



# **Global Economic Development, outlook and policy recommendations for Vietnam**

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**NOVEMBER 2021**

# Global Developments



# Regional Economic Outlook – AEs, China and India

## Growth projections: World, Asia, China, India, and Advanced Economies

(Percent change from a year earlier)



2020	-3.1	-1.3	2.3	-7.3	-2.4	-2.1	-4.6	-6.1	-0.9	-5.4
2021	5.9	6.5	8.0	9.5	3.5	5.1	2.4	6.4	4.3	6.0
Revisions from April WEO	-0.1	-1.1	-0.4	-3.0	-1.0	1.1	-0.9	2.1	0.7	0.8
2022	4.9	5.7	5.6	8.5	4.1	3.3	3.2	3.5	3.3	3.2
Revisions from April WEO	0.5	0.3	0.0	1.6	1.3	0.1	0.7	-0.3	0.5	0.0



# Regional Economic Outlook -- EMDEs

## Growth projections: Emerging Markets and Developing Economies

(Percent change from a year earlier)



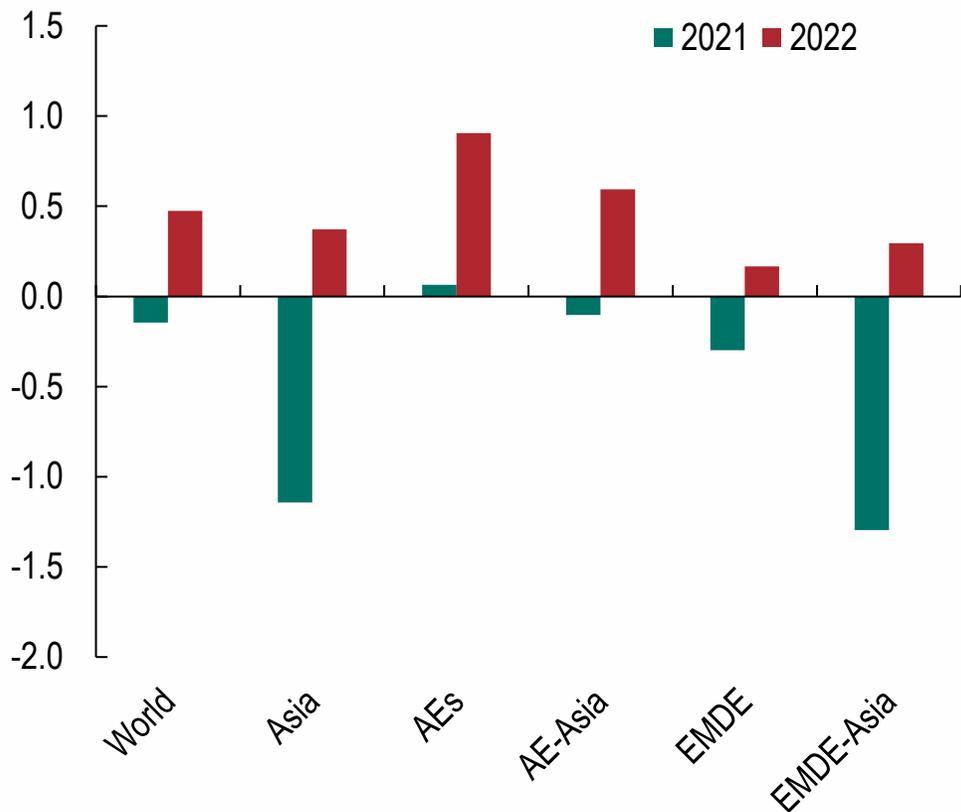
2020	3.5	1.1	-3.1	-2.1	-0.4	-5.6	3.2	-5.3	-2.1	-9.6	-3.6	-6.1	2.9
2021	4.6	2.0	1.9	3.2	2.1	3.5	-17.9	5.2	1.8	3.2	3.6	1.0	3.8
Revisions from April WEO	-0.4	0.4	-2.3	-1.1	-2.5	-3.0	-9.0	0.2	-1.1	-3.7	-0.4	-1.6	-2.7
2022	6.5	2.6	5.7	5.9	4.2	6.0	-0.1	7.5	4.4	6.3	3.3	4.5	6.6
Revisions from April WEO	-1.0	0.1	-0.3	0.1	-1.4	0.0	-1.5	0.0	0.2	-0.2	-0.8	-1.1	-0.6



# The largest growth downgrades amid low vaccination...

## Growth Revisions

(Percentage points)

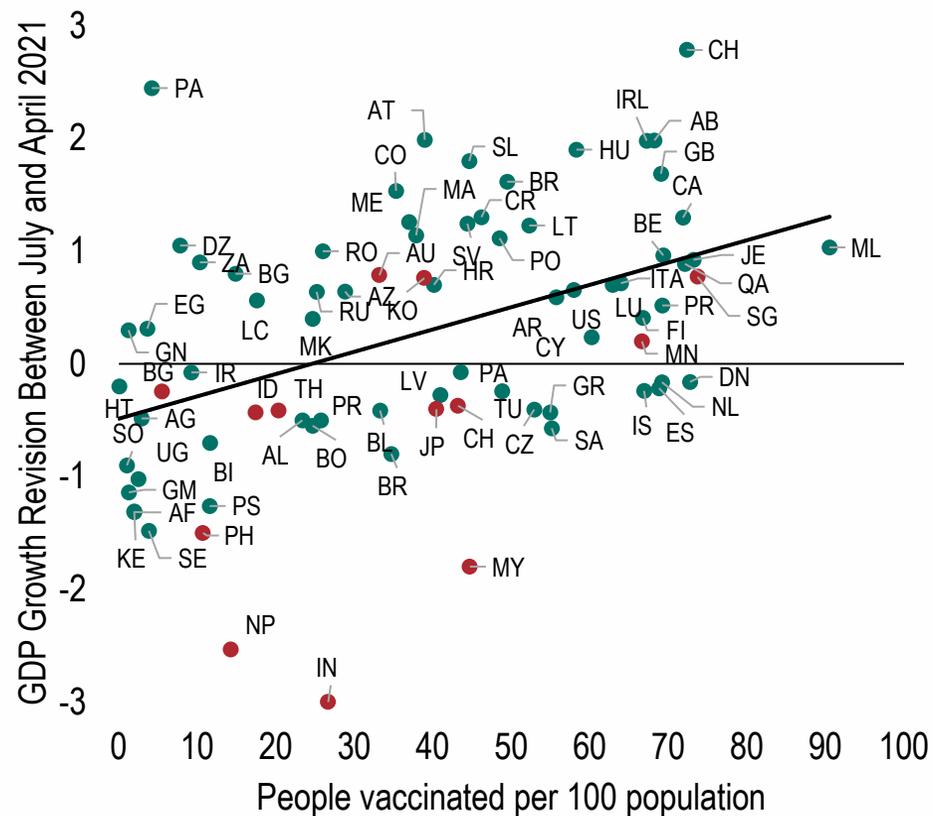


Source: World Economic Outlook and IMF staff calculations.

Note: Revisions show the difference between projections in October 2021 WEO and April 2021 WEO. Positive numbers indicates upward revision.

## GDP Growth Revisions and Vaccination

(vertical axis in percentage points)



Source: Our World in Data, World Economic Outlook and IMF staff

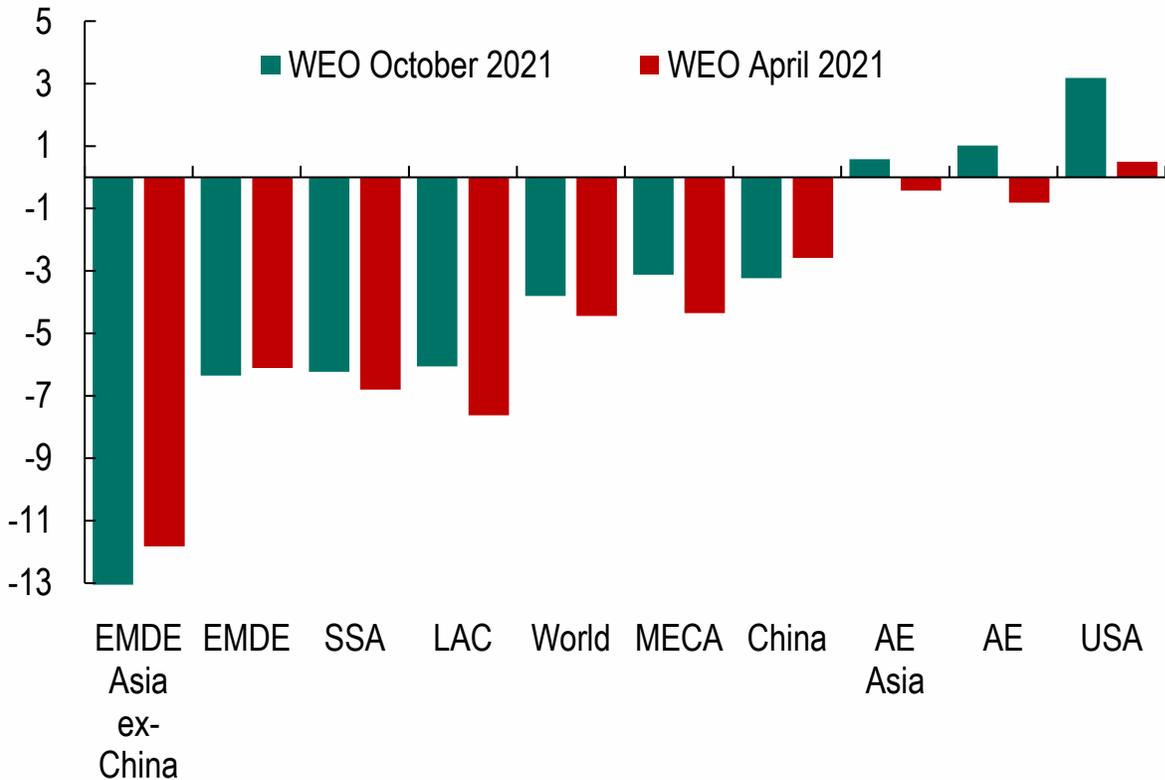


# ...and medium-term scarring in EMDEs with limited policy space and dependent on tourism...

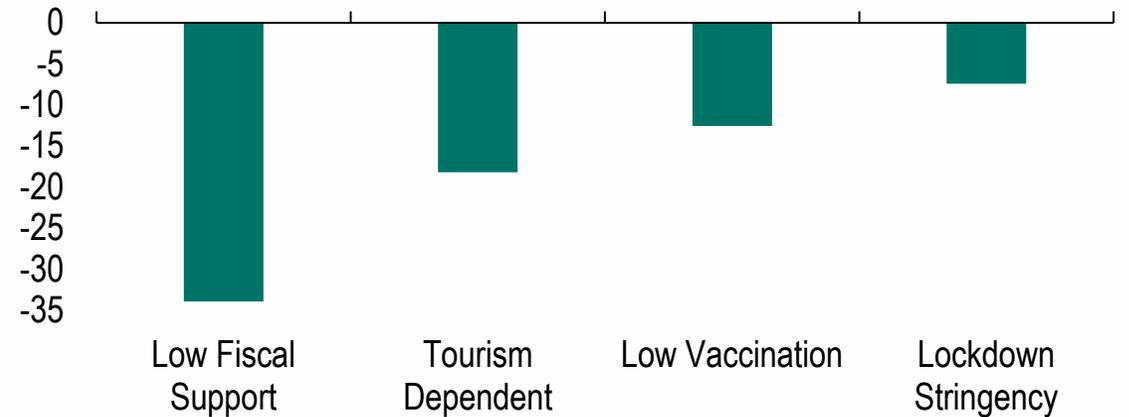
## Medium Term GDP Loss: Difference in Cumulative Growth Rates (2020-25)

(Current projection relative to pre-COVID-19 forecast, in percentage points. Weighted average)

### Regional comparison



### Factors affecting scarring



Source: World Economic Outlook and IMF staff calculations.  
 Note: Current projections are based on October 2021 WEO and April 2021 WEO database.  
 Pre-COVID-19 forecast is based on January 2020 WEO database.

