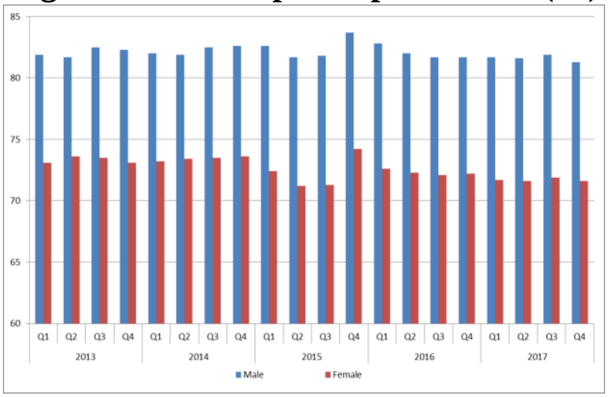
Unit: thousand people



Source: GSO.

32. The participation rate of male labor was always higher than that of female during 2013-2017, over 80% compared to about 70% of female (Figure 16). Although the participation rate of female labors was much higher than global and regional average[27], it still showed the existence of inequality between men and women in accessing to labor market.

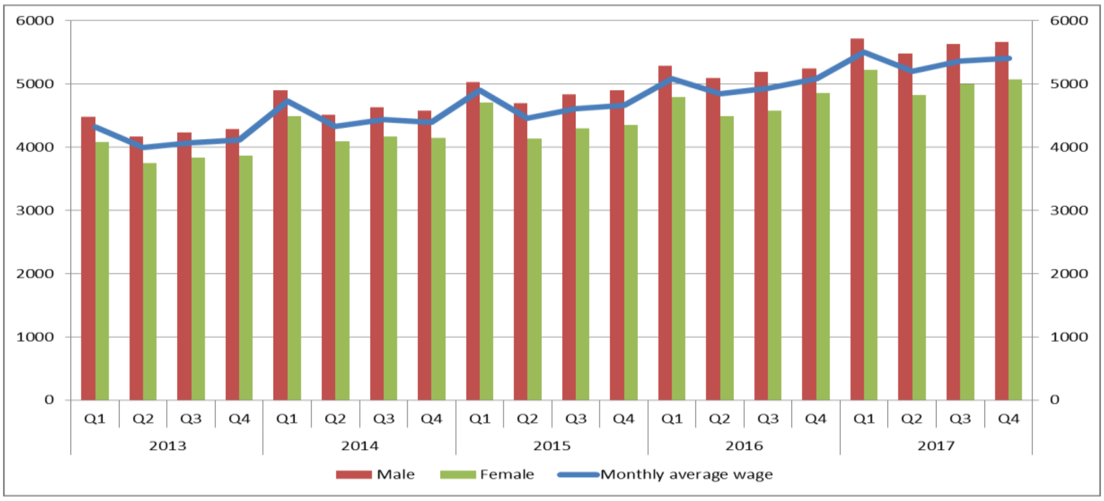
Figure 16: Labor participation rate (%)



Source: GSO.

33. The International Labor Organization also argued that "*The prospects of women's employment should take longer time to be equal to men, despite more advanced progress and commitment to further improve the situation.*" The income gap between men and women has been increasing (Figure 17). According to the 2016 Labor and Employment Report by GSO, the gender gap by technical and professional qualification is widening. Female labor with university degree and upper had lower average income of 19.7% as compared to male.

Figure 17: Monthly average salary of wage-earners



Source: GSO.

34. Vietnam was among few countries with increasing gender pay gap. Even in the female-intensive industries such as healthcare, social work and sales, women were still paid lower than men. It was mainly attributed to: (i) less chance for female labor to receive basic training as well as retraining to improve their skills; (ii) being restrained or disadvantaged because of family care; (iii) overestimating or underestimating a job without taking into account the requirements, the level of hard work and actual competition; and (iv) the

[27] According the report on "World Employment Social Outlook – Trend for women: 2018 rapid report", the global participation rate of female was at 48.5%, which was 26.5 percentage point lower than male labor

difficulty in identifying the exact ratio because of not calculating all benefits, bonuses and subsidies.

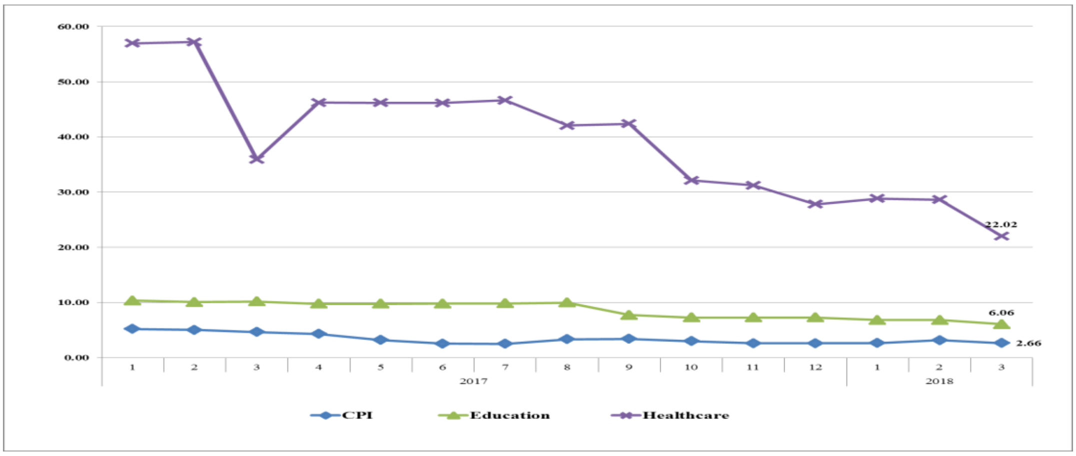
1.2. <u>Inflation</u>

35. The average Consumer Price Index (CPI) increased by 2.66% in Q1/2018. The CPI was up by only 0.97% in March in comparison to that in December 2017; and decreased by 0.27% relative to February as prices of a number of commodities and services were down compared to those in previous months.

36. The average core inflation was stable at low level, up by 1.34% in the first 3 months. This indicated that inflation was subjected to insignificant pressure from monetary factor. The conduct of monetary policy, however, should continue to pay appropriate attention to a more effective communication strategy in order to strengthen market expectations.

Figure 18: YoY CPI, 2017-2018

Unit: %



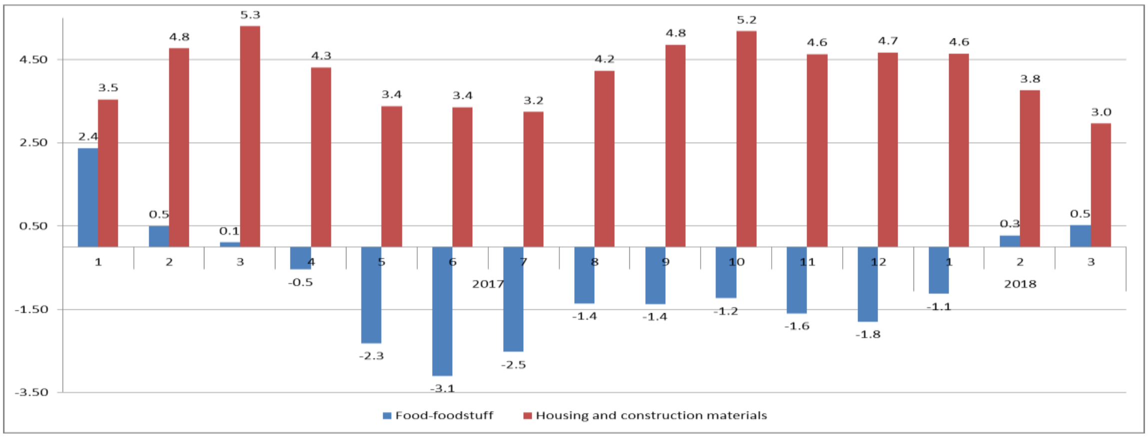
Source: GSO.

37. Influential factors of CPI in Q1/2018 included: (i) adjustments of petrol and oil prices in Q1[28] due to impacts from the upward trend of world oil price; (ii) higher demand during Lunar New Year holiday inducing increase of price of food – foodstuff in February (which was up by 1.53% in relative to that in January); and (iii) adjustments of state-controlled prices of essential goods and services (such as healthcare, education). As a note, the price index of food-foodstuff decreased continuously in the period of April 2017 – January 2018 and started to slightly increase by 0.3-0.5% in February-March 2018 (YoY). Meanwhile, the price of the housing and construction material group exhibited stable increase (by 3.0-5.3% since February 2017 - YoY). It is, thus, necessary to keep a close watch on capital flows to real estate though credit to this area has been controlled.

[28] In Q1/2018, the price of petrol and oil was adjusted upward twice (on January 4 and January 19); and adjusted downward once (February 21)

Figure 19: YoY price index of food-foodstuff and housing-construction materials, 2017-2018

Unit: %



Source: GSO.

38. Pressure on inflation in the ending months of 2018 include: upward adjustment of prices of public services (healthcare, education, electricity); volatility of world oil price that may affect domestic oil and petrol prices and the increase of electricity price[29]. In fact, the decision on upward adjustment of electricity price in the ending of 2017 partially exerted pressures on some activities (in the first 2 months, food processing was up by 2.27%, dine-out up by 1.27%). The price of medicine and healthcare services increased at lower pace in the beginning of 2018, but was significantly outpaced that in 2017. The order to refrain from raising price of these goods and services is indeed necessary, though *somehow "administrative" and yet to address market expectations* (assumed that prices of these commodities might increase in the ending months if there was "space"). Meanwhile, inflation might be exposed to lesser pressure from world commodity price and monetary factors.

1.3. Monetary movement

39. VND-denominated deposit rate (for term of shorter than 6 months) was stable and below the ceiling of the State Bank of Vietnam (SBV, Table 2). VND-denominated deposit rate was almost unchanged in Q1/2018, except demand rate. Commercial banks (including state-owned ones) eased competition among them to attract large and long-term deposits. This movement can be attributed to insignificant issuance of government bonds and the control over consumption credit.

Table 2: Popular VND-denominated deposit rate of commercial banks

Unit: % per annum

	Demand	Shorter than 6 months	6-12 months	Longer than 12 months
End of March 2016	0.8-1.0	4.5-5.4	5.4-6.5	6.4-7.2

[29] According to the National Financial Supervisory Commission (NFSC), if electricity price increases by 8-10% in 2018, inflation will be up by about 0.1-0.15 percentage point.

End of March 2017	0.8-1.0	4.5-5.4	5.4-6.5	6.4-7.2
End of December 2017	0.8-1.0	4.3-5.5	5.3-6.5	6.5-7.3
End of March 2018	0.6-1.0	4.3-5.5	5.3-6.5	6.5-7.3

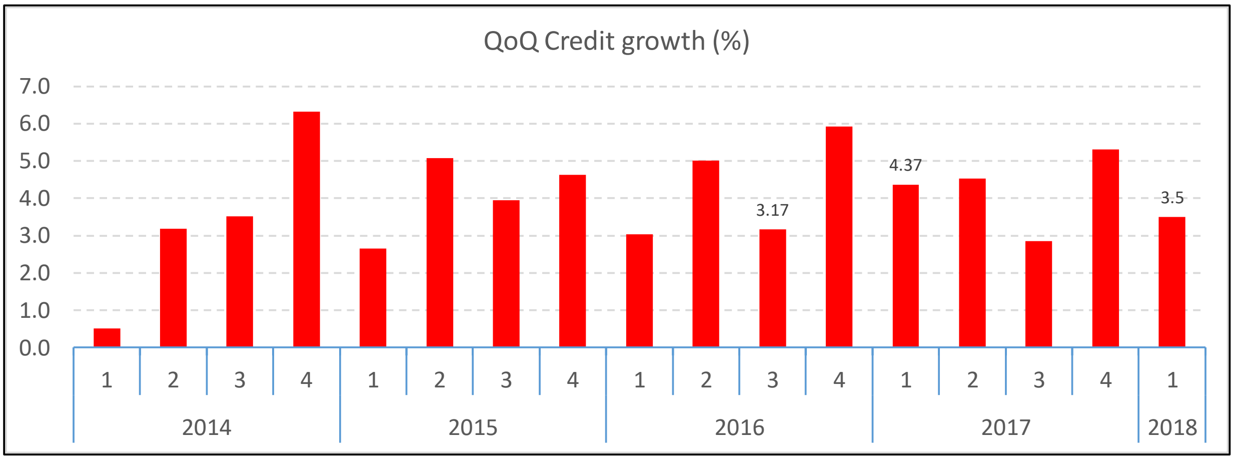
Source: SBV.