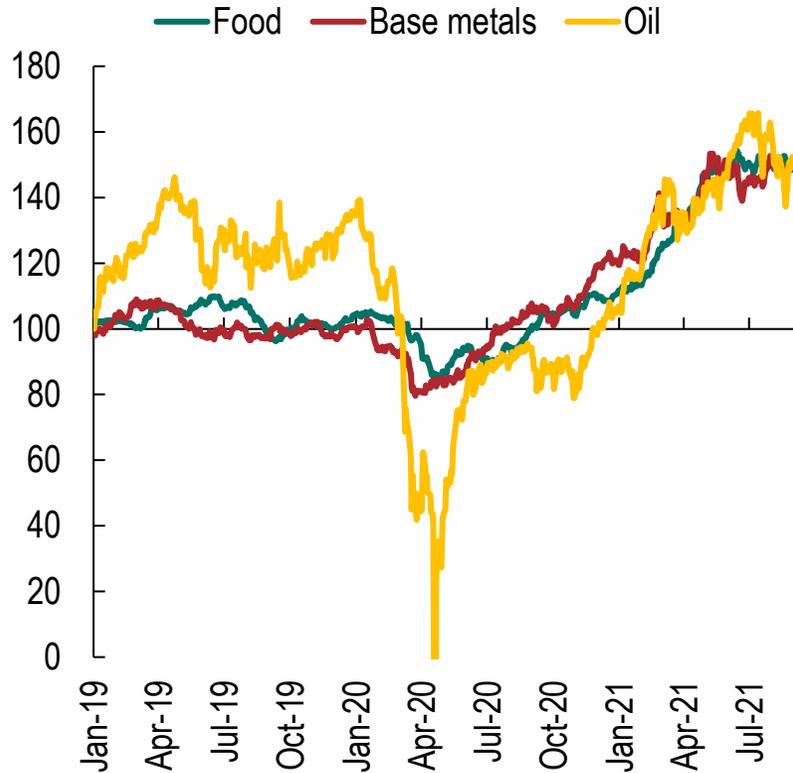
Source: World Economic Outlook.  
 Note: Tourism Dependent countries include Maldives, Vanuatu, Kiribati, Fiji, Thailand, Philippines and Cambodia. Bars denote medium-term output losses across different country characteristics. Countries are classified as high/low when they are above/below the median of Asia Region for a certain characteristic.



# PPI inflation has been on the rise amidst increasing input prices and supply chain disruptions

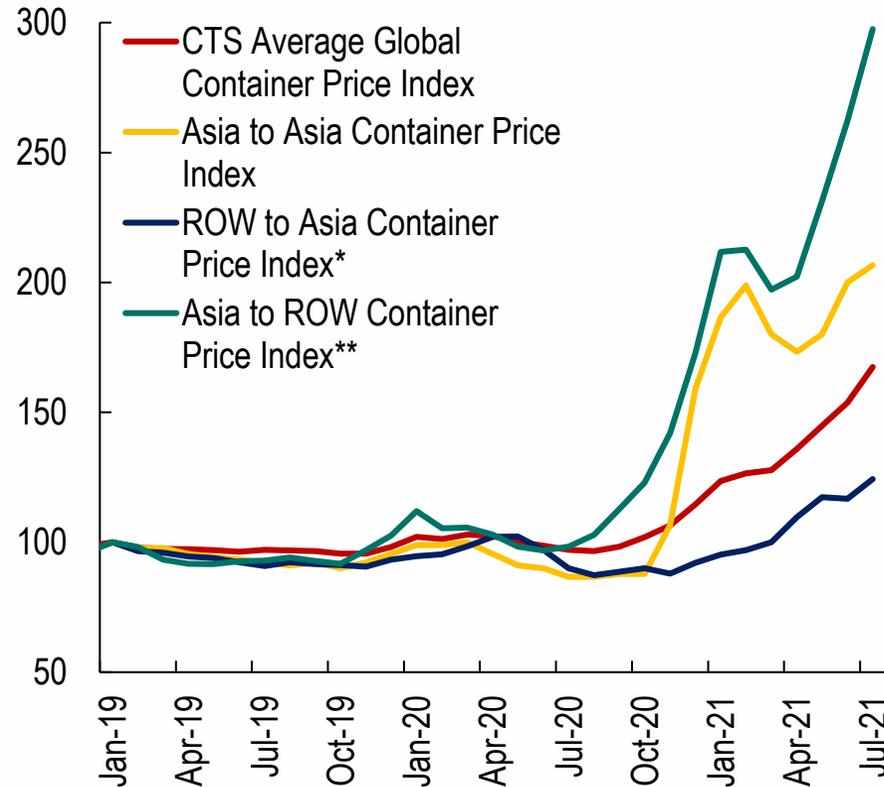
## Commodity Prices

(Index January 2019 = 100)



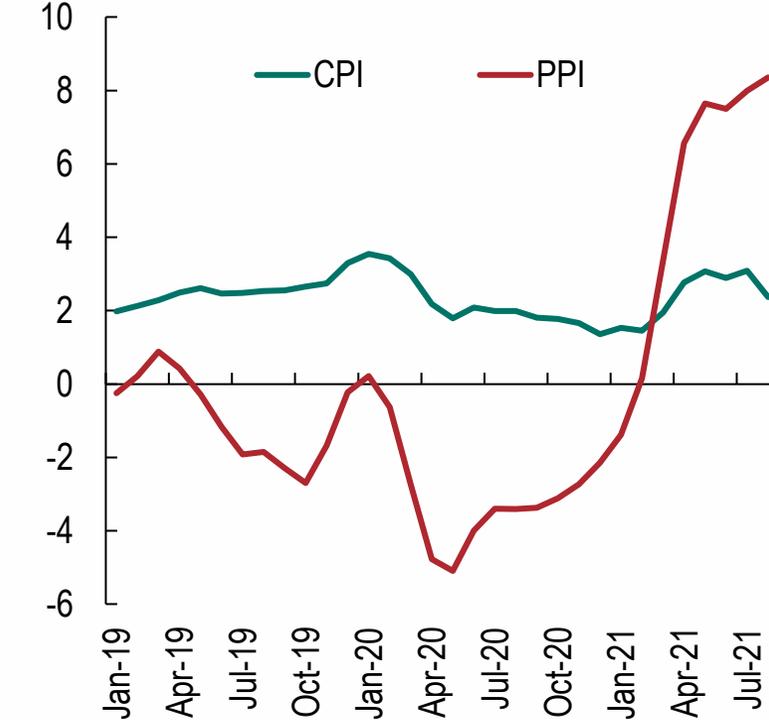
## Container Price Index

(Index January 2019 = 100)



## Asia: Consumer Price Index and Producer Price Index Inflation (Percent)

(Percent)



Source: Bloomberg LPP and IMF staff calculations.  
 Note: Food index from Commodity Research Bureau BLS/US Spot Foodstuff, Base metal index as Bloomberg Base Metals Spot Price Commodity Index and Oil as US Crude Oil WTI Cushing OK Spot.

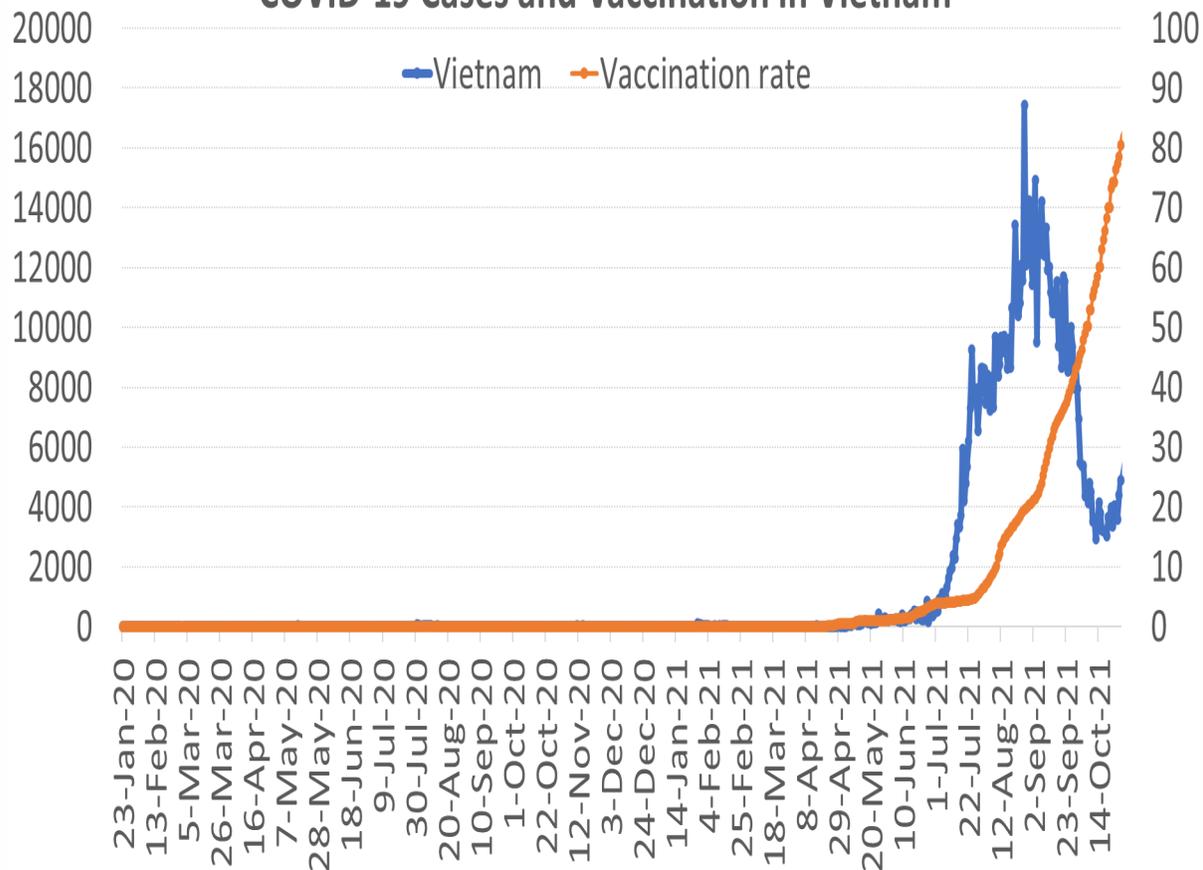
Source: Bloomberg and IMF staff calculations.  
 Note: \*ROW to Asia Container Price Index is the simple average of South, Central and North America to Asia Container Price Indexes.  
 \*\*Asia to ROW Container Price Index is the simple average of Asia to Europe, North America, Australasia & Oceania and the Indian sub continent