40. USD-denominated deposit rate for individuals and organizations remained stable at 0% per annum. The SBV made no adjustment on the ceiling of USD-denominated rate even after the interest rate hike by FED. During previous period, however, the SBV did not disseminate information on priority (if any) on de-dollarization in the economy or conduct of monetary policy.

41. VND-denominated lending rate was almost unchanged in Q1/2018, and only slightly decreased for short-term lending for 5 prioritized areas. USD-denominated lending rate reduced insignificantly (about 0.1-0.2 percentage point per annum) for medium-term and long-term loans. However, the reduction of USD-denominated lending rate was not popularized, which was mainly attributed to: (i) pressure from the interest rate hike in the US; and (ii) VND-denominated interest rates have not decreased.

42. Outstanding credit grew by around 3.5% in Q1 (compared to the end of Q4/2017). The credit growth rate outpaced that in 2014-2016 (Figure 20). This was mainly attributed to: (i) stability of interest rates; (ii) higher credit demand for manufacturing and trade; (iii) relaxed crowding-out effect of government bond issuance; and (iv) some enterprises took advantage of "early loans" due to the concern of possible interest rate hike in the ending quarters.

Figure 20: Credit growth, 2014-3/2018

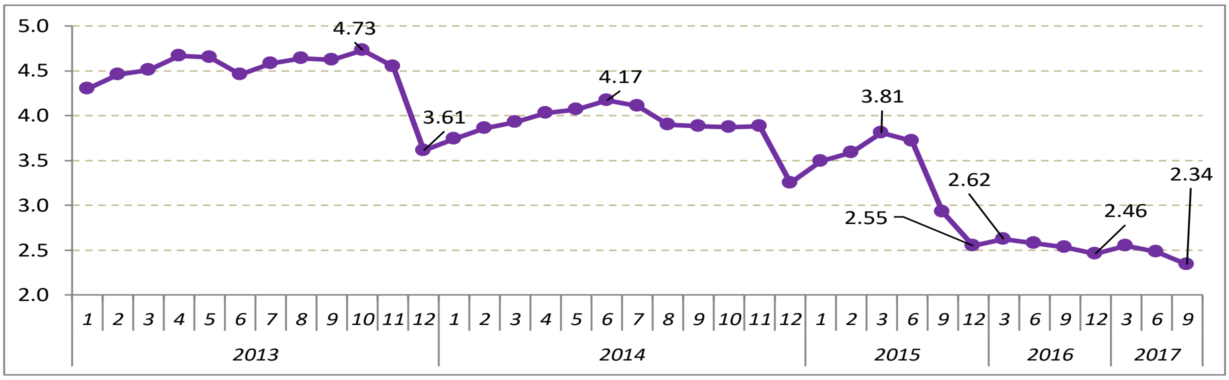


Source: Compilation from various sources.

43. Statistics from the SBV indicated the continuous reduction of non-performing loans (NPLs). By the end of September 2017, NPL ratio went down to 2.34%, below the ratio of 2.46% by the end of 2016 (Figure 21). The purchase, sale and reduction of NPL was facilitated thanks to the implementation of the Resolution on NPL reduction by the National Assembly. However, the progress of NPL reduction depends on directions to restructure a number of weak commercial banks.

Figure 21: NPL ratio of credit institutions, January 2013-September 2017

Unit: %

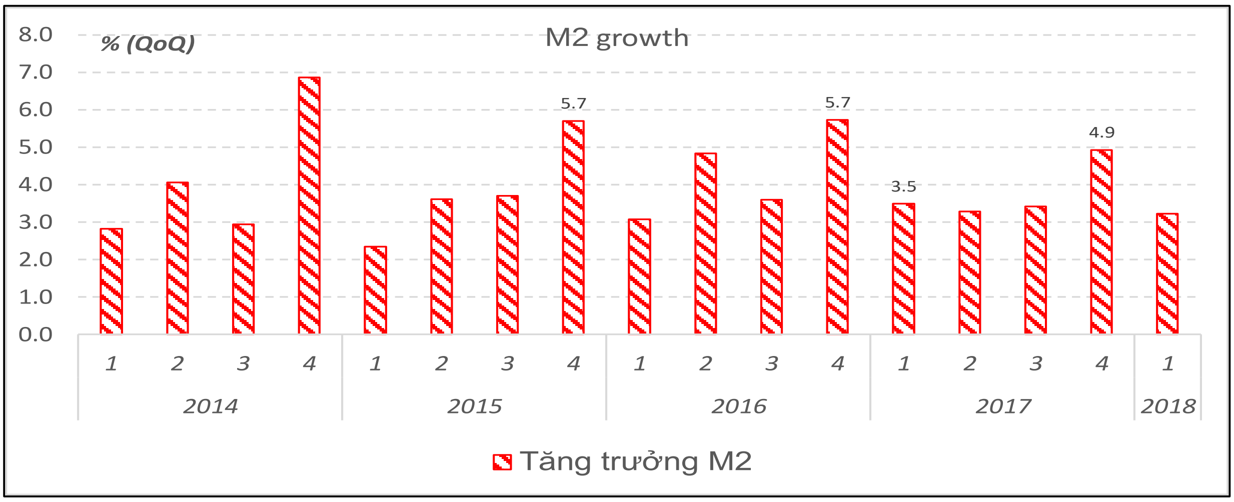


Source: SBV.

44. Total liquidity (M2) expanded by 3.23% in Q1 (compared to the end of Q4/2017). This growth rate was equivalent to that in Q1/2017, but outpaced Q1s of 2014-2016. Total liquidity expansion served to support liquidity during the Tet holiday; and also attributed to VND supply by the SBV to exchange for foreign currencies. Total liquidity exerted modest pressure on inflation.

Figure 22: M2 growth, 2014-Q1/2018

Unit: % (QoQ)

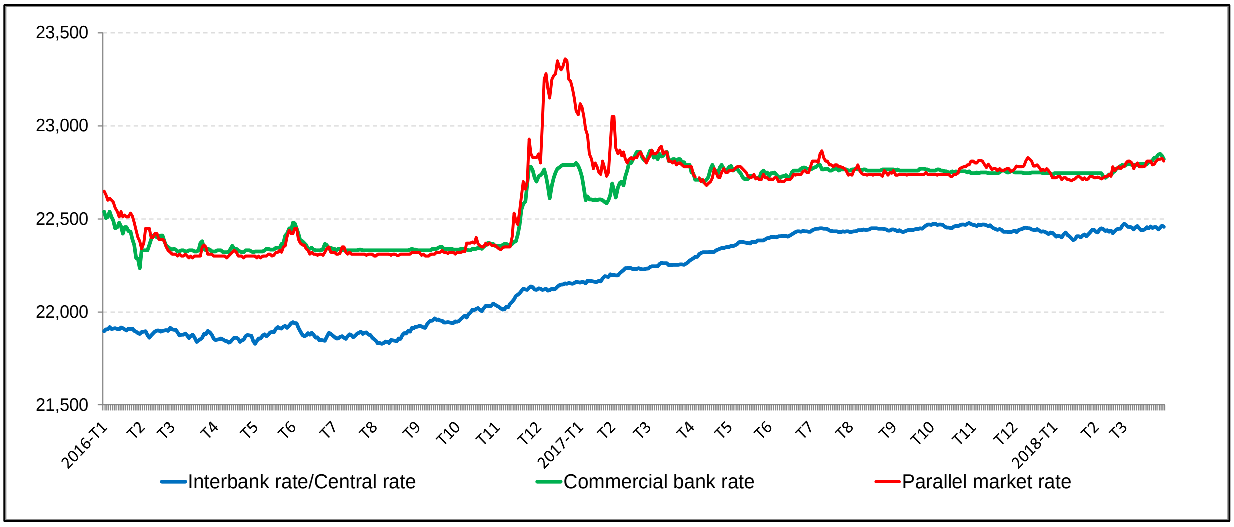


Source: Compilation from various sources.

45. VND/USD exchange rate was relatively more stable in Q1 (Figure 23). The central VND/USD exchange rate[30] fluctuated more frequently and exerted unclear trend: the exchange rate increased by 0.15% in the end of March in relative to that in the end of 2017. However, the increase took the opposite direction to the depreciation of the US dollar in the international market (the USD index was down by 2.7% in the corresponding period). In Q1, the central VND/USD exchange rate was 22,434, up by 1.0% on the average (YoY). VND/USD exchange rate of both commercial banks and in the parallel market took the upward trend by the end of Q1/2018.

[30] Equivalent to average inter-bank exchange rate in the period prior to January 1, 2016.

Figure 23: VND/USD exchange rate



Source: VNDirect and authors' compilation.

46. In general, the foreign exchange market was stable in Q1. Foreign investment surged, creating favorable conditions for the SBV to increase foreign reserve. The SBV also implemented suitable normalization measures to relax pressure on inflation. However, the role of the management of the central exchange rate was not significant in Q1/2018, which was mainly attributed to the significant depreciation of the USD against major currencies.

1.4. <u>Investment</u>

47. Gross investment was estimated to reach VND 331.2 trillion in Q1, rising by 10.4% (Table 3). Excluding the price factor, investment went up by 9.6%, higher than that of Q1/2017 (3.2%).

Table 3: Gross investment, current prices

Unit: Trillion VND

	QI/2017	QI/2018	Growth rate (%)
Total	**300.1**	**331.2**	**10.4**
1. State investment	***96.5***	***100.2***	***3.9***
+ State budget investment	44.6	48.7	9.2
+ Government bonds	3.9	5.7	48.1
+ State credit	9.9	9.5	-4.0
+ Borrowings from other sources (by the State sector)	22.4	21.6	-3.6
+ Investment by SOEs (Equity)	15.7	14.7	-6.4
I. Investment by individuals and private sector	***118.7***	***138.8***	***16.9***
II. FDI	***81.2***	***87.8***	***8.1***
III. Other sources	***3.7***	***4.4***	***18.9***

Source: GSO.

48. State investment increased by only 3.9% in Q1, lower than the YoY rate of 4.4%. Disbursement of government bonds went up by over 48%, yet was relatively small in absolute values. In that context, efficiency of government

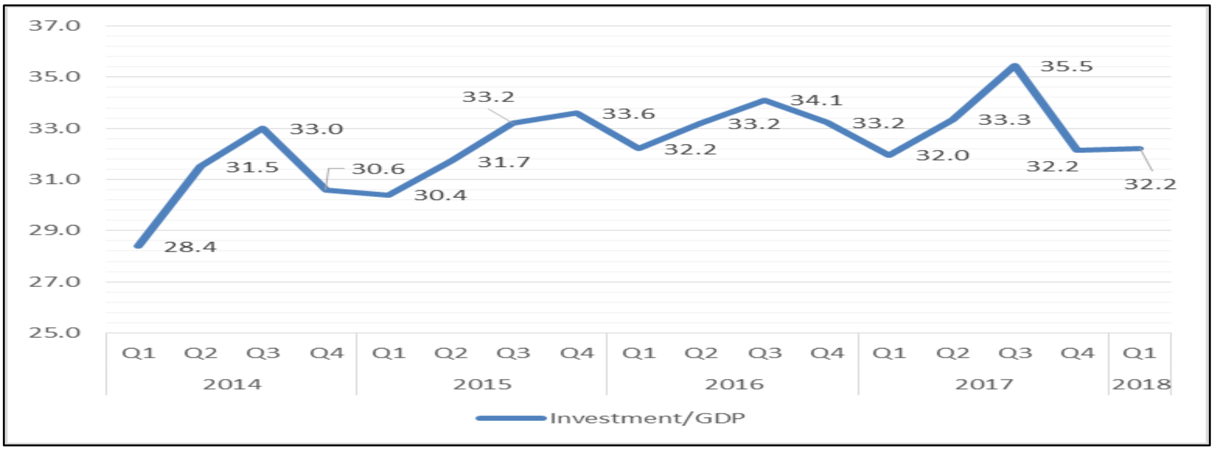
bonds remains a concern. The permission to extend implementation and disbursement of budget-funded investment project to 2018 also questions the public investment disciplines.

49. In order to strengthen disciplines, the regulatory framework on management of public investment was urgently reviewed and revised. Under the Law on Public Investment, various regulations were proposed to be abolished and amended, including the removal of regulation on extending disbursement plan to consequence year. Decree 77/2015/ND-CP[31] was amended to increase the autonomy of ministries, agencies and provinces to reduce reporting procedures, to review and resolve delay in disbursement of public investment.

50. Investment to GDP ratio was similar to that in Q1/2017, attaining 32.2% (Figure 24), which witnessed strong growth of private and FDI sector. Individual and private investment went up by 16.9%, raising its investment share to approximately 42% of total investment as compared to that of 39.6% in Q1/2017, thereby sustaining momentum for gross investment. Investment of FDI-invested enterprises had steady growth of 8.1%.

Figure 24: Investment/GDP ratio

Unit: %



Source: GSO.

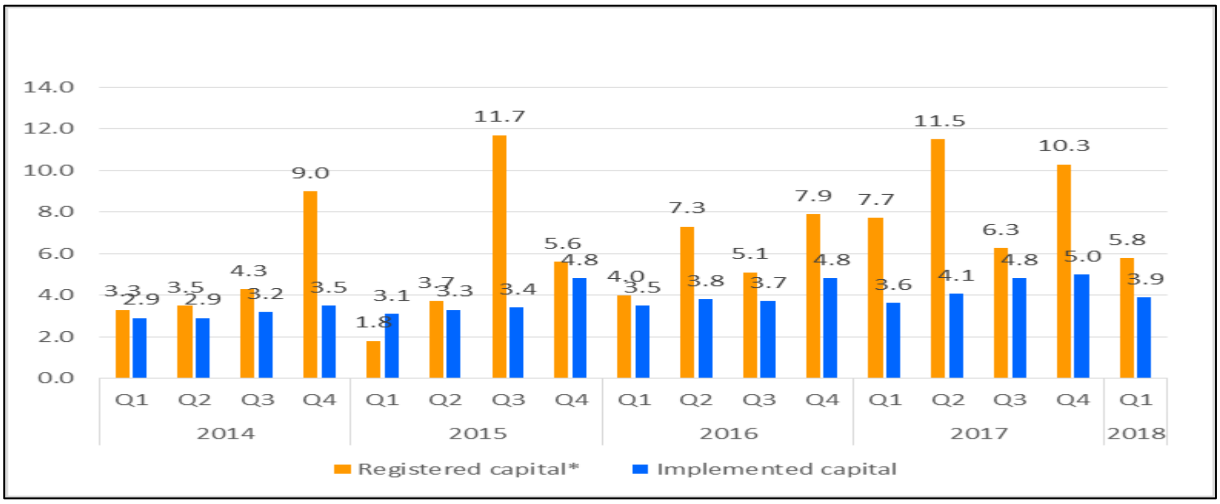
51. Impressive investment growth of private and FDI sector showed that Vietnam still appealed to both domestic and foreign investors thanks to: (i) significant improvement of business and investment environment, especially efforts on cutting down series of business conditions; and (ii) pursuance of further and deeper integration with major trading partners, especially through two mega-FTAs of CPTPP and EVFTA.

52. FDI attraction amounted to USD 5.8 billion, including registered capital of newly-licensed and supplemented capital via contribution or purchasing shares. Accordingly, total registered capital fell by 24.8%. However, implemented capital went up by 7.2%, reaching USD 3.88 billion (Figure 25)

[31] Government Decree No. 77/2015/ ND-CP dated September 10, 2017 on medium-term and annual public investment plan.

Figure 25: FDI attraction to Vietnam

Unit: Billion USD



Note: * including registered capital of newly-licensed and supplemented capital via contribution and purchasing shares

Source: GSO.

53. By sector, manufacturing remained the most attractive with registered capital of USD 3.44 billion, accounting for 59.4% of total registered capital. Wholesale, retail trade and real estates sub-sector ranked second and third with USD 531 million and USD 486 million respectively.

54. By country/territory, South Korea, Hong Kong and Singapore were the three biggest investors in Vietnam; of which South Korea ranked first with total capital of USD 1.84 billion, accounting for nearly one third of total registered capital (31.6%), followed by Hong Kong (USD 689 million of registered capital) and Singapore (USD 649 million of registered capital).

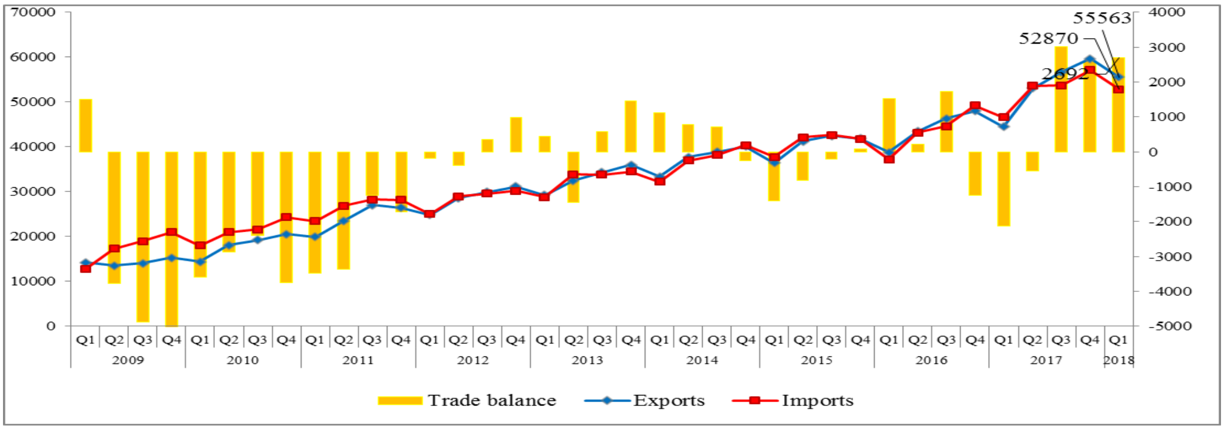
55. With the CPTPP and EVFTA possibly taking effect in early 2019, FDI attraction is expected to have new breakthroughs. Prospects of these mega-FTAs will also strongly boost investment in domestic enterprises with export orientation to high quality and potential markets.

1.5. <u>Trade</u>

56. Exports attained USD 55.6 billion in Q1, increasing by 24.8% which has been the highest growth pace since 2013 (Figure 26). FDI sector accounted for USD 39.76 billion, up by 27.1% (YoY), contributing 19 percentage points to overall export growth. Domestic sector exported USD 15.8 billion of merchandise, up by 19.4%, contributing 5.8 percentage points to overall export growth.

Figure 26: Exports, Imports and Trade Balance, 2009-Q1/2018

Unit: Million USD



Source: GSO.

Note: Exports and imports are shown in the left-hand axis and trade balance is shown on the right-hand axis.

57. Exports faced some difficulties in Q1, including (i) uncertainty in the recovery of world economic growth; (ii) adverse changes in various markets, such as the increase in trade barriers; (iii) the increase in global supply; (iv) inadequate linkage and cooperation between domestic and foreign enterprises in the same industry and across industries.

58. The structure of key export products hardly changed in Q1. Telephones and components continued to attain the highest export value (USD 12.6 billion, up by 62.3%), contributing 10.9 percentage points to overall export growth. Other machinery and spare parts, textiles and garments; footwear; electronics; computers and components achieved good export growth (Table 4). However, FDI sector continued to account for the lion share of major product exports, accounting for 99.7% of telephones and component exports; 90% of machinery and spare part exports, 61% of textile exports.

Table 4: Export growth by product category in Q1/ 2018

Unit: thousand USD

	Q1/2017	Q1/2018	Change	Export growth (%)	Percentage point
Total export	**44,513,553**	**55,562,513**	11,048,960	24.82%	24.82%
Of which					
Textiles and garments	5,593,827	6,425,318	831,491	14.86%	1.87%
Footwear	3,115,003	3,444,378	329,375	10.57%	0.74%
Electronics, computers and components	5,553,628	6,334,404	780,776	14.06%	1.75%
Telephones and components	7,763,738	12,597,417	4,833,679	62.26%	10.86%
Other machinery and spare parts	2,864,145	3,686,592	822,447	28.72%	1.85%

Source: General Department of Customs and GSO.

59. Export growth of AFF was impressive but uneven. Exports of some major commodities had high growth rates, including fruits and vegetables (up by 38.5%), rice (up by 38.1%), and fishery products (up by 17.6%). However, some other agricultural products had export values decreased, including: tea, pepper, rubber, mainly due to sharp falls of prices[32] (Table 4). The quality of agricultural and fishery products has been improved, yet not uniform; difficulties prevail in accessing high quality and safety requirement markets.[33]

60. The export structure by trading partner exhibited no significant change, still depended on a few major markets, and attained USD 44.5 billion, accounting for 80.1% of total exports. The US remained the biggest export market of Vietnam with value of USD 10.3 billion, increasing by 19.8%. The EU ranked 2nd (with value of USD 8.7 billion, up by 20.3%). China ranked 3rd (with USD 8.3 billion, by 3.6%). Korea followed with value of USD 4.4 billion, by 36.9% (Table 5).

Table 5: Export growth by partner in Q1/2018

Unit: thousand USD

	Q1/2017	Q1/2018	Change	Export growth (%)	Percentage-point contribution to export growth
Total export	44,513,553	55,562,513	11,048,960	24.82%	24.82%
Of which					
EU27	7,201,445	8,665,373	1,463,927	20.33%	3.29%
ASEAN	4,962,764	5,916,568	953,803	19.22%	2.14%
China	6,179,023	8,252,161	2,073,138	33.55%	4.66%
Japan	3,789,605	4,336,540	546,935	14.43%	1.23%
Korea	3,180,464	4,352,719	1,172,255	36.86%	2.63%
US	8,633,137	10,341,408	1,708,271	19.79%	3.84%

Source: General Department of Customs.

61. Imports were USD 52.9 billion in Q1, up by 13.3%. Imports of domestic sector attained USD 21.16 billion, increasing by 12.9%, contributing 5.2 percentage points to overall import growth. Imports of foreign invested sector reached USD 31.71 billion, an increase by 13.6%, contributing 8.1 percentage points.

62. By product, imports of production means and inputs amounted to USD 48.6 billion, up by 14.1% (0.4 percentage point) and accounting for 91.6% of total imports. Of which, machinery, equipment and spare parts reached USD 22.9 billion, up by 13.1% and accounting for 43.1%, raw materials reached USD 25.7 billion, up by 15% and accounting for 48.5% (Table 6). Imports of consumer products attained USD 4.4 billion, up by 8.5% and accounting for

[32] Export price of coffee went down by 14.2%, rubber by 27.3%, pepper by 44.7% (YoY).

[33] EU is typically market, in addition to applying a warning of "yellow card" for Vietnam's seafood exploitation, other products are subject to strengthened inspection. South Korea decided quarantined inspection with 100% of seafood imports from Vietnam since 1 April 2018. Australia still applied testing system with 100% of live shrimp imports from Vietnam.

8.4%. Notably, imports of automobiles were down by 75.8 percent, attaining USD 118 million.

Table 6: Import growth by product category in Q1/2018

Unit: thousand USD

	Q1/2017	Q1/2018	Change	Import growth (%)	Percentage point contribution to import growth
Total import	**46,650,626**	**52,870,070**	**6,219,444**	**13.33%**	**13.33%**
Of which					
Petrol	1,603,243	2,184,817	581,574	36.27%	1.25%
Plastic materials	1,705,703	2,062,622	356,919	20.93%	0.77%
Fabric	2,343,563	2,665,533	321,970	13.74%	0.69%
Iron and Steel	2,345,556	2,183,727	-161,829	-6.90%	-0.35%
Electronics, computers and components	7,932,415	10,420,947	2,488,532	31.37%	5.33%
Telephones and components	2,938,634	3,323,538	384,904	13.10%	0.83%
Machinery and spare parts	7,703,613	7,568,597	-135,016	-1.75%	-0.29%
Automobiles	489,017	118,400	-370,617	-75.79%	-0.79%

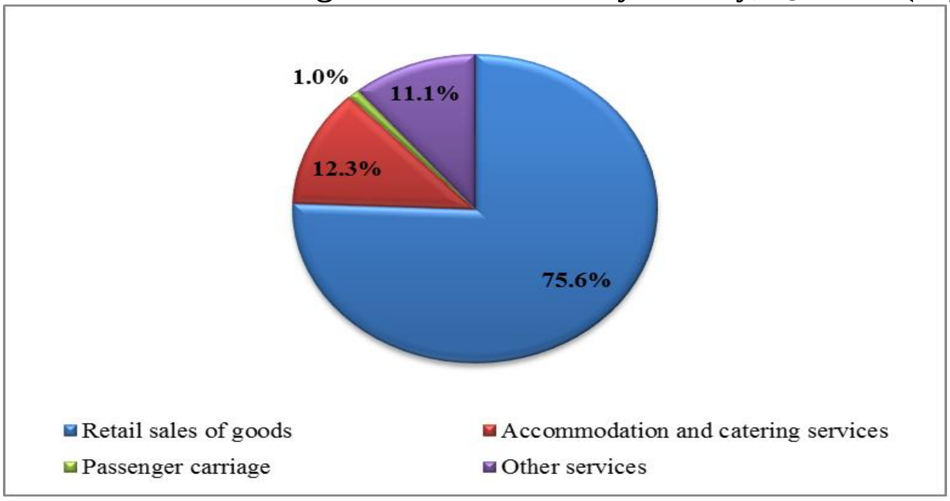
Source: General Department of Customs.