# **Vietnam: recent developments and policy measures**



# A larger and more persistent outbreak in 2021

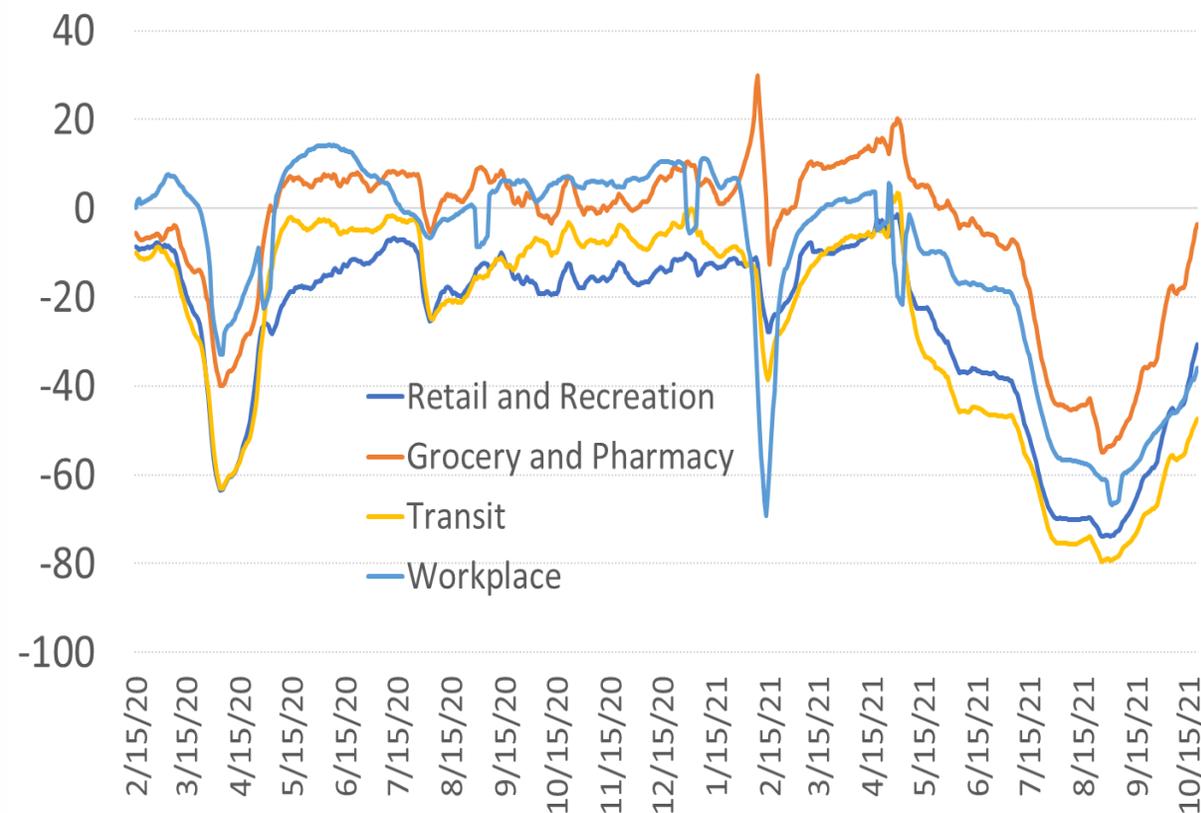
### COVID-19 Cases and Vaccination in Vietnam



Source: Vietnam authorities, Our World in Data, and IMF staff calculations

### Google Mobility Index

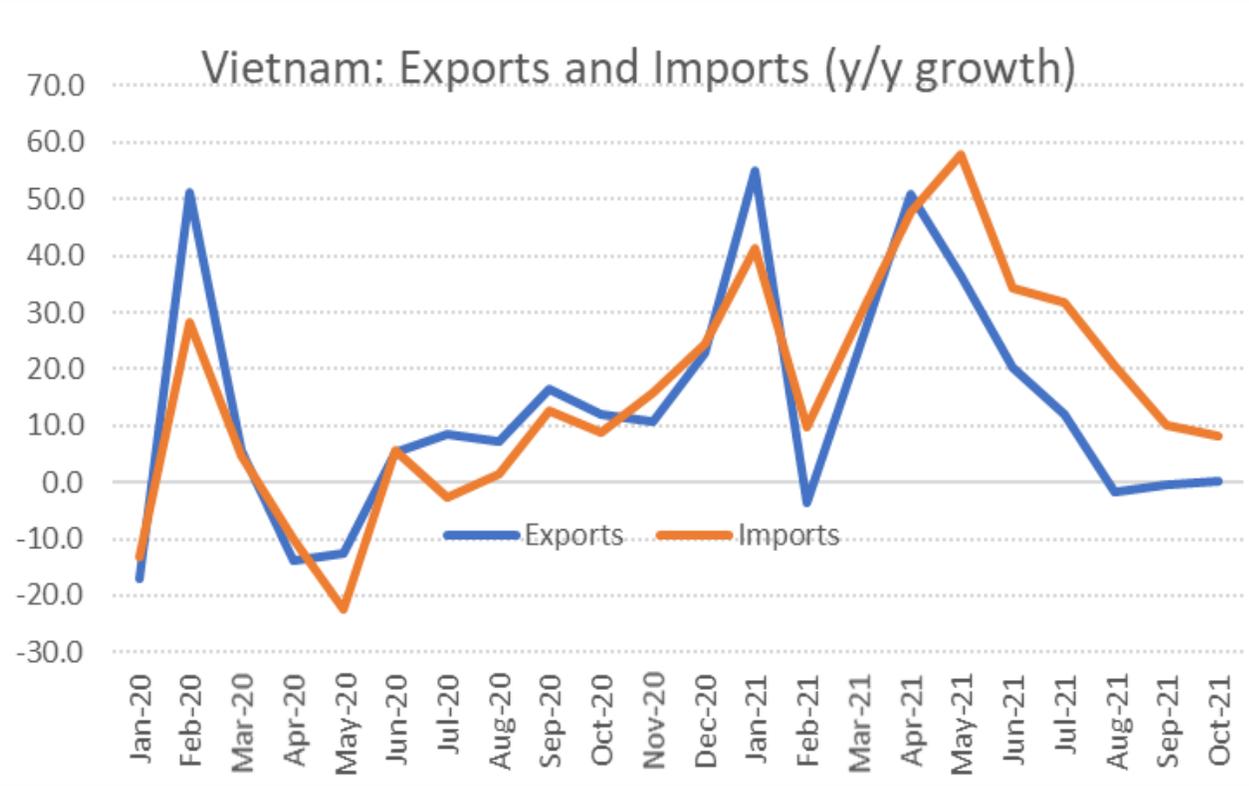
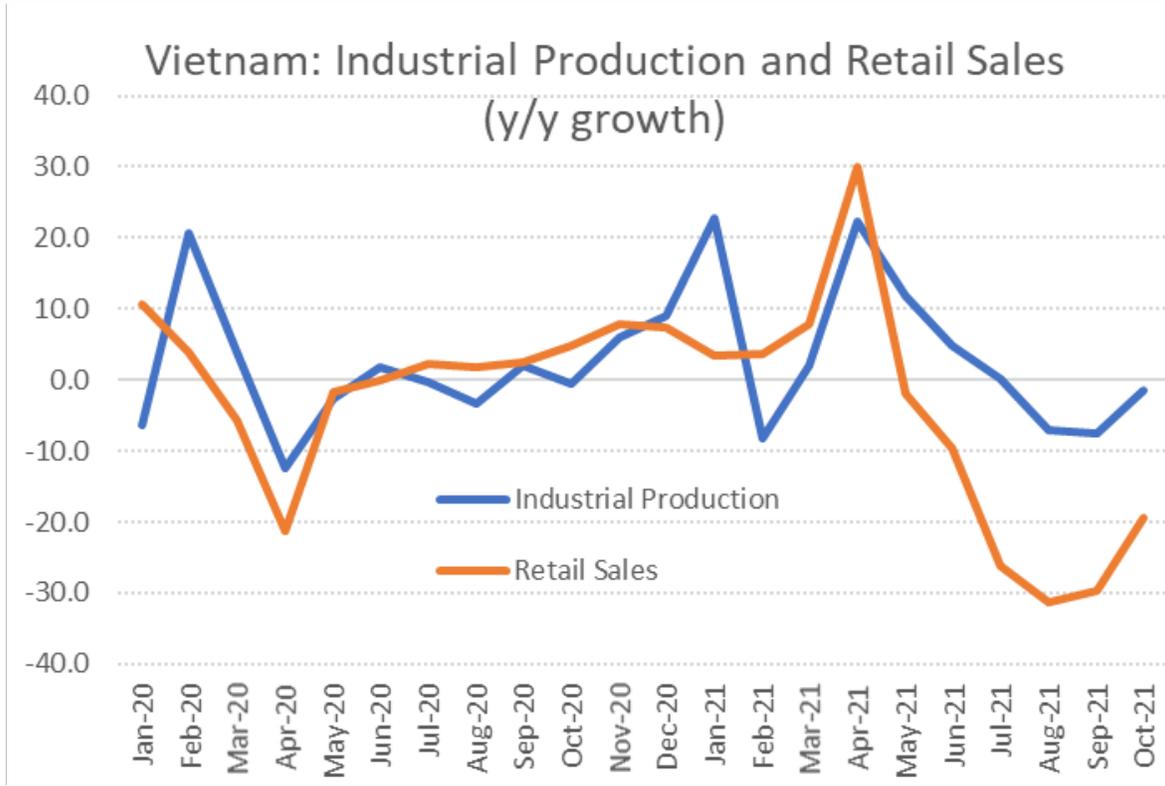
(7-day moving average)