63. China remained the largest source of imports, accounting for 25.9%, up by 8.6% in Q1. Korea followed with the share of 22%, attaining USD 11.6 billion, up by 16% (YoY). Of which, the import growth of electronics, computers and components was the fastest, reaching 52.8%, mainly due to the demand for investment and production of South Korean enterprises.

64. Trade surplus was estimated at USD 2.7 billion in Q1 (Figure 26). Domestic sector incurred trade deficit of USD 5.4 billion, while FDI sector (including crude oil) had trade surplus of USD 8.1 billion. Vietnam still had trade deficit with some countries related to FDI, as well as choosing partners and technologies such as Korea, China and ASEAN. Vietnam's trade deficit sharply increased with some countries in ASEAN, mainly importing consumer goods, indicating the competitiveness of Vietnamese enterprises was insufficient to meet the demand of domestic consumers.

65. Total retail sales of goods and services in Q1 amounted to VND 1,048 trillion, up by 9.9% (YoY). Excluding the price factor, the growth rate was 8.6%, higher than in 2017 (6.4%).

Figure 27: Retail sales of goods and services by activity, Q1/2018 (%)



Source: GSO.

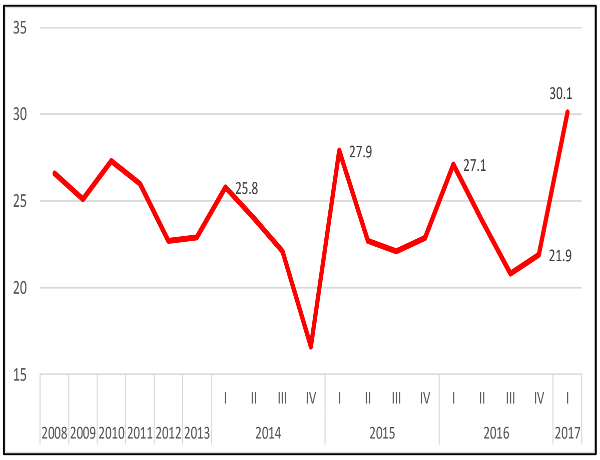
66. Retail sales of goods accounted for the largest proportion (75.6%), an increase of 10.5% (YoY). Retail sales of accommodation and catering services were estimated at VND 128.9 trillion, a share of 12.3% and up by 9% (YoY). Revenues from other services attained VND 116.3 trillion, or 11.1% of total and up by 5% (YoY) (Figure 27).

1.6. Budget revenues and expenditures

67. Budget revenues reached VND 308.5 trillion in Q1, up by 33.8% (YoY). The pace of revenue expansion in Q1/2018 was higher than in Q1/2017 (21.6%) and Q1/2016 (0.3%). Budget revenues in Q1 were equal to 23.4% of the planned figures for 2018 and 30.0% of GDP (Figure 28). The implementation of budget revenues in Q1-according to the above indicators-was faster than previous years (YoY).

Figure 28: Budget revenues to GDP ratio

Unit: %



Source: Authors' calculation.

68. Budget expansion in Q1 was mainly from domestic sources. Domestic revenues amounted to over VND 253.1 trillion, up by 39.8 and equivalent to 23% of the planned figure. Crude oil revenues were estimated at VND 11.1 trillion, up by 19.2% and equivalent to 36.9 of the planned figure for 2018.

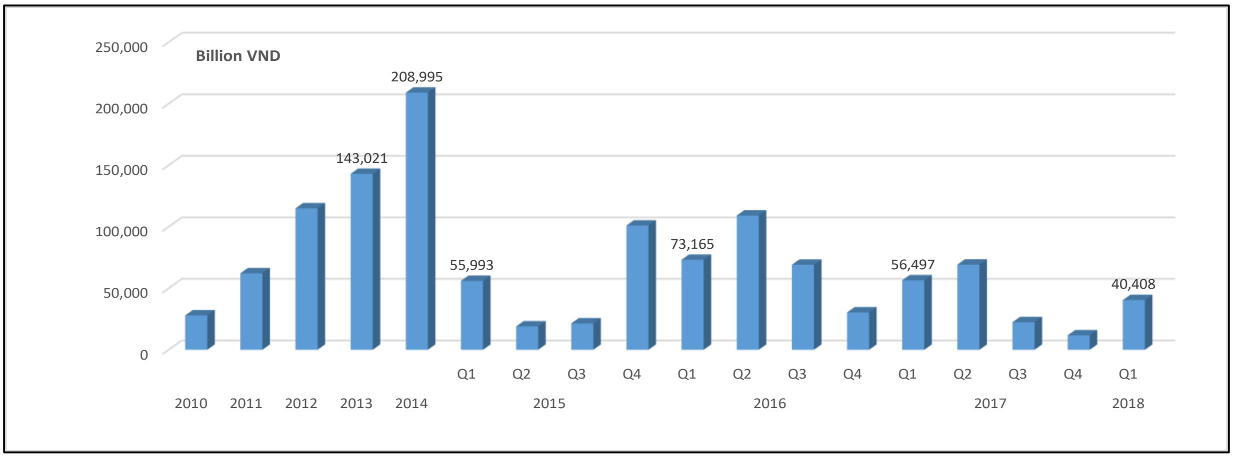
69. Export-import revenues attained VND 42.0 trillion, up by 9.7% in Q1. The recovery of export-import revenues was mainly due to an increase in import volume and import price index (0.76% compared to Q1/2017).

70. Budget expenditures were estimated at VND 290.0 trillion in Q1, equal to 19.0% of the planned figure, increasing by 1.8% (YoY). This growth was lower compared to Q1/2017 (2.7%). The increase in budget expenditures was also significantly lower than the increase in budget revenues in Q1.

71. For the first time after many quarters, Vietnam experienced a budget surplus of approximately VND 18.5 trillion in Q1. Budget surplus to GDP ratio was 0.4%. However, this result was not really positive due to: (i) budget expenditures was often low in Q1 because of slow disbursement and some other difficulties in 2018, (ii) limited space for expanding revenues in the context of poor justification of tax policy.

72. The value of newly issued government bonds amounted to VND 40.4 trillion in Q1. The figure was lower than in first quarters of 2014-2017 (Figure 29). Interest rate on successful bids of government bonds fell by 1.6 percentage points compared to the end of 2017.[34] Pressure on restructuring the term of government bonds continued to decline as compared to previous quarters. However, accelerating the issuance of government bonds – which concentrated on long-term- still continued to "crowd-out" opportunities of access to capital for private sector.

Figure 29: Government Bond issuance, 2010-3/2018, billion VND



Source: HNX.

73. Vietnam should address some related issues. *Firstly*, proposals on tax policy adjustment (personal income tax, property tax, etc.) were separate from justification on improving the efficiency of budget expenditures. *Secondly*, the explanation of increasing domestic revenues (from new taxation) in the context of lowered import duties during international economic integration was not properly justified, since international economic integration was considered as the right policy for creating more economic opportunities for people and business community. In other words, the process of international economic integration was not a trade-off between tax burden and economic benefits of private sector. *Thirdly*, impact assessment of taxes showed that the effects on budget revenue is negligible, and much smaller than the tax lost and irrecoverable tax liabilities. *Finally*, the efficiency of state budget expenditure in general and borrowing from government bonds were not improved, as disbursement of government bonds was slow.

[34] With 5-year term reference.

2. Macroeconomic Outlook

74. A forecast scenario is specified for Vietnam's economy in 2018, in line with general expectation about the recovery of global economy and domestic economic development. GDP growth in partner countries is projected at 3.9% in 2018[35]. US inflation may reach 2%. Export prices of agricultural products may grow by 2.4%[36]. The international crude oil price may increase by 15.8%[37]. For Vietnam, the central VND/USD exchange rate is increased by 2%. Total liquidity increases by 16.3%. Outstanding credit increases by 16.3%. Import prices increases by 2%. Population increases by 1.08% and employment by 0.86%. The export volume of crude oil is assumed the same as in 2017. REER is assumed to increase by 2%. On the balance of payments, (net) Government and private transfers decreased by 10% and increased by 5% respectively. The implemented capital of FDI (including domestic and foreign capital) is expected to rise by 5%. Investment from State Budget are estimated at VND 400 trillion.

75. YoY economic growth in 2018 is projected at 6.67% (Table 7). Export growth may reach 12.15%. Trade deficit is projected at USD 0.68 billion. Average CPI in 2018 will increase by approximately 3.81%.

Table 7: Projection of macroeconomic indicators 2018

Unit: %

GDP growth rate (YoY)	6.67
Inflation (compared to 2017)	3.81
Export growth (YoY)	12.15
Trade balance (bil. USD)	-0.68

Source: CIEM's projection from its macro-econometric model.

[35] IMF (April 2018). Global economic forecast for 2018 is 3.9%.
[36] EIU forecast (April 2018)
[37] EIU forecast (April 2018)

III. SELECTED MACROECONOMIC ISSUES

1. *Promoting the empowerment of women during economic restructuring in Vietnam*

Restructuring of the economy and empowerment of women

Basic issues related to restructuring the economy

76. From the managing role of state in the market-oriented economy, the economic restructuring involved mainly long-term measures for reform on the supply side, with an expectation of increasing aggregate supply and efficiency, productivity and sustainability of the economy, specifically including:

- Changing the role of state in creating a neutrally competitive market economy. Changing the mechanism for investment, doing business and management of public assets in a manner of reducing direct investment and business, restructuring public assets from business to basic infrastructure and social infrastructure, and employing the principles of competition, result-based management, and publicity for improving the efficiency of public assets.
- Shifting the resources among industries, or intra-industry for better and higher productivity and efficiency. Normally, it should be linked with reducing agricultural and informal labors, resulting in winners and losers in short-term.

77. Basically, restructuring of the economy is a continuous process. However, in some certain periods, reforms have been more focused and with high intensity and the restructuring of economy was in linkage with shift of growth model.

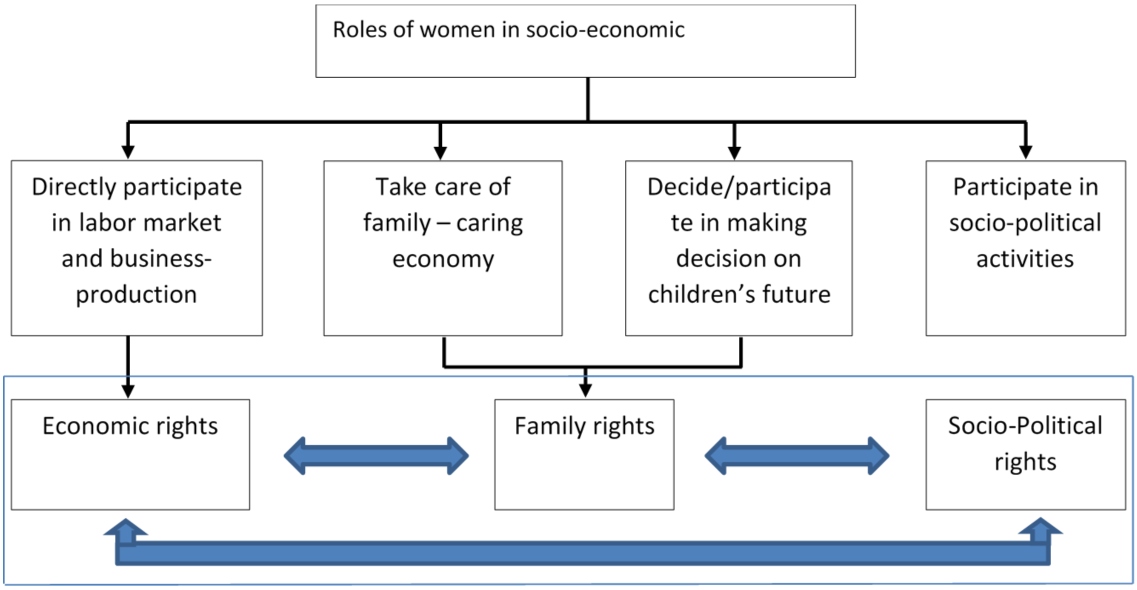
Rights and roles of women in socio-economic development

78. Women have played an important role in socio-economic development, which has been reflected in the four following aspects. *Firstly*, women take care of their families, raising up their children. Although it can be converted to value term, no official statistics for formulating into quantitative and qualitative criteria of the economy (caring economy). *Secondly*, women decide or participate in making decision on their children's future – the future nucleus of society in general and of economy in particular, through their schooling and/or their choice of careers. *Thirdly*, women participate in socio-political activities, participating in local and central political apparatus (women's political power). *Fourthly,* women participate directly in the labor force of the economy, accounting for nearly 50% of total labor force, and has been involving in all sectors and industries of the economy.

79. From the above-mentioned roles of women, there are three major rights in socio-economic activities processed by women, including: (i) right to participate in economic activities; (ii) family rights; and (iii) socio-political right. Depending on each family and different socio-economic circumstances, the enforcement of women's rights might be different (for ensuring the

equality among three mentioned rights or paying more attention to one of the three rights). Ensuring the rights for women is to enable women doing all the three rights and ensuring the balance between rights.

Figure 30: The role of women in socio-economic development



Source: Authors' compilation.

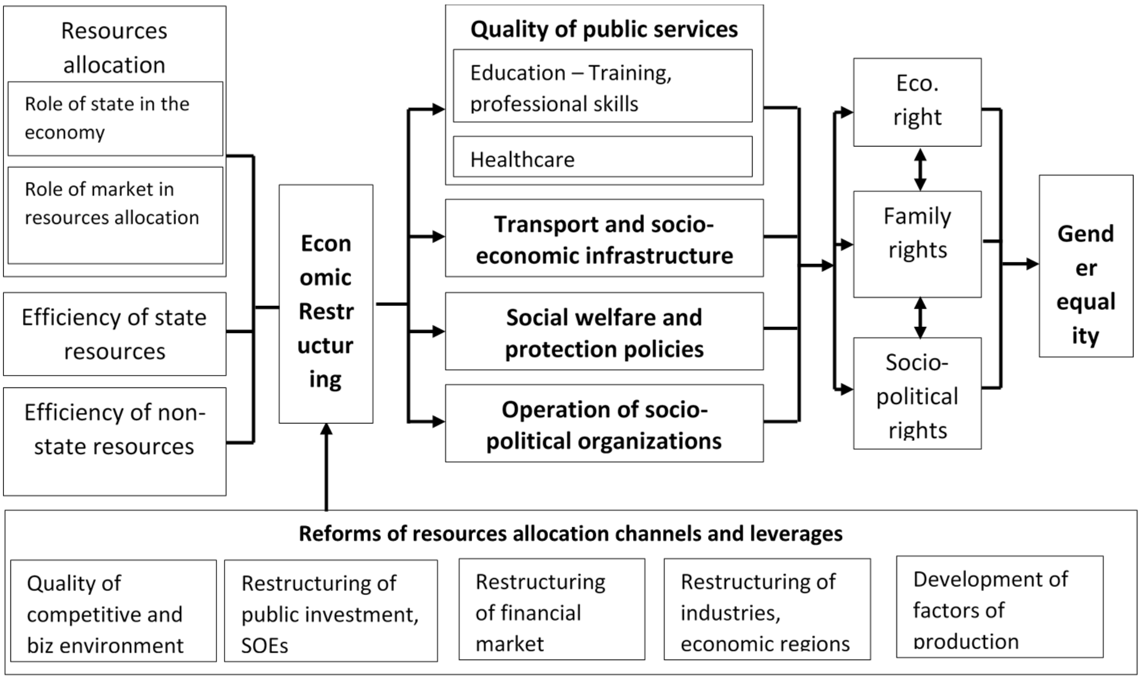
<u>Impacts of economic restructuring on the rights of women and assurance of women's rights during this process</u>

80. The economic restructuring process can have some effects on the exercise of women's rights in various ways, including both positive and negative effects. Economic structure shifts labor demand and skills, occupation and labor demand by gender. This may affect the rights of women via: (i) the ability to participate in the transformation and improvement of skills for women so as to exercise both functions of family-caring and reproductive care; (ii) labor demand by gender and occupational appropriateness for men and women, which may have various impacts on the interests of male and female workers from employment shifts resulted from technological advancement, capital investment and economic restructuring to increase productivity. This might increase the number of unemployed women as they are not trained/participated in new skill trainings. In addition, the restructuring of economy improves the quality of public services, enhances the effectiveness of social welfare and social protection policies, and improves the quality of infrastructure, thereby having better health care and social policies, enabling women to participate in socio-economic activities (such as shortening travel time for women to participate more in socio-economic activities, more convenient in having caretakers, etc.).

81. Basically, there are four main impact channels, including: (i) improving the quality of services, including education, training and health services, health care; (ii) improving the quality of transport infrastructure and other socio-economic infrastructure; (iii) effective implementation of social welfare and social protection policies; and (iv) improving the operation of socio-political

organizations, especially the Women's Union at all levels so as to protect the rights of women.

Figure 31: Channels ensuring women's rights during economic restructuring process



Source: Authors' compilation.

Ensuring the rights of women and issues related to economic restructuring process in Vietnam

Some achievements

82. Viet Nam has achieved remarkable results in terms of gender equality and the enforcement of women's rights in socio-economic development. The Gender Gap Index (GGI) has improved significantly[38]. Vietnam was in the middle group of all ranked countries. In 2017, Vietnam was ranked 69th out of 144 countries, significantly higher than some countries in the region such as Thailand (75/144), Japan (114/144). Of the four indexes, the economic participation and opportunity sub-index in Vietnam was quite good, ranking at 33/144. It has partially reflected the role of women in labor force and economic development.

[38] GGI has been formulated across four thematic dimensions: economic participation and opportunity, educational attainment, health and survival, and political empowerment. GGI was ranked based on a scale from (imparity) to 1 (parity).

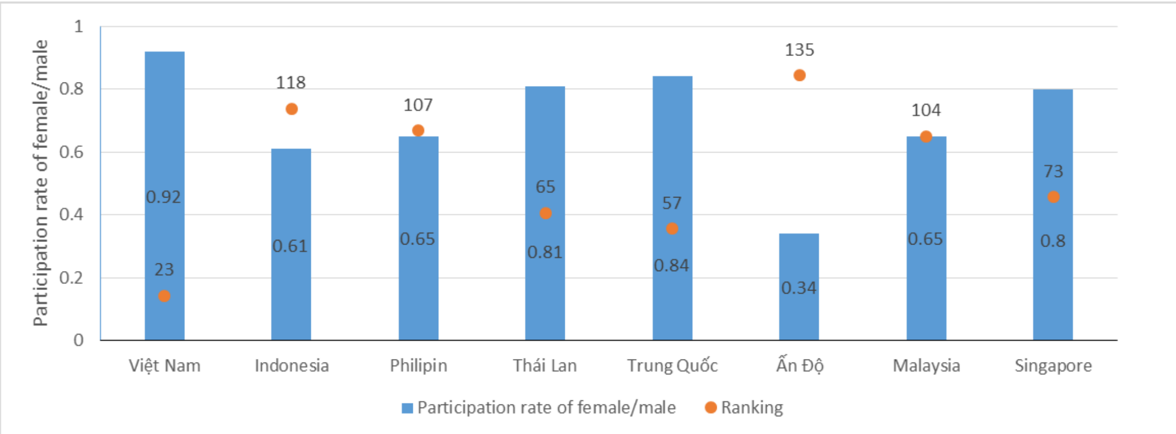
Table 1: Ranking of Vietnam's Gender Gap Index, 2010-2017

Year	*GGI*	*Economic Participation and Opportunity*	*Educational Attainment*	*Health and Survival*	*Political Empowerment*
2010	72	33	106	127	72
2011	79	40	104	130	76
2012	66	44	96	130	78
2013	73	52	96	132	80
2014	76	41	97	137	87
2015	83	41	114	139	88
2016	65	33	93	138	84
2017	69	33	97	138	97

Source: World Economic Forum, the Global Gender Gap Report 2010-2017.

83. Female workers continued to be an important component of the workforce. According to the WEF, Vietnam's labor force participation rate has not been much different (0.92%), ranking 23rd, much better than other countries in the region.

Figure 32: Participation rate of female/male in 2017



Source: World Economic Forum, the Global Gender Gap Report 2010-2017.

84. In 2017, female labor accounted for 48.06% total labor force. By industry, female labor also accounted for large proportion in the financial, banking and insurance (nearly 76% in 2015), education and training (62.5%), healthcare and social assistance activities (63.2%) and manufacturing (60.2%).

Figure 33: Share of female labor by economic sector

	2010	2013	2015
Total	42.5	44.5	46.0
Agriculture, forestry, fishery	36.5	35.9	34.5
Mining	18.0	18.3	17.7
Manufacturing	57.7	60.0	60.6
Electricity, gas, steam, and air-conditioning supply	18.8	17.6	19.8
Water supply, sewarage, waste management	40.1	38.4	37.4
Construction	16.3	18.6	18.3
Wholesale and retail trade, and repair of vehicles	37.8	38.3	39.0
Transportation and storage	22.1	23.3	22.3
Accomodation and food services	53.9	54.1	55.1
Information and communication	38.5	34.8	33.7
Financial, banking and insurance	48.3	59.2	75.9
Real estate activities	37.4	37.7	38.6
Professional, scientific and technical activities	32.7	34.0	35.9
Administrative and support services	33.3	33.9	35.0
Education and training	56.3	56.5	62.5
Healthcare and social work activities	62.4	63.8	63.2
Arts, entertainment and recreation	48.4	49.0	47.9
Other services	50.4	45.1	46.9

Source: Authors' calculation from GSO.

85. Women's employment status has been improved. In 2017, Vietnam ranked 19th in terms of Women Entrepreneurs Index (MIWE) and 7th among countries with the highest proportion of female entrepreneurs. By the end of 2016, there were over 200,000 women entrepreneurs in the country, accounting for 28.5% of the total number of enterprises in nationwide, with a total registered capital of VND 2,236,722 billion, a share of 18% of total registered capital[39]. Although the majority of women-headed enterprises are small- and medium-sized enterprises, they employ more female workers, better contribution to social insurance and integrity than male-headed enterprises[40].

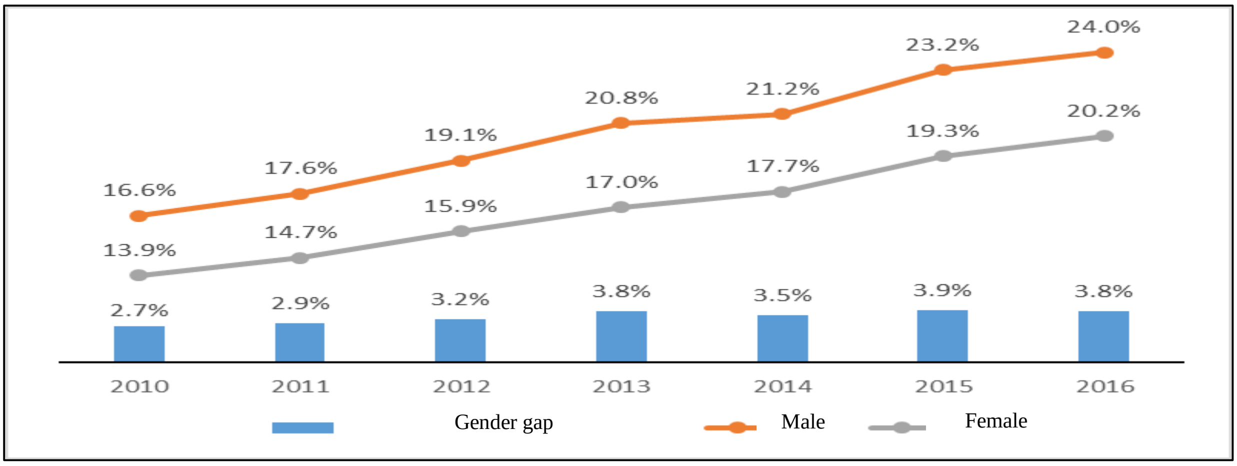
<u>Limitations and shortcomings</u>

86. The gap of access to training and re-training between female and male workers has been still large and slowly improved. The percentage of trained male and female labor has increased from 15.3% to 22.2% in 2010-2016. However, the difference between trained male and female labor has been increasing from 2.7 percentage points (in 2010) to 3.8 percentage points (in 2016) (Figure 34).

[39] National database of enterprise register.

[40] When women do business at https://www.neu.edu.vn/vi/ly-do-chon-neu/khi-phu-nu-la-chu-doanh-nghiep

Figure 34: Share of trained male and female labor, 2010-2016



Source: GSO.

87. Female workers are vulnerable to changes in economic structure, however, there has no effective measures for protection. Women made up a share of only 26.1% of leadership positions, but accounted for 52.1% of unskilled workers and 66.6% of housework. Female labor has accounted for 70-90% of labor force in textiles, footwear, electronics, seafood processing, which are vulnerable during the restructuring under Industrial Revolution 4.0.