Source: Google Mobility Index and IMF Staff calculations

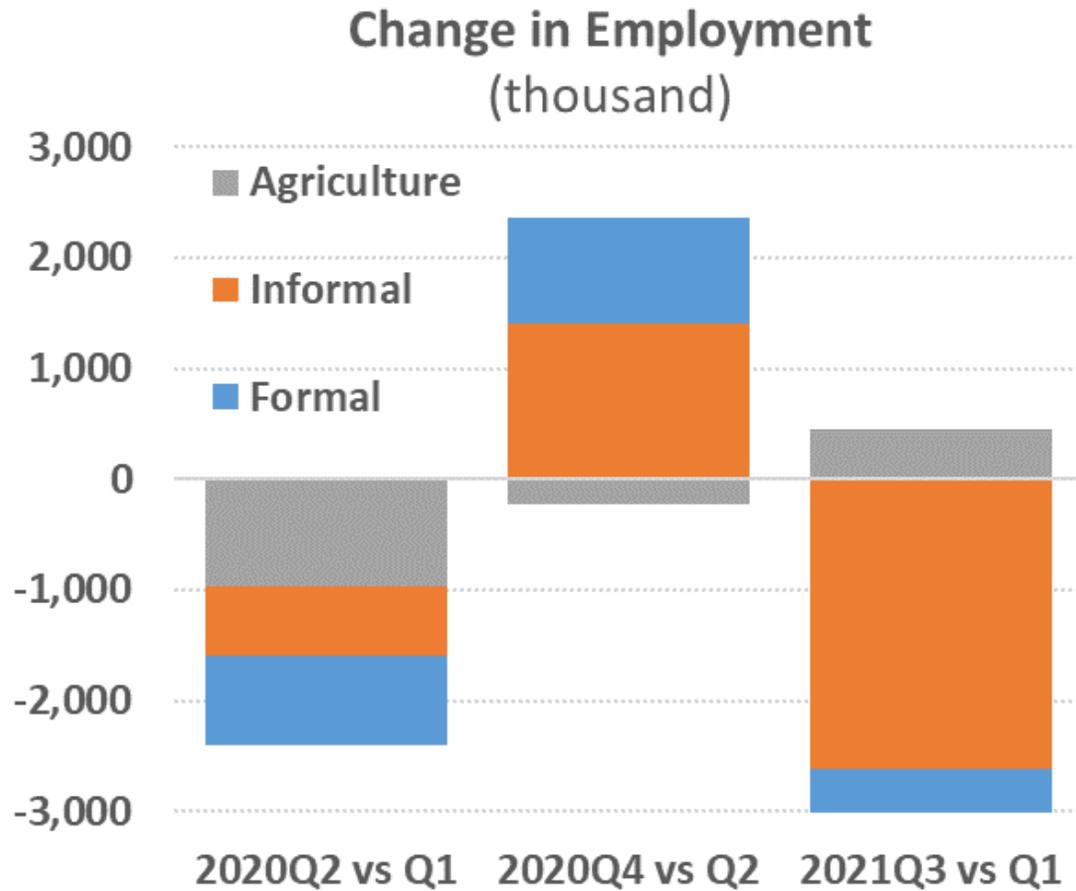


# Severe economic disruptions but tentative signs of recovery

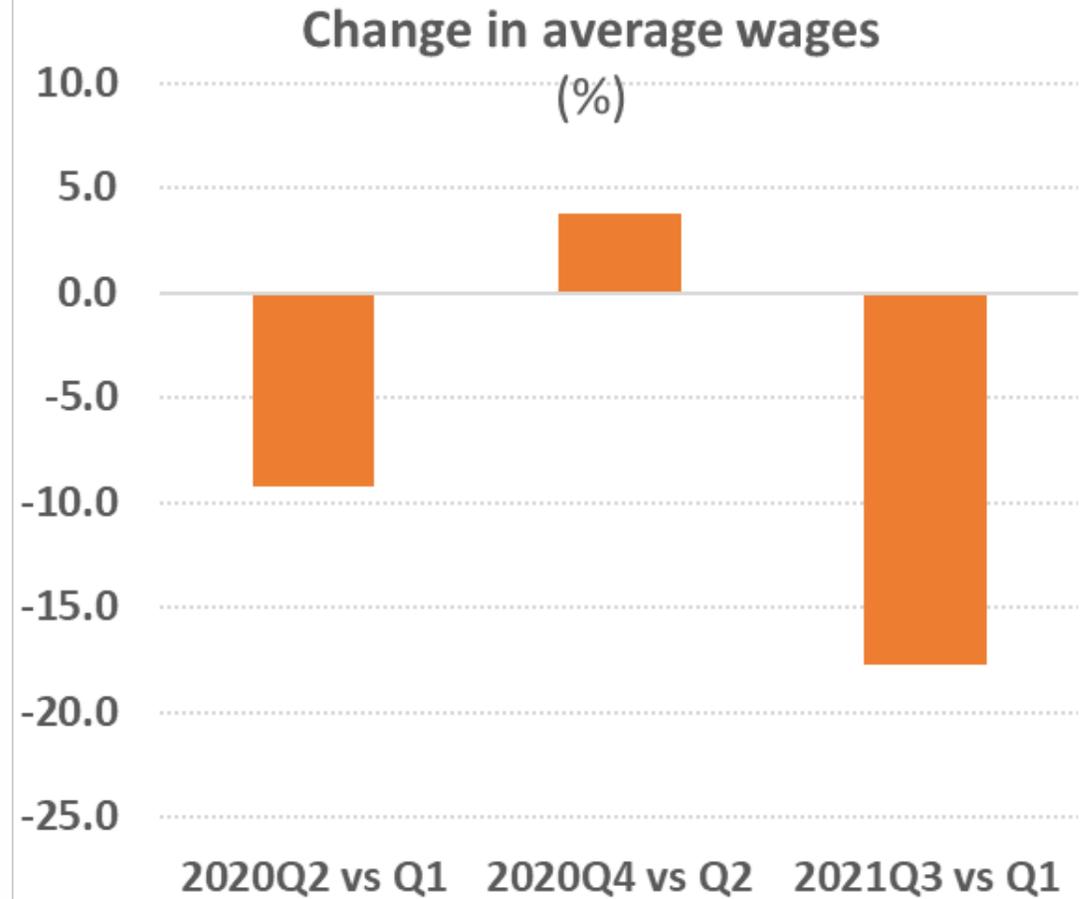




# Large impact on employment and wages



Source: GSO and IMF staff calculations



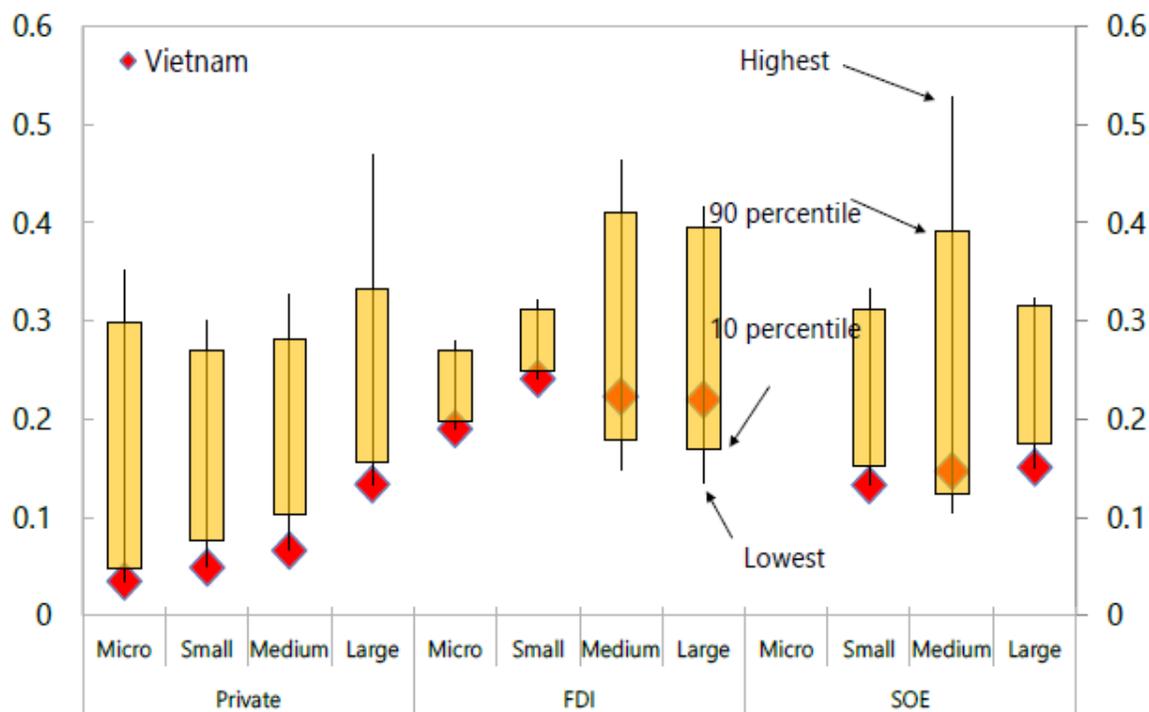
Source: GSO and IMF staff calculations



# Businesses were vulnerable prior to COVID

## Gross Profitability by Ownership and Size, 2018

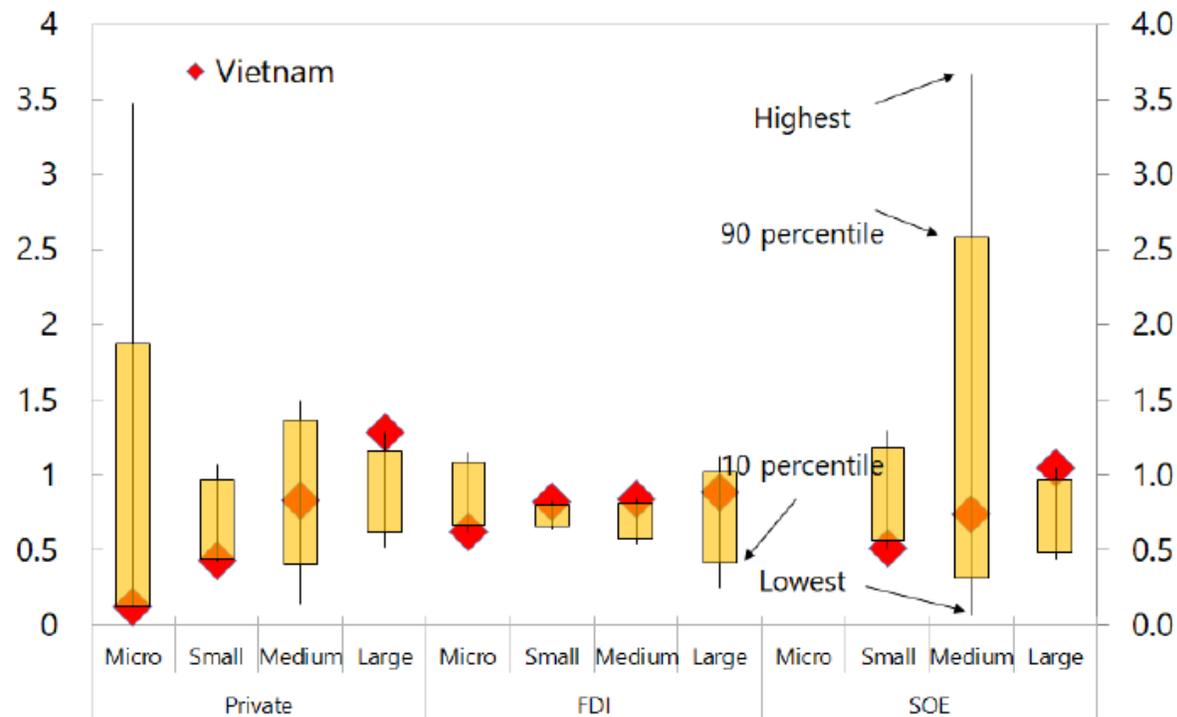
(Gross Profit/Asset, in percent, bars show percentiles in the cross-country sample)