88. Women are more likely to be laid off than men. Only 49.8% of female wage-earners entered labor contracts, while the proportion of male wage-earners were 58.8%. In the FDI sector, the share of male workers having non-term contracts was 73.91% while that of female workers was only 67.67%.[41]

89. Another issue stemmed from Vietnam's growth model and economic restructuring was unemployment of workers over 35 years of age[42], which had negative impacts on female workers, particularly for female workers in the manufacturing sector (accounting for 64% of female workers in 2015). A preliminary survey of 64 firms by Vietnam General Confederation of Labor[43] showed a fact that some workers quit the firms after only 6-7 years of working. They stopped working at the age of 31-32, only few worker stayed with the firms up to 35 years of age. The recruitment of firms gave more priority of young people of 18-30 years of age. It is difficult for people from 35 years of age to apply for jobs because of poor performance, poor health, and slowness. After being dismissed, those people mostly involved in small business (street vendors, 82.6%) and freelance workers (12.1%).

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[41] The report on "Women, employment and wage: An overview of female labor in Vietnam" of Network of Action for Migrant Workers.

[42] The mentioned issue was mostly appeared in labor-intensive industries, including assembling and manufacturing, which were not required high skill labor. It took only 2 weeks for the training of those labors. The recruitment and dismissal of labor happened quickly and continuously so that the firms can get rid of costs for social insurance, unemployment insurance and increase of wage.

[43] Le Dinh Quang (2017)

<u>Reasons of limitations and shortcomings</u>

90. The efficiency and effectiveness of policies on gender equality was still limited. Enforcement mechanism did not create incentives for employing female labors, for example, incentives for employing under some laws (Law on bidding, Law on SMEs, etc.) were limited due to complicated and inconsistent procedures. Regulations on ensuring gender equality were mentioned but not properly implemented because of lacking of conditions such as the regulation on equality of professional standards in promotion and appointment of managerial level, or regulations on criteria for sending civil servants studying abroad at master and doctoral degrees. The inclusion of gender equality regulation in legal documents were not properly addressed.
91. The contents mentioned in economic restructuring lack emphasis on ensuring and protecting women's rights from negative impacts during this process, for example (i) the preparation of qualification and skills for women to adapt to transformation of industries and application of new technology; (ii) protection of women's labor in industrial relations, unemployment of over 35-years-of-age workers and wage parity; (iii) how to balance between housework and economic participation, and training for women.
92. The workforce in charge of gender equality was newly formed, and still in shortage of quantity and limited of knowledge and professional skills.
93. Research and policy formulation was not much paid attention. And there was lack of database on gender equality.

Policy recommendations on ensuring women's rights during economic restructuring process

94. Improving the efficiency and effectiveness of legislative framework on gender equality. Ensuring proper assessment of gender equality aspects during the rulemaking process.
95. Clearly define that gender equality is integral to economic restructuring process; the finalization of policies on industry restructuring should be linked with the assurance of women's rights and the limitation of negative impacts of economic restructuring on the enforcement of women's rights. Ensuring the welfare enhancement and women's opportunity through two key channels: (i) Restructuring of employment; and (ii) Upgrading public services.
96. Improve the efficiency of socio-political organizations for the purpose of protecting women's rights, providing more staffs for Women's Union at different levels and more trainings with regards to gender equality.
97. Enhance the inter-ministerial linkage and foster the mobilization of domestic and foreign resources for gender equality.
98. Finalize the database on gender equality.

2. Resolution 19 and priority issues

Assessment of the status and implementation results of Resolutions 19 in Q1/2018

99. In the four years of implementing Resolutions 19, Vietnam's business climate and competitiveness make the most rapid progress in 2017, as assessed by international organizations. Three sets of target indexes were all well performed with higher scores and rankings, specifically: Global Competitiveness Index ranking rose five places compared to 2016 (from 60th out of 138 to 55th out of 137 economies); Doing Business ranking rose 14 places from 82nd to 68th out of 190 economies; Innovation capacity ranking rose 12 places to 47th out of 127 economies. These are the highest ranks that Vietnam has achieved so far.

100. Overall, the year 2017 witnessed more urgency, attention and actions from ministries, agencies and provinces for regulatory reforms. Since the first months of 2018, some ministries and agencies (such as MPI, MOF, SBV, MOH, MOIT, VCCI, etc.,) and provinces (including Quang Ninh, Hanoi, Cao Bang, Dien Bien, etc.,) have actively implemented their assigned tasks and thus have achieved some concrete results, including:

- The Office of the Government and MPI organized the International Conference "Substantially Improving Business Environment to Strengthen Economic Growth in Vietnam" on 15th March 2018. The conference focused on assessing the results in improving the business environment during 2014 – 2017 and introduction of key contents, tasks and solutions for 2018 and subsequent years. This was also a forum for ministries, line authorities, localities and business communities and development partners to exchange and share experiences, difficulties and problems, and propose solution for further improvement of business and investment environment. At the conference, a number of ministries, line authorities and localities also expressed their commitments to accelerate the implementation of the tasks and solutions to fulfil the objectives set forth by Resolution 19.

- Based on the proposal of the Ministry of Construction (MOC), the Prime Minister approved Directive 08/CT-TTg dated 13th March 2018 on strengthening measures to shorten the time to grant construction permits and related procedures. Directive 08/CT-TTg sets out the objectives, tasks and solutions to shorten the time to get construction permits and related procedures in association with the responsibilities of the Ministry of Construction, Transport, Agriculture and Rural Development, Industry and Trade, Public Security, and Defense; Provincial People's Committees and the relevant departments and agencies.

- The Office of the Government has actively instructed and examined the situation and results of Resolution 19. In particular, the Prime Minister's Task Force inspected various ministries on the two tasks, namely: (i) to review and shorten the list of commodities subject to specialized inspection and recommendations of management practices for products and commodities subject to overlapping specialized inspection by different ministries; and (ii) to review and proposal to abolish and simplify business conditions. The Task Force strictly adhered to the direction of the Government and the Prime Minister on comprehensive reforms of specialized inspection activities aimed at reducing and simplifying 50% of the list of products and commodities subject to specialized inspection; and reducing and simplifying 50% of investment and business conditions.

- At the local level, there has been signs of positive and proactive stance and actions on the implementation of Resolution 19; the participation of provinces, however, is uneven. Some provinces and cities have actively implemented the Resolution through many reform initiatives, thereby enhancing the trust of the business community on the improvement of local business environment (typically, Quang Ninh, Ha Noi, Dong Thap , etc.). These reform initiatives (e.g., Quang Ninh with an initiative to assess creativity and govern performance of its departments at provincial and district levels through the Department and District Competitiveness Index (DDCI); Hanoi studying best practices of the OECD countries to identify effective ways for improving the business environment) have been gradually popularized.
- Some provinces previously uninterested in implementing the Resolution are now actively implementing the Resolution since early 2018, such as Quang Binh, Nam Dinh, etc. Meanwhile, some localities remained slow in implementing the Resolution, thus slowing down the improvement of the quality of their business environment and competitiveness.
- According to the 2017 PCI report released by VCCI on 22nd March 2018, the year 2017 marked the highest PCI scores in 13 years of the PCI survey. This outcome reflects positive changes in the quality of management and governance of local authorities. This improvement is concrete and noticeable, and thus producing real impacts on operations of businesses.
- Notably, provinces and cities actively implementing Resolution 19 are also those with significant improvement in provincial competitiveness (typically, Quang Ninh, Dong Thap, etc.,). Quang Ninh is a typical good example with many reform initiatives, adhering the improvement of business environment requested by the Resolution to the enhancement of the quality of management and governance, so that the province rose to top of the PCI 2017 ranking.

101. Besides, the results of PCI2017 showed that reforms of ministries and branches have materialized at the local level. For example, time of access to electricity, time of electricity supply interruptions decreased considerably; informal costs, harassment were reduced significantly; and the handling of administrative procedures exhibited ample progresses.

Regulatory reforms on business conditions

102. The Government set a focus on reforming regulations on business conditions to promote competition and encourage business development. Right on the first working day, the Prime Minister issued a special official letter requesting ministries, branches and localities to immediately implement Resolution 01/NQ-CP dated 01/01/2018 to promote growth, create jobs, remove difficulties for enterprises, reduce 50% of business conditions and 50% of the goods subject to specialized inspection under management of ministries and branches.

103. Under the close instruction by the Prime Minister, since Q1/2018, ministries and agencies have conducted review and proposed elimination and amendment of business conditions. By 26/03/2018, almost all ministries have implemented this assignment. However, the degree of urgent and drastic response of ministries has been uneven and therefore the results are different, including:

- MOIT was the first ministry that carried out the review and set out a plan to cut down business conditions relating to the field of its state administrative management. Subsequently, on 15/01/2018 the Government issued Decree No. 08/2018/ND-CP amending a number of Decrees relating to investment and business conditions under state administrative management functions of MOIT. Accordingly, over 50% of business conditions were removed or modified toward improved transparency, clarity and simplicity (of which approximately 22% of business conditions were eliminated).
- MOC has made significant reform efforts on business environment in general and business conditions in particular. Specifically, MOC has implemented the following:
    - Proposed removal of 05 business areas that were not on the list of conditional business areas of the Law No. 03/2016/QH14 amending and supplementing Article 6 and Annex 4 on the list of areas of business investment of the Investment Law, but stipulated in some Decrees where MOC assumed the leading role of drafting.
    - Proposed elimination of 04 business areas on the list of conditional business areas of the Law No. 03/2016/QH14, which do not meet the criteria in Article 7 of the Investment Law.
    - Proposed removal of 89 business conditions (41.3%); simplification of 94 business conditions (43.7%); maintained the status quo of 32 conditions (15%) out of 215 investment and business conditions under state administrative management functions of MOC.
- The above-mentioned abolition and amendment proposals are expected to be included/incorporated in a draft Law on amendment and supplement of some articles of the Law on Construction, Housing Law, Law on Real Estate Business, Law on Urban Planning (for conditional business and

investment lines currently stipulated in the Laws)[44] and a draft Decree on amendment, supplement, and removal of some regulations on business conditions under state administrative management functions of MOC (for conditional business and investment lines currently stipulated in the Laws). At present, the draft Decree on amendment, supplement, and removal of some regulations on business conditions under state administrative management functions of MOC has been submitted to the Government.

- In relation to MARD's plan, among a total of 345 business conditions belongs to 33 conditional business lines under its state administrative management functions, the Ministry has proposed to abolish and amend 118 business conditions, accounting for 34.2% of the total, of which 65 will be abolished and 53 others will be streamlined. According to information received so far, there is no specific plan on amendment of proposed business conditions.
- Ministry of Information and Communications (MIC) reported no specific statistics on the review and proposal to cut business conditions (according to Official Letter No. 14 /BTTTT-QLDN dated 05/01/2018).
- Under MOT's state administrative management are 28 conditional business areas. The Ministry was reported to have reviewed and make specific recommendations on abolition and amendment of relevant business conditions. MOT has now cooperated with relevant agencies and associations (such as VCCI) to hold consultation with the business community on the afore-mentioned content.
- Ministry of Justice manages professional practice in the field of judicial assistance. The Ministry has reviewed and made specific recommendations on abolition and amendment of relevant business conditions, but there are no statistics on the number of business conditions to be removed and amended.
- MOF proposed to abolish unnecessary business conditions applicable to debt service business in Decree No. 104/2007/ND-CP on provision of debt collection services; abolish all business conditions in Decree No. 69/2016/ND-CP on conditions for running debt trading services (this Decree was drafted by SBV, in which MOF is assigned to carry out state administrative management with regard to debt trading services of enterprises) and proceed to come up with a proposal of removing this business area out of the list of conditional business areas. However, MOF has not yet carried out comprehensive statistics on business conditions within the scope of its management; the number of business conditions to

[44]MOC submitted a proposal to the Government on building the Law amending and supplementing some articles of the Law on Construction, Housing Law, Law on Real Estate Business, Law on Urban Planning at Proposal Letter No. 64 /TTr-BXD dated 30/11/2017. Then, the Government approved the Proposal in Resolution No.131/NQ-CP dated 12/06/2017. On 18/12/2017, MOC sent an official letter No. 3045 / BXD-PC to the Ministry of Justice requesting inclusion of the approved amendment and supplement proposal to the agenda of development of laws and ordinances in 2018.

be abolished; and the number of business conditions to be amended and planned amendment.