Sources: Orbis, IMF Staff Calculations

## Leverage Ratio by Ownership and Size, 2018

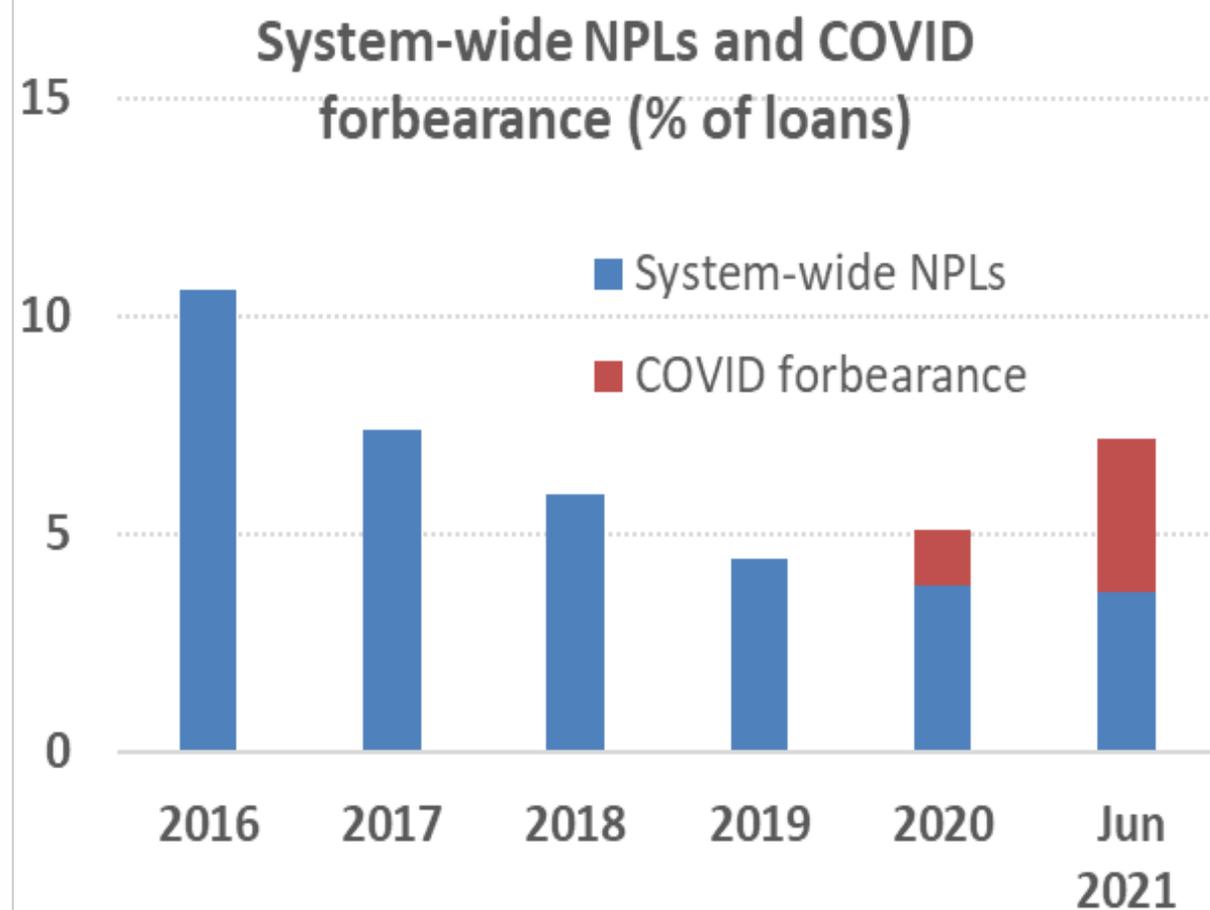
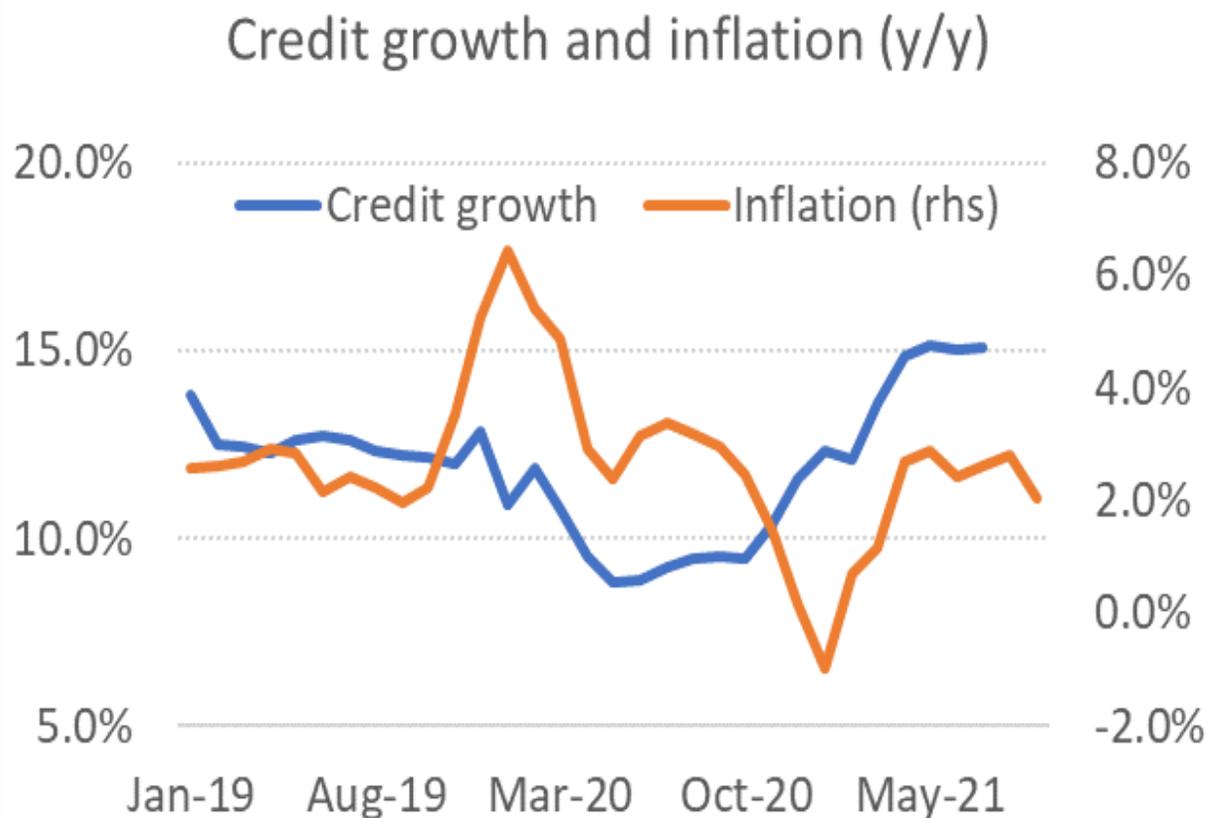
(Total Debt/Equity, bars show percentiles in the cross-country sample)



Sources: Orbis, IMF Staff Calculations



# Monetary and financial policy response...

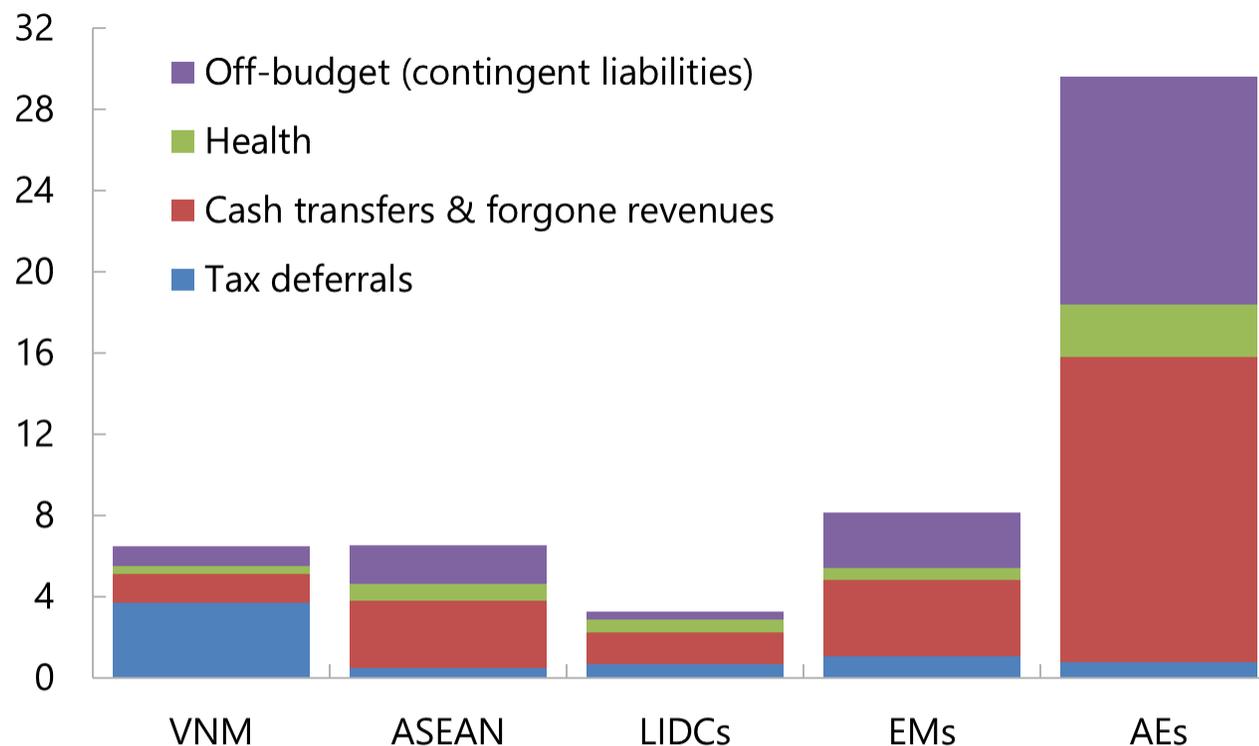




# Fiscal policy response...

## Fiscal Packages

(in percent of GDP, as of June 2021)



Sources: Vietnamese Authorities; and 2021 October Fiscal Monitor.

Notes: Country groups are GDP-PPP weighted averages. Estimates as of June 5, 2021.

Numbers in percent of GDP are based on July 2021 WEO unless otherwise stated.

Fiscal measures include resources allocated or planned in response to COVID since Jan 2020, which will cover implementation in 2020, 2021, and beyond.

# **Vietnam: policies to support the recovery and medium-term growth**



# **Vietnam's aspirations require more decisive structural reforms**

- **Vietnam's SEDP calls for GDP per capita of US\$ 4700-5000 by 2025**
- **Still achievable but needs:**
  - **Robust recovery**
  - **Improved resilience**
  - **Decisive structural reforms**
  - **Preserving macro-stability**



# Supporting the recovery

- **Ample fiscal space**
- **Increase spending – health, vaccination and transfers**
- **CIT loss-carry backwards**
- **Step-up investment**
- **Preserve macro-stability**



# Improving Resilience to Shocks

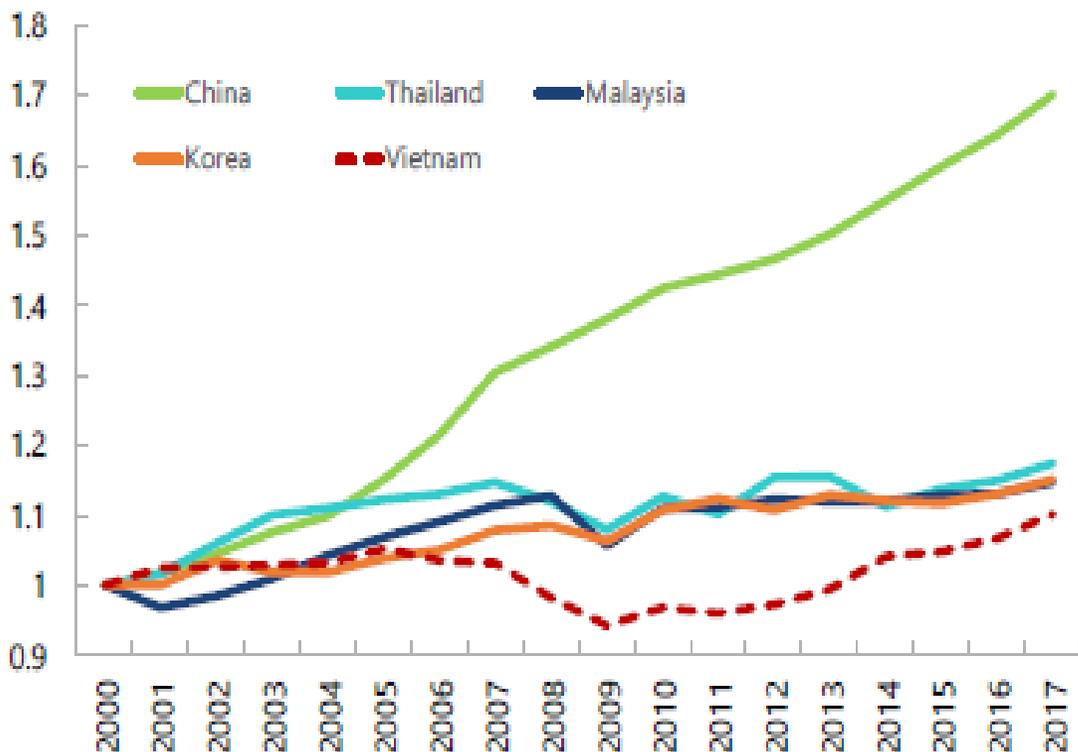
- **Modernize macroeconomic institutions**
- **Rebuilding fiscal buffers**
- **Strengthening social security**
- **Enhancing monetary policy flexibility**
- **Increasing banking system resilience**