- Ministry of Culture, Sports and Tourism proposed removal of 03 business areas out of the list of conditional business areas and supplement of some business conditions to some business areas; the Ministry, however, has no associated specific plans. The Ministry's report doesn't show results of overall review of business conditions in each profession; and doesn't show comprehensive statistics on business conditions within the scope of its management; the number of business conditions to be abolished; and the number of business conditions to be amended.
- MOLISA is in charge of state administrative management of 9 conditional investment and business areas. Overall, the Ministry's report doesn't show detailed reviews of business conditions; no statistics on the number of business conditions under the Ministry's management functions; no recommendation on removing business conditions. The Ministry proposed to amend some provisions that are considered not consistent with some new laws, but did not specify affected regulations as well as planned amendment.
- SBV proposed to maintain the business conditions in the banking sector citing special characteristics of credit institutions compared to other types of businesses and due to the high risks of banking operations.
- Ministry of Public Security proposed to maintain business conditions citing that the current ones are deemed appropriate and necessary for the management of security, order and fire prevention.
- Ministry of Natural Resources and Environment was reported to have completed review and proposed to remove and simplify business conditions but did not enclose the document of review and recommended removal and simplification).
- The Ministry of Science and Technology's report did not meet sufficient requirements, failing to show clear review of business conditions under its management authority. The Ministry proposed to remove the business area of "manufacturing helmets for motorcyclists" out of the list of conditional investment and business areas.
- Ministry of Health (MOH) currently manages various conditional business areas. The Ministry, however, has not yet finished detailed review; no statistics on the number of business conditions under its management authority.
- Ministry of Education and Training has reviewed and recommended to cut down business conditions but has not met the requirements of the Government as there still exists many unnecessary and unreasonable business conditions.

104. Overall, in Q1/2018, the ministries have been more active and prompt than the previous reviews and recommendations of cutting down business conditions.

However, only MOIT achieves clear results which are reflected in Decree 08/2018/ND-CP. MOC is expected to submit to the Government a draft decree on amending, supplementing and abolishing a number of regulations on investment and business conditions in March 2018. Two ministries (namely, SBV and Ministry of Public Security) proposed to retain regulations on business conditions. Other ministries are continuing to review and gather comments on their proposed removal and amendment initiatives.

Status and implementation results of requirements for specialized management of exports and imports

105. In Q1/2018, the reforms of regulations on specialized inspection for export and import goods have achieved some results, including:

- The most significant results in the specialized management reform are reflected in Decree 15/2018/ND-CP dated 02/02/2018 on the management of food safety (hereinafter referred to as Decree 15) in replacement of Decree 38/2012/ND-CP. Decree 15 represents a fundamental change in thinking on the management of food safety in accordance with international practices, changing from pre-test to post-test. Decree 15 facilitates production and business activities of enterprises, encourages enterprises to improve their compliance with regulations on food safety but still ensures the target of state administrative management. Some new points of the Decree are to: (i) allow product self-declaration by enterprises; products, raw materials that are manufactured or imported for production or processing of exports or internal production are exempted from self-declaration; (ii) reduce the time and procedures for declaration; (iii) reflect a fundamental change in management/supervision of food safety for imported foods (e.g., additional cases to be exempted from state inspection on food safety; application of risk management in state inspection on food safety; decentralization of management to specialized management agencies at provincial level); (iv) make changes in regulations on food labeling toward facilitating enterprises' operations; (v) streamline management of food advertising; and (vi) define clearer assignment of responsibilities in state administrative management of food safety. Accordingly, Decree 15 helped overcome overlappings and multiple management in relation to food safety procedures.
- Amendment of Decree 15 helped reduce the burden of time and significant costs for businesses. In the past, businesses had to take several months to carry out required procedures for declaration of conformity with food safety regulations, costing tens of million VND for one time of declaration. According to MOH's estimates, the number of self-declaration products accounts for around 90%, thus changes of Decree 15 will help save significant time and costs for businesses.
- For MOIT, soon after receiving the feedback on difficulties of enterprises in the implementation of energy labeling in January 2018, the Ministry

has promptly updated reforms of Circular 36/2016/TT-BCT45 and detailed instructions to register energy labeling. Accordingly, after submitting an application for registration of energy labeling to MOIT (by post or via MOIT's website), the enterprise is allowed to do energy labelling by itself in accordance with information in the declaration of energy labeling for registered products without having to wait for the management agency's confirmation of the application's submission. These guidelines of MOIT helped enterprises better understand the process and solve the problems of enterprises in carrying out procedures for registration of energy labeling.

- In term of implementing the National Single Window and ASEAN Single Window initiatives, as of 22/02/2018, 11 ministries have officially made connection with the National Single Window. In addition to goods clearance procedures (MOF), the remaining 10 ministries and branches have carried out 47 administrative procedures. Since 01/01/2018, Vietnam have officially exchanged information on e-C/O form D with 04 ASEAN countries (Singapore, Malaysia, Indonesia, Thailand) through ASEAN Single Window.
- With regards to obstacles related to costs in quarantine and quality testing of animal feed reflected in the report on the status and results of the implementation of Resolution 19[46], MOF has promptly sent an official letter requesting MARD to do the following:
  - Review and direct its functional units in charge of doing quarantine and checking the quality of animal feed to coordinate with each other in the process of sampling and sample sealing. A cargo ship with a type of homogenous animal feed needs just one time of sampling for the purpose of quarantine and quality testing. Quarantine fees and testing costs will be shared equally for importers of that type of animal feed in the ship. In the long term, MARD needs to review, submit to the Government for amendment or conduct amendment in line with its mandate and authority toward: combine quarantine procedures with the testing of the quality of animal feed; assign a company in charge of carrying sampling for quarantine and quality testing of animal feed; and notification of results on the same legal document.[47]

[45]Circular No. 36/2016/TT-BCT on energy labeling for means and equipment using energy under MOIT's management, replacing Circular No. 07/2012/TT-BCT, has minimized the administrative procedures for labeling energy. Namely (i) Applying self-declaration of energy efficiency by enterprises instead of certification; Allowing enterprises to use energy efficiency testing results once for each model of products, applicable to all domestic products or imported products with the same model, manufacturer & technical characteristics (without limiting validity time of the energy efficiency testing sheet); (iii) Supplementing provisions on energy labeling exemption for non-commercial imported goods, spare parts, components imported in single unit, etc.,.

[46] Documents for the online conference of the central government with local governments in December 2017.

[47] Official Letter No.591 / BTC-CST of MOF dated 16/01/2018.

- Direct relevant functional units to set price rates for quality control of animal feed in line with the law on prices; in line with actual costs; ensuring the rationality and validity; and creating no burdens for businesses[48].

- However, up to now, MARD has not had the solutions as well as policy responses needed to address the afore-mentioned constraints for enterprises.
- With regard to the requirements for review and abolition of 50% of the list of goods subject to specialized inspection, so far, there have been only some ministries that conducted reviews and had removal plans, namely:
  - MOC: removal and proposed to remove 39 goods item/64 goods items in 10 product groups.
  - MOH: cutting down 7 types of products/802 goods items. Reducing 95% of shipments subject to food safety inspection.
  - MOST: cutting down 24/26 product and goods groups. However, the remaining two groups account for the majority of products and goods subject to specialized inspection.
  - Ministry of Public Security: proposed to cut down 4/35 products and goods.
  - Ministry of Information and Communication: proposed cut down 50/143 goods items.
  - MARD: proposed cut of some types of goods (in the list of phytosanitary objects), 4 product groups of terrestrial animals products, and 9 groups of fisheries products (in the list of animal quarantine). These proposed figures remain very limited compared to a total of 7698 lines of products/goods with HS coding under MARD’s management.
- Other ministries have no plans of reduction yet. MOIT has only outlined a proposal of changing from pre-clearance inspection to post-clearance applicable to 402/702 goods, not results of cutting the list of specialized inspection. MOIT, however, has cooperated carefully with MOH in drafting Decree 15/2018/ND-CP on the management of food safety, which helps reduce significantly the number of shipments subject to specialized inspection under MOIT and MARD’s management responsibilities.

106. The results of review and proposed reduction of the list of commodities subject to specialized inspection as above mentioned mainly occurred by the end of 2017, and not many changes occurred in Q1/2018. The results are also far below the government's requirements. The number of goods subject to specialized inspection decreased insignificantly, much less than the target of reducing at least 50% of the list of goods (not goods groups) subject to

[48] Official Letter No.1087 / BTC-CST of MOF dated 25/01/2018.

specialized inspection. This implies that ministries have not yet decisive in this task.

107. The reform of regulations on specialized management and inspection has only achieved initial results in some ministries, but remained far less than the requirements and the level of participation of ministries was very different. Problems prevail in specialized management and inspection such as multiple goods item lists, overlapping management, management not based on risk-management principles, high costs of specialized inspection, etc., causing many obstacles to production and business activities of enterprises.

General comments

108. Up to now, ministries and agencies have paid more attention to the implementation of Resolution 19. The year 2017, especially Q1/2018 revealed that the determination and drastic actions in implementing tasks and solutions to meet the targets of the Resolution are evident in a majority of ministries, branches and localities. Results showed the strengthened trust of businesses and the market, the improved quality of national and local business environment, better business performance of firms, and thus certainly contributing significantly to economic growth and poverty reduction.

109. However, the level of attention and drastic actions is uneven among ministries, branches and localities:

- At the central level, the level of improvement in the quality of business environment indicators reflects the varying degrees of involvement of ministries and branches. Ministries and branches with determination and drastic actions have achieved higher scoring of relevant indicators and thus moved up to higher rankings.
- At the local level, the level of participation is also uneven. Some provinces and cities have actively implemented the Resolution, having many reform initiatives, which has improved business confidence on the quality of the local business environment. Meanwhile, some localities remain slow in implementing solutions, thus slowing down the improvement in the quality of their business environment and competitiveness.

110. Although the Government, the Prime Minister and the Deputy Prime Ministers have detailed, drastic, consistent, regular and continuous instructions, the popularization of reforms to the local level remains modest. Therefore, in order to effectively implement the objectives of the Resolution so as to bring in comprehensive and coordinated results, it is necessary to have the participation of all ministries, branches and localities in urgent, drastic and responsible manner.

Resolution 19-2018 and priority issues

111. In order to foster business environment reforms to increase productivity, promote growth and development, the Prime Minister, in Resolution No. 138/NQ-CP dated 31/12/2017 (following the Meeting between the

Government and provinces and the Government's regular meeting in December 2017), assigned MPI to draft Resolution 19-2018 on continuing implementation of tasks and solutions for improving business environment and enhancing national competitiveness in 2018 and the following years. In Q1/2018, MPI prepared and finalized the Draft Resolution 19-2018 taking into account of comments from ministries, branches, business and trade associations.

112. Resolution 19-2018 is expected to focus on some of the following:

- Consolidate the achieved results, the Government continues to aim for higher and more specific targets as much as possible, and stronger reforms to achieve more even, actual, and comprehensive impacts.
- In term of business environment index: Pressurize and discipline more effectively to improve the areas with low rankings and/or without much improvement in the last few years, especially with regard to indexes of Starting a business; Registering property; and Trading across borders. At the same time, coordinate better & more effectively with the Supreme People's Court to substantially improve the indexes of resolving insolvency and of enforcing contracts. Specifically, the Resolution aims to raise the index of starting a business by at least 40 places; the index of Enforcing contracts by 10 places; and the index of Resolving insolvency by 10 places.
- Complete the target of abolishing at least 1/3 - 1/2 of the current business conditions in all sectors and branches of the economy. Propose the abolition of a number of conditional business lines in the List of conditional business lines of the Investment Law.
- For ministries that have reviewed and decided to abolish specific business conditions, they need to complete the preparation of Decrees on amending and supplementing relevant Decrees and submit to the Government for promulgation in Q2/2018. For ministries that have not yet reviewed or have not had review results, they must complete the review and elaboration of plans on reduction, supplement, amendment of regulations on investment and business conditions before April 2018 and complete the preparation of Decrees on amending and supplementing Decrees on investment and investment conditions, including elimination of unnecessary business conditions, and submit to the Government in Q2/2018.
- Regarding specialized inspection: (i) basically achieve the objective of reducing the number of export and import goods subject to specialized inspection before customs clearance to a maximum of 10%; (ii) basically accomplish the reduction of at least 50% of the list of export and import goods subject to specialized inspection; (iii) widely apply the method of state administrative management transforming from major pre-inspection to major post-inspection, applying principles of risk management and assessing the level of legal compliance of organizations and individuals;

basically eliminating the situation of a goods items subject to specialized management and inspection of more than one agency.

- Improve competitiveness of tourism to make it gradually become a spearhead/key economic sector; raise tourism competitiveness by about 10 places (currently rank at 67th).
- Improve the competitiveness of the logistics industry to facilitate and reduce business costs, support economic restructuring; reduce logistics costs to about 18% of GDP (currently over 20% of GDP; improve the Logistics Performance Index by about 10 places (currently ranked at 64th).