# Improving productivity

## Productivity Growth

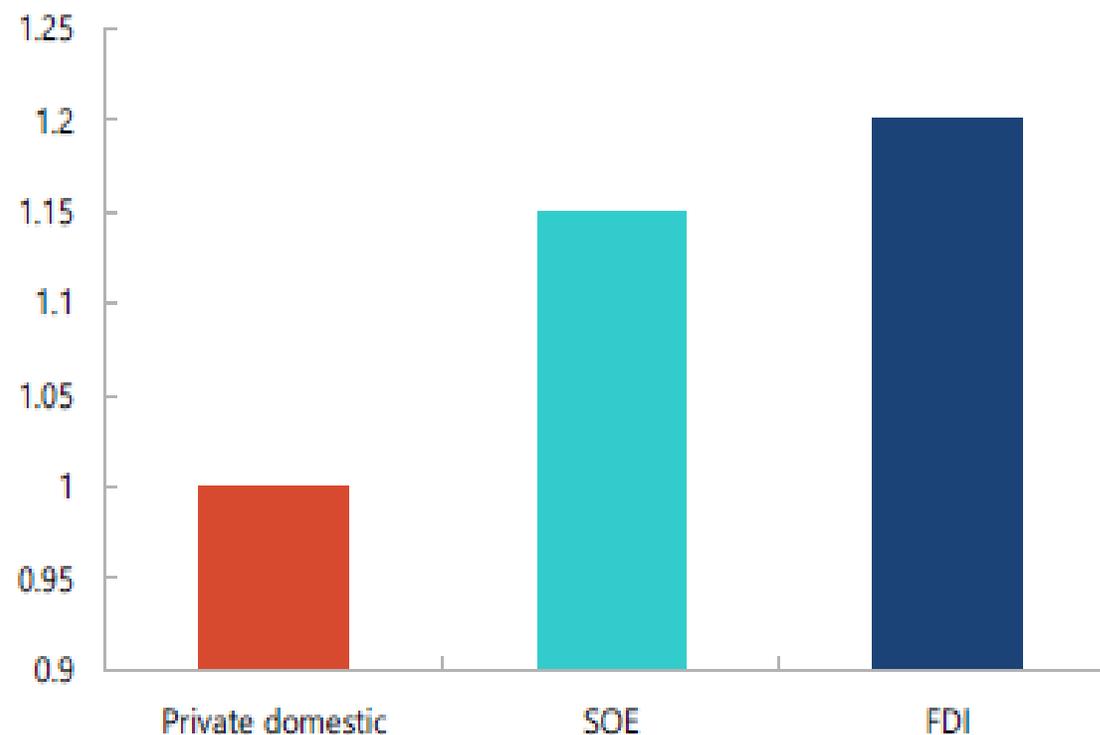
(Index, 2000=1)



Sources: Asian Productivity Organisation, APO Productivity database.

## TFP by Firm Ownership, 2018

(Private domestic = 1)



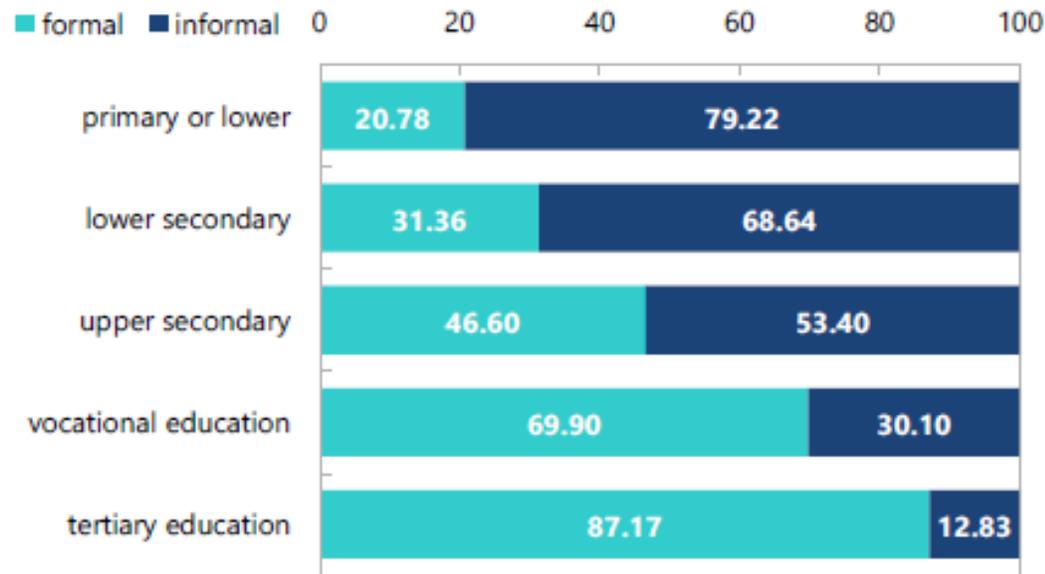
Source: Orbis and IMF staff calculations.



# Reducing labor skills mismatches

## Informality by Education Level

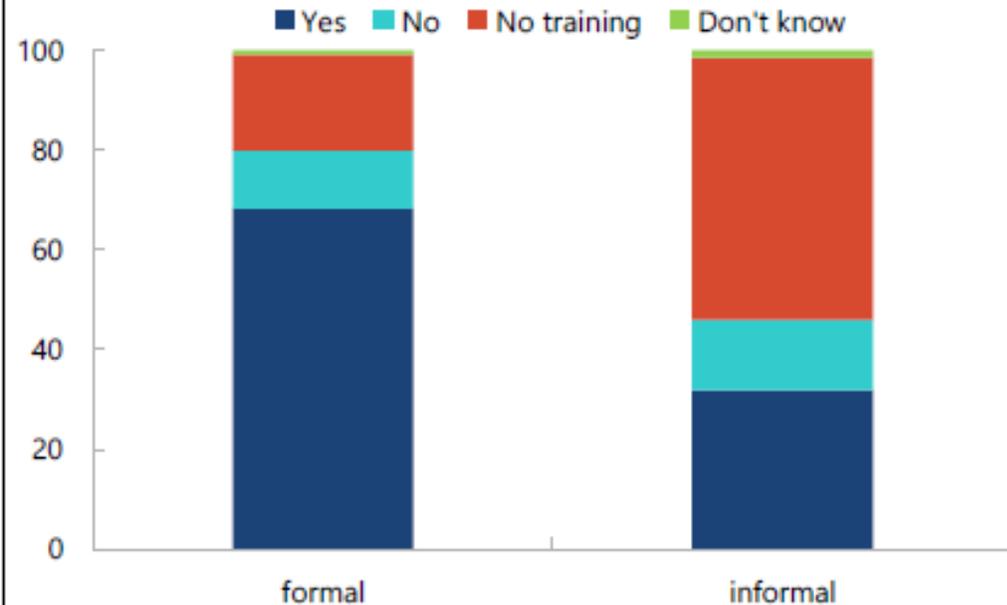
(2018, In percent)



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

## Skill Mismatch

(2018, In percent)



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

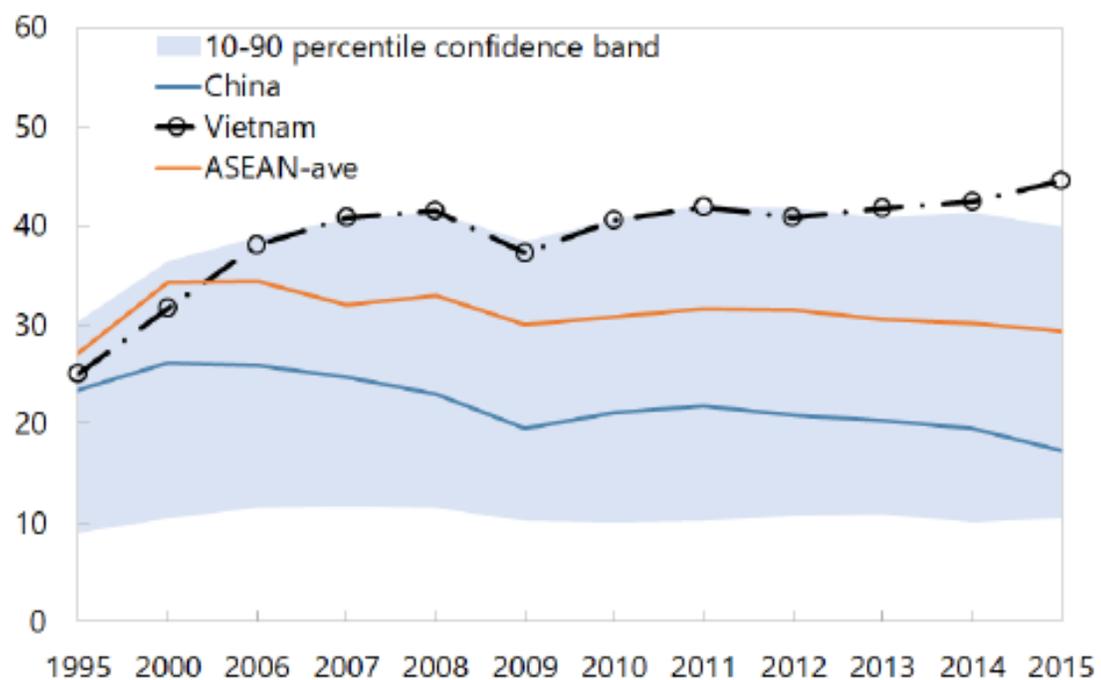
Sources: Vietnam Labor Force Survey; IMF staff calculations.