113. To effectively implement Resolutions 19 on solutions for improving the business environment and strengthening national competitiveness, it is recommended that the Government and the Prime Minister do the following:

- Request ministers, chairpersons of the people's committees of provinces and centrally-run cities to closely direct the implementation of Resolutions 19, considering this as a top priority task in this term.
- Direct and request ministries, branches and localities to compulsorily apply information technology, providing all public administrative services at levels 3 and level 4.
- Direct and request ministries, branches and localities to compulsorily connect all administrative procedures through Vietnam National Single Window Portal.
- Direct the implementation of consistent and adequate reforms embodied in Decrees and Circulars issued; carry out a full assessment of actual impacts of these reforms.
- National Council for Sustainable Development and Competitiveness Improvement cooperates with business associations to conduct assessments and field surveys; provide evidence and advise the Prime Minister in directing the drastic and complete implementation of objectives of the Resolution.

IV. RECOMMENDATIONS

114. International context embodies rapid changes and big challenges, which may significantly affect Vietnam's prospects in the medium and long term. *First,* international economic integration exhibited few substantial developments. The ratification of a number of new generation FTAs has not progressed. *Second,* the Asia-Pacific region in particular and the world economy in general have been exposed to the issues and risk of both traditional and non-traditional securities. *Third,* the regional and global value chains have evolved more rapidly. The Asia-Pacific in general and ASEAN-East Asia in particular remain strategic destinations of many value chains. *Forth,* addressing contagion effects/interactions among economies becomes more complicated. Instability and the risk of downturn in major trading partners of Vietnam such as the EU, Japan and China, etc. may induce volatility of foreign investment, excessive competition in terms of exchange rate, etc. Protectionism and populism have intensified in many economies. *Fifth,* the 4^{th} Industrial Revolution has achieved significant technological breakthroughs in core areas, namely ICT, energy, transport, which will eventually affect modes of business and production.

115. Vietnam has been enjoying many favorable internal factors such as more stable macroeconomy, improved confidence on the reform of business-investment environment, position of a middle income country, the priority of effective international economic integration. The newly-promulgated national industrial policy is an important step to identify key economic sectors of the country. Yet challenges remain ample, including the rapid transition past "golden demographic structure", smaller space for macroeconomic policy; scarcer resources for development while the utilization effectiveness has improved modestly, etc.

116. This Report re-emphasizes the message of giving continued priority to strengthening microeconomic foundations and reforming economic institutions for a modern market economy. Accordingly, the Report provides some recommendations for furthering reforms of macroeconomic foundations, together with macroeconomic and other measures.

1. Recommendations on further reforms of microeconomic foundations

117. Further concretize and implement Resolutions of the Party Central Committee on shift of growth paradigm and effective implementation of international economic integration and private sector development.

118. Accelerate the implementation of the National Assembly's Resolution on economic restructuring in the 2016-2020 period through improved guidance and coordination apparatus in association with raising awareness of ministries, line authorities and localities.

119. Continue guidance and organize effective implementation of basic laws of market economy institutions such as the Civil Code; (amended) Law on promulgation of legal normative documents; (amended) State Budget Law, etc.

120. Promptly complete and promulgate new laws relating to markets and sectors, including the (amended) Competition Law, the Law on Livestock Production, the Law on Crop Production, the Law on Special Administrative - Economic Units, etc.

121. Continue prioritizing business environment reforms towards facilitating production and business activities in line with a series of Resolutions No.19.

    - Continue studying, discussing and identifying specific solutions to consolidate and improve the rankings of improved indicators; prevent falls in ranking and quickly improve rankings of remaining indicators. At the same time, continue studying and learning experiences from international best practices on improving business environment and competitiveness.
    - Continue comprehensive reforms of regulations on business conditions/requirements in order to facilitate the production and business activities of enterprises in conformity with international practices and requirements of international economic integration.

122. Proactively engage in exchanging and cooperating with partners to strengthen supports to and revitalize the process of international economic integration; accelerate advocacy for partners to recognize Vietnam's full market economy status.

123. Continue reviewing commitments under concluded, signed or pending FTAs and international treaties of Vietnam in order to make relevant attempts on improve legal framework.

    - Further review and develop a roadmap to gradually reduce discriminatory and differential treatments (e.g., access to land and credit, Government procurement, etc.) that may affect competitive neutrality between SOEs and the private sector.
    - Strengthen institutional and technical capacity of the Trade Remedies Authority of Vietnam (TRAV). Enhance the partnership between TRAV and the business community.
    - Examine and carry out harmonization requirements and legal cooperation to improve capacity and make appropriate adjustments not contrary to commitments.
    - Frequently consult the business community, laborers and other social groups to facilitate appropriate preparations for implementing FTAs and other international treaties.

124. State authorities should keep disseminating information on signed and pending FTAs of Vietnam to enterprises; support and instruct enterprises to participate in the integration process to ensure harmonized implementation of FTAs, especially strengthen businesses' responses to technical barriers erected by trading partners

125. Acknowledge and encourage domestic enterprises' dynamism, creativity and innovation, for example: explore opportunities from FTAs; capacity to satisfy

ROO requirements and participate in the value chain; capacity to learn and collaborate with foreign firms, etc.

2. Recommendations of macroeconomic policies

126. Develop scenarios, with the participation of relevant agencies, to cope with unfavourable shocks in the world market. Reaffirm the priority of macroeconomic stability, create more policy space for macroeconomic management, and do not loosen macroeconomic policy at all costs in exchange for promoting economic growth.

* *Monetary policy*

127. Develop the national strategy on financial inclusion, making it easier for citizens and enterprises to access to finance and reduce unlawful credit.
128. Pay more appropriate attention to digital finance (including both digital bank and digital stock exchange) in order to identify suitable responses and management solutions; improve legal management framework in the context of complicated development of virtual currencies and digital money in association with unforeseeable impacts.
129. Continue to put highest priority on the restructuring of commercial banks and improvement of the quality of NPLs. Review competitive behaviors of commercial banks, especially with regards to weak commercial banks in order to avoid distortions of interest rates.
130. Avoid requesting interest rate cuts through administrative orders/measures, thus creating more flexibility in dealing with unfavorable developments in the global financial market.
131. Regularly disseminate information on exchange rate management to the market. Ensure clear and neutral communication on evaluations and recommendations related to exchange rate policies. Avoid setting "hard" targets for exchange rate management.
132. Ensure close monitoring credits for the real estate sector.
133. Flexibly manage liquidity of commercial banks to support credit activities, issuance of Government bonds, prevention and response to volatility of indirect investment flows and remittances (particularly around times of interest rate adjustments by FED).

* *Fiscal policy*

134. Ensure strict discipline of state budget expenditures to fulfil state budget deficit target for 2018. Leave appropriate flexibility for the issuance of government bonds, without adhering rigidly to the government bond issuance plan for 2018 at all costs.
135. Consider refraining from expanding more or increasing taxes and fees on petrol so as to leverage benefits and supports for business – manufacturing activities of the private sector. Strictly evaluate impacts of proposed amendment of tax

laws in the association with explanation on the direction of the restructuring of state budget expenditures.

136. Accelerate the reduction of recurrent expenditures associated with significant reduction of the number of public servants. Continue experimenting and popularizing the model of outsourcing with regard to services which do not need to be paid using the State payrolls.

137. Ensure strict discipline of fiscal and public investment management. Improve the efficiency of appraisal and coordination of investment projects in economic, environmental and social terms, which is a critical requirement to 2020. Enhance the participation of social groups in monitoring and management of public investment projects.

138. Develop and promulgate feasible, detailed and easily-measured criteria to evaluate the efficiency of public investment projects, especially those using government bonds.

139. Continue reducing the issuance of government bonds in relatively short terms, especially those with the terms of less than 5 years

* *Trade policy*

140. Improve management capacity of competition, anti-subsidy, anti-dumping, trade dispute settlement and market control; together with providing relevant legal supports for enterprises.

141. Ensure harmonization of relevant commitments and technical requirements (especially with regard to rules of origin, regulations relating to agricultural products). Improve institutional regulations related to such issues as intellectual property, labor, environment, food hygiene and safety, etc., thus facilitating the negotiation and implementation of trade and investment agreements.

142. Diversify export markets (especially potential markets such as Russia, Middle East, China, etc.). Create substantial improvements for trading across borders, infrastructure for logistics services, etc. Integrate more specialized procedures into the National Single Window.

143. Proactively engage in cooperation with partners (in particular the US). Require foreign affairs and trade representatives abroad to actively and quickly make decision on trade relation with partners in order to timely inform and response to protection measures imposed by trading partners. Accelerate advocacy for the ratification of by the National Assembly and preparation for CPTPP and EVFTA.

* *Price and wage policies*

144. Consider and adjust the price adjustment plan for state-controlled goods and services to ensure the demand of improving productivity and quality of these above-mentioned commodities. Avoid the thinking of intensifying price adjustment at the end of the year.

145. Examine and develop plan and disseminate information on not raising regional minimum wage in 2019.

** Investment policy*

146. Address barriers to accelerate the allocation and disbursement of public investment since the beginning of the year, avoid disbursement tension in the end of the year that may result in passive responses to implement development targets and impacts on investment efficiency.

147. Enhance monitoring and evaluating investment flows (in particular indirect investment via the stock exchange) to control the risk of "hot money", high-leverage business and the contagion effects.

148. Encourage foreign investors with commercial presence in Vietnam.

3. Other related recommendations

149. Continue strengthening macroeconomic coordination, especially towards development of scenarios to cope with reversal of capital inflows, economic slowdown in partner countries and possibility of increased trade retaliation at the global level.

150. Further enhance data quality and accountability, especially to ensure data consistency with regard to growth, production, investment and import- export. Institutionalize the development of indicators on economic cycle, growth quality, inflation expectations, business confidence, consumer confidence, and a more detailed set of criteria on gender development./.

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APPENDIX: MACROECONOMIC STATISTICS

	Unit	2014				2015				2016				2017				2018
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I
GDP growth																		
Overall	%	5.0	5.4	6.4	6.8	6.0	6.5	6.8	7.0	5.5	5.6	6.6	6.8	5.2	6.3	7.5	7.7	7.4
Trade																		
Growth rate of exports	%	12.2	15.7	13.6	11.6	8.8	10.6	9.2	4.4	6.6	4.9	8.4	13.0	14.9	22.3	22.5	24.3	24.8
- FDI sector	*%*	*18.2*	*16.1*	*37.5*	*28.3*	*18.7*	*21.5*	*22.0*	*9.6*	*10.8*	*7.4*	*15.4*	*25.6*	*14.6*	*25.0*	*23.7*	*26.8*	*27.1*
Growth rate of imports	%	10.4	10.5	14.0	13.7	20.1	14.2	11.6	3.7	-4.0	2.2	4.9	15.5	25.2	24.2	20.5	15.9	13.3
- FDI sector	*%*	*14.6*	*7.3*	*8.2*	*24.3*	*27.1*	*20.3*	*18.4*	*1.7*	*-4.5*	*0.0*	*6.7*	*18.9*	*24.0*	*32.2*	*30.2*	*8.8*	*13.6*
Exports/GDP	%	92.8	86.6	82.5	67.7	96.3	92.8	87.0	69.7	99.8	92.4	87.8	73.1	106.2	105.4	100.0	79.9	121.3
Money																		
M2 growth (YoY)	%	2.8	4.1	2.9	6.9	2.4	3.6	3.7	5.7	3.1	4.8	3.6	5.7	3.5	3.3	3.4	4.9	3.2
Credit growth (YoY)	%	0.5	3.2	3.5	6.3	2.7	5.1	4.0	4.6	3.0	5.0	3.2	5.9	4.4	4.5	2.9	5.3	3.5
Interbank/central VND/USD exchange rate (average)	VND	21036	21063	21246	21246	21446	21593	21773	21890	21890	21876	21891	22074	22219	22371	22442	22451	22434
Investment																		
Investment/GDP	%	28.4	31.5	33.0	30.6	30.4	31.7	33.2	33.6	32.2	33.2	33.5	33.2	32.2	33.2	35.5	32.2	32.2
Implemented FDI	Bil.USD	2.9	2.9	3.2	3.5	3.1	3.3	3.4	4.8	3.5	3.8	3.7	4.8	3.5	3.8	5.2	5.0	5.8
Other indicators																		
Inflation (YoY)	%	4.4	5.0	3.6	1.8	0.9	1.0	0.0	0.6	1.7	2.4	3.3	4.7	4.7	2.5	3.4	2.6	2.7
State budget deficit/GDP	%	4.9	4.6	5.3	7.3	4.6	6.4	3.9	8.6	5.5	3.7	5.7	6.9	0.4	1.4	3.3	6.7	-1.8
Current account	Bil.USD	2.7	2.7	2.8	0.8	-1.3	0.7	0.5	1.1	2.6	2.2	3.5	0.2	-1.1	0.3	4.3	3.0	-
Balance of payments	Bil.USD	7.9	2.2	0.9	-2.6	2.7	0.6	-6.6	-2.7	3.5	3.2	3.0	-1.2	1.4	1.0	2.3	7.7	-

Source: Authors' compilation