# Reaping benefits from Global Value Chains

## Backward Participation in GVCs

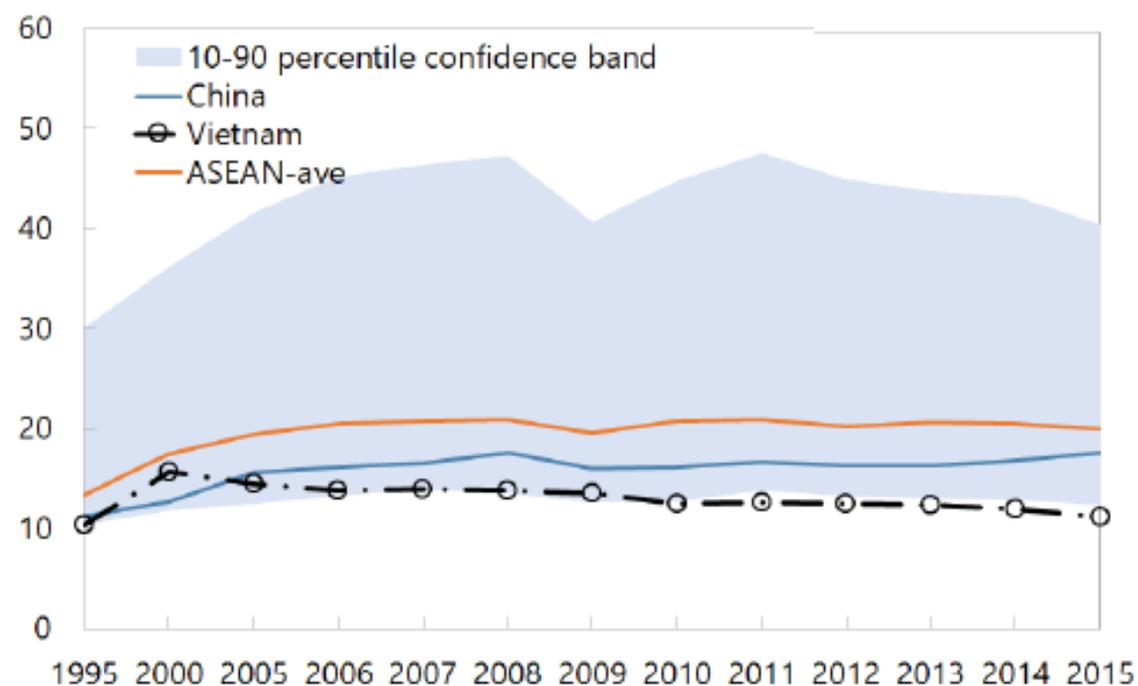
(Foreign Value-added in percent of total gross exports)



Sources: OECD TIVA 2018

## Forward Participation in GVCs

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



Sources: OECD TIVA 2018

# There is scope to green the recovery

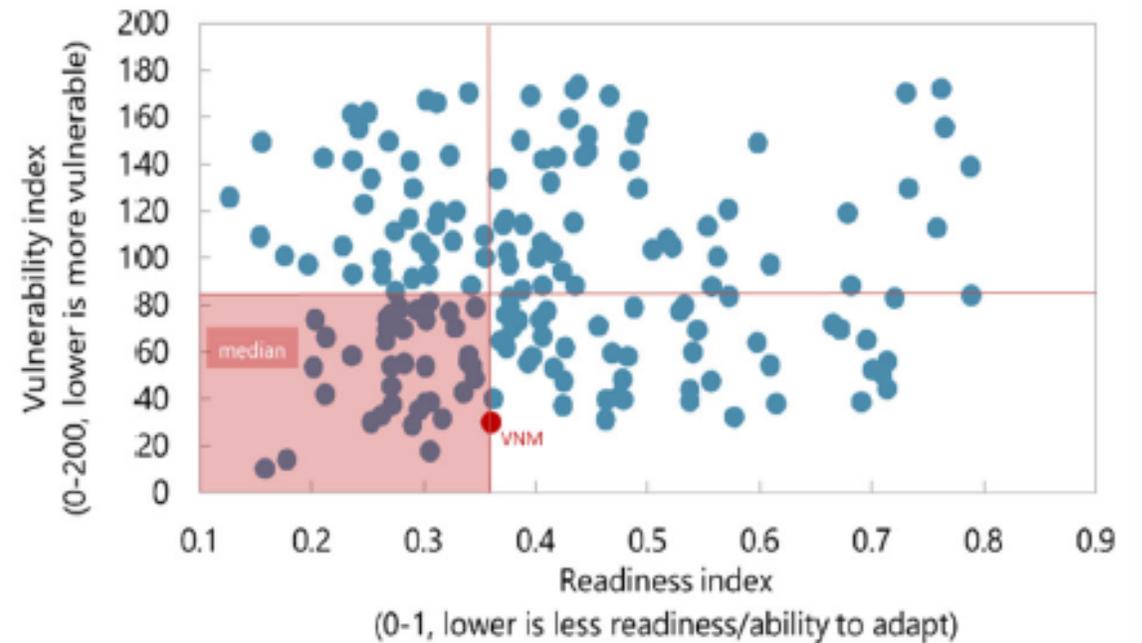
## Top 10 Vulnerable Countries from Climate Risk 1/ (Ranking 1 to 10; 1 is most vulnerable)



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

## Exposure to Climate Change

(Vulnerability & Readiness Indices, average 1999-2018)



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

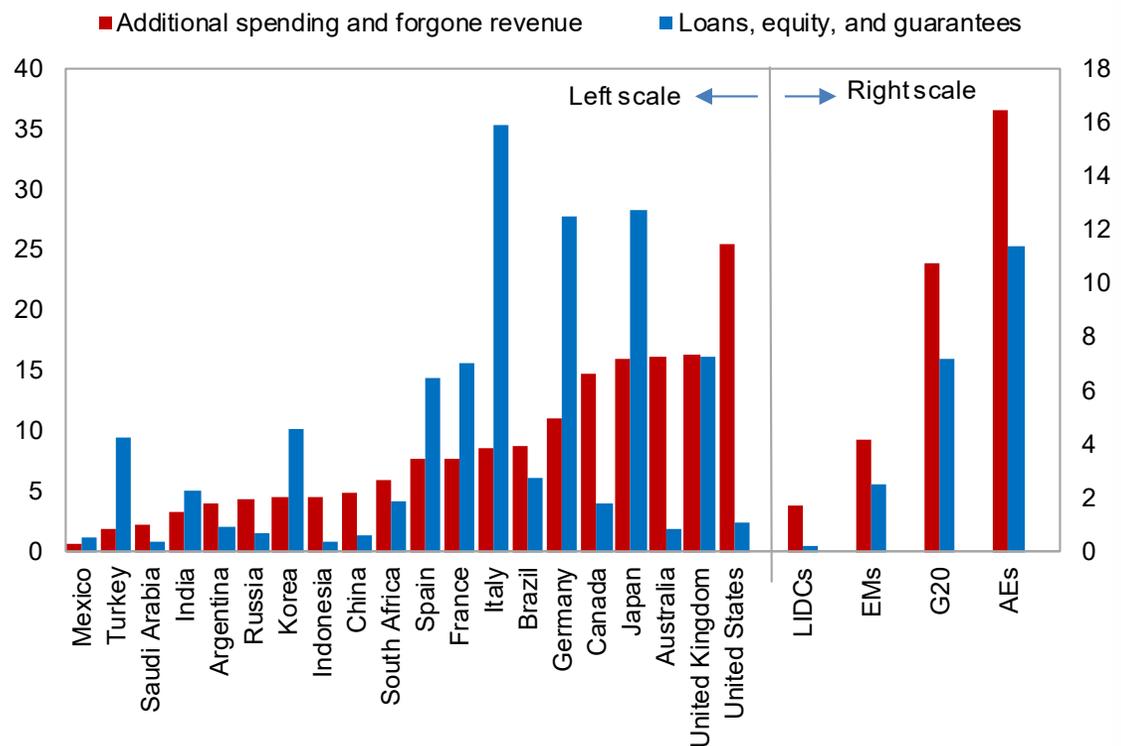
**Thank You!**

# **Additional Slides**

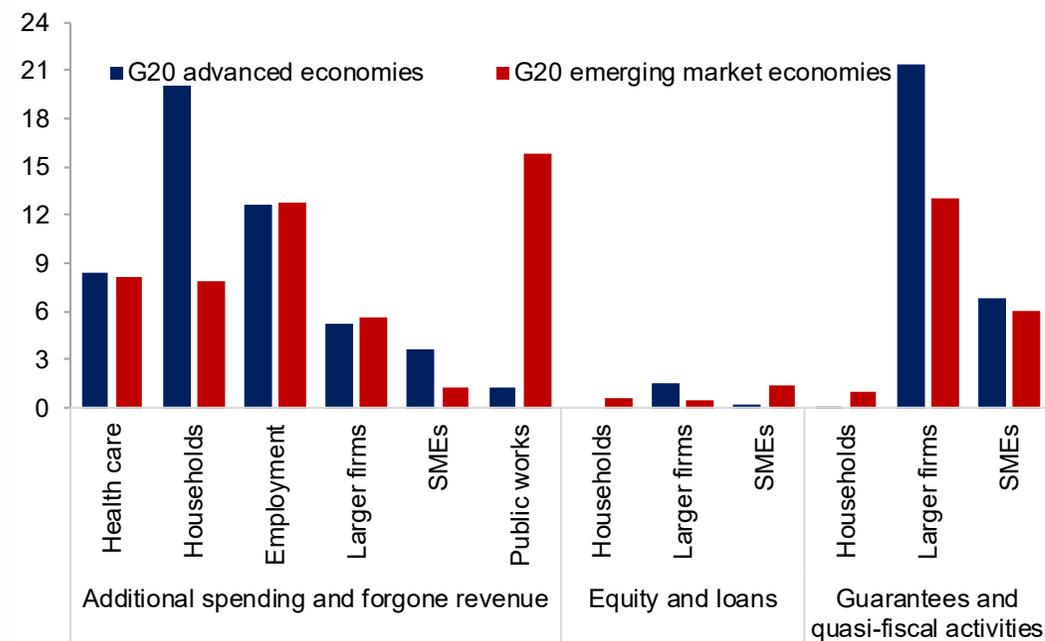


# Composition of fiscal stimulus

## 1. Overall Size (Percent of 2020 GDP)



## 2. Types of Beneficiaries (Percent of total)



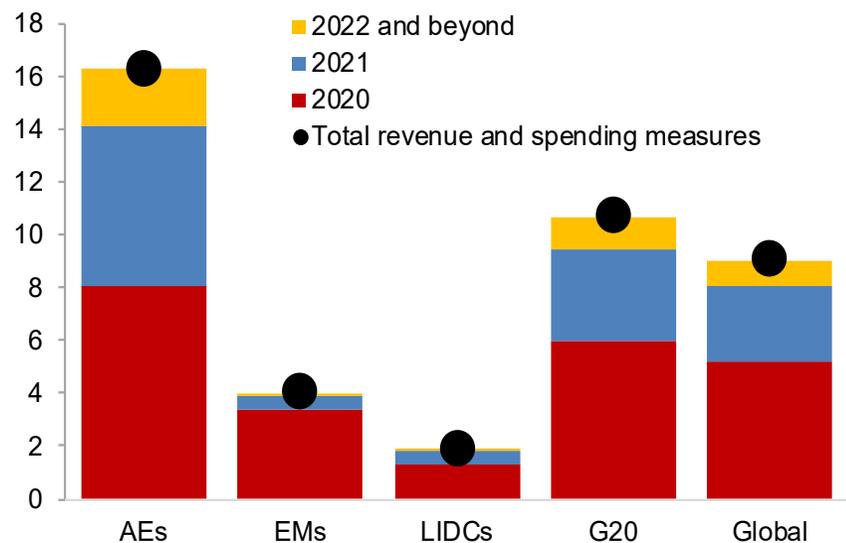
Source: April 2021 IMF Fiscal Monitor



# Timing of fiscal stimulus

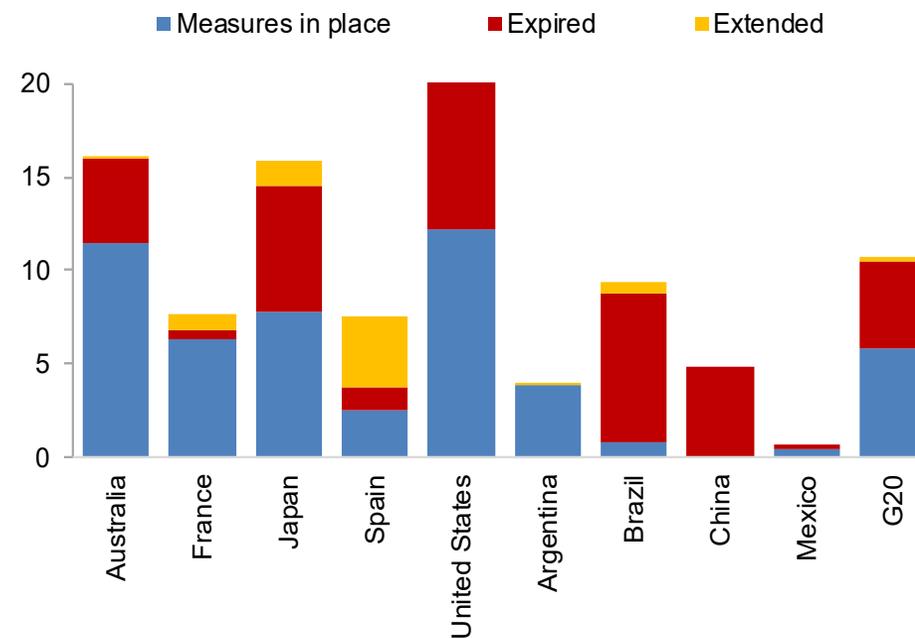
## 3. Time Horizon

(Revenue & Spending Measures; Percent of GDP)



## 4. Expiration and Extension Status

(Revenue & Spending Measures; Percent of GDP)



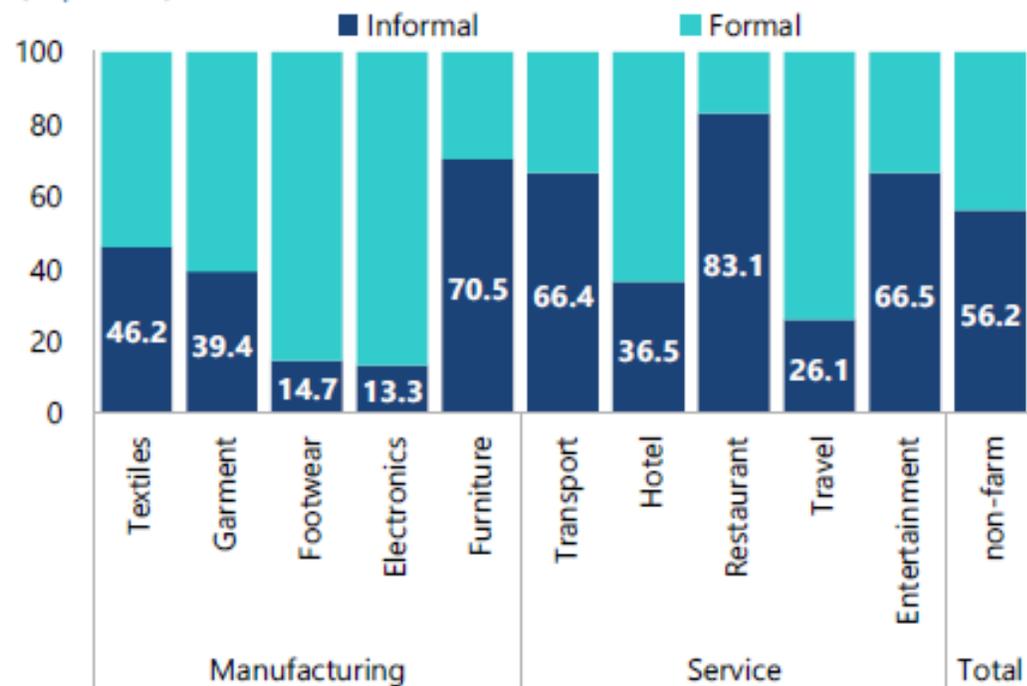
Source: April 2021 IMF Fiscal Monitor



# Informality in Vietnam

## Informality Rate

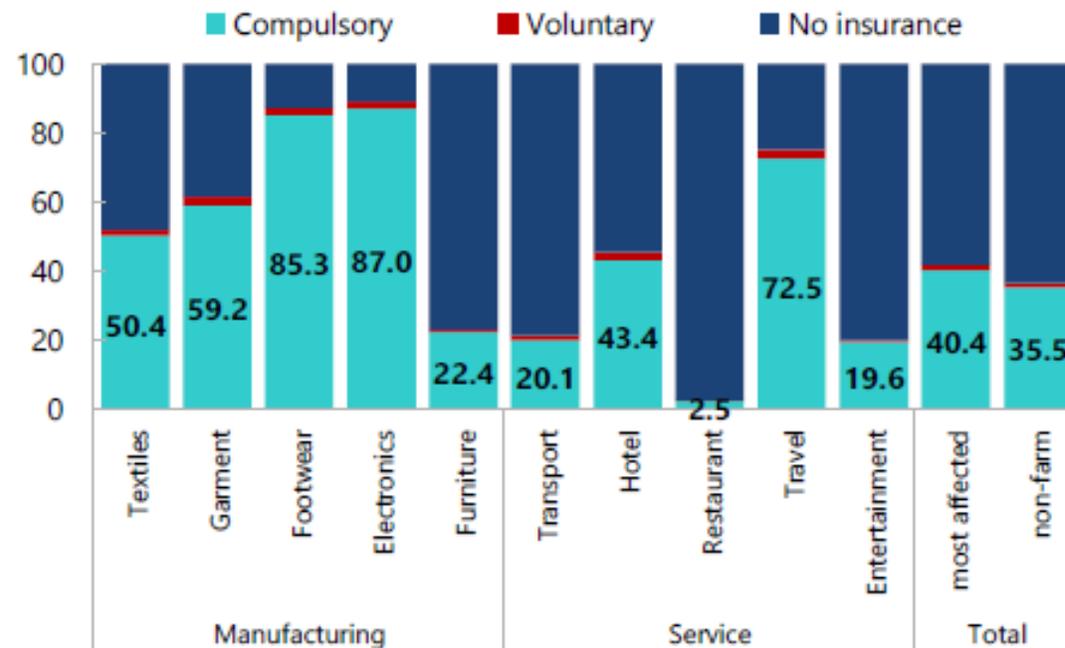
(In percent)



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

## Social Insurance

(In percent)



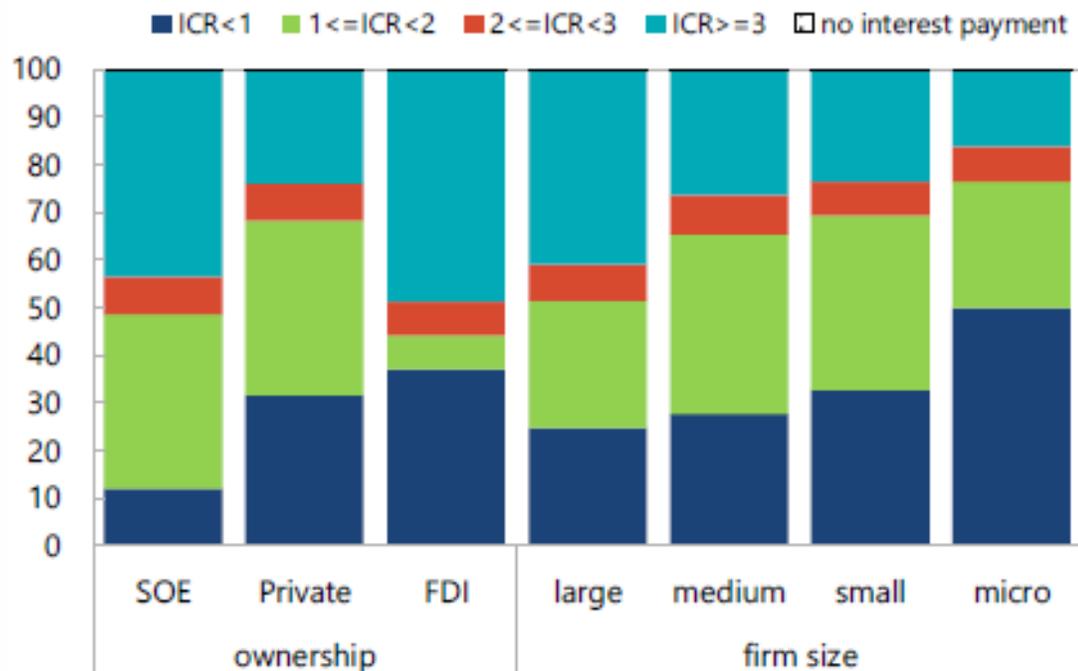
Sources: Vietnam Labor Force Survey 2018; IMF staff calculations.



# Corporate insolvency risks

## Debt Profile by Ownership and Size

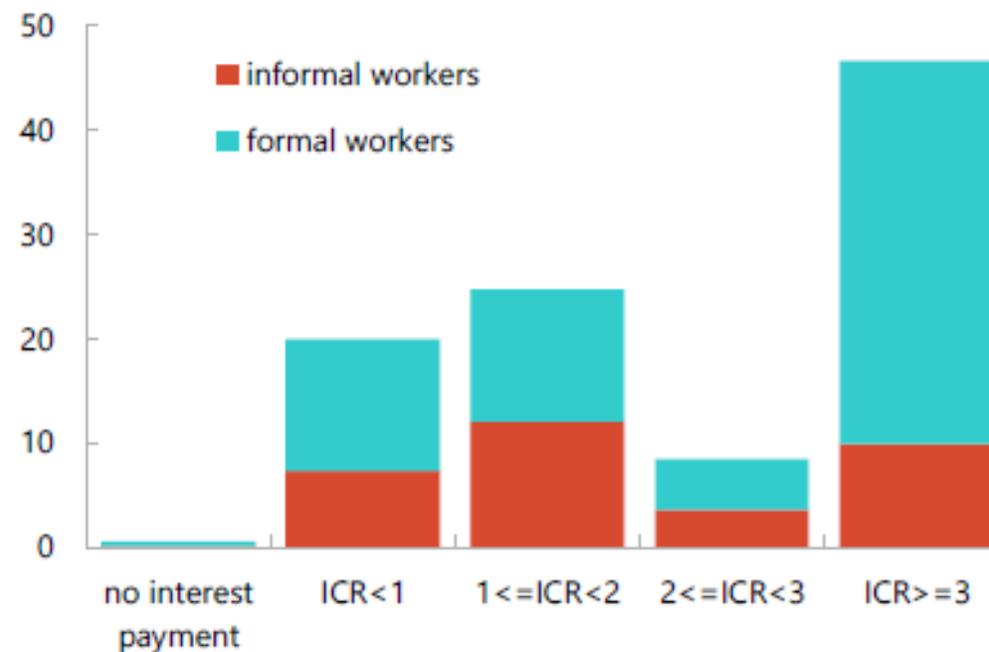
(ICR=interest coverage ratio, percent)



Sources: 2017 Vietnam Enterprise Survey; IMF staff calculations.

## Share of Employment by Financial Condition

(ICR=interest coverage ratio, percent)



Note: total of share of employment in all ICR ranges is equal 100.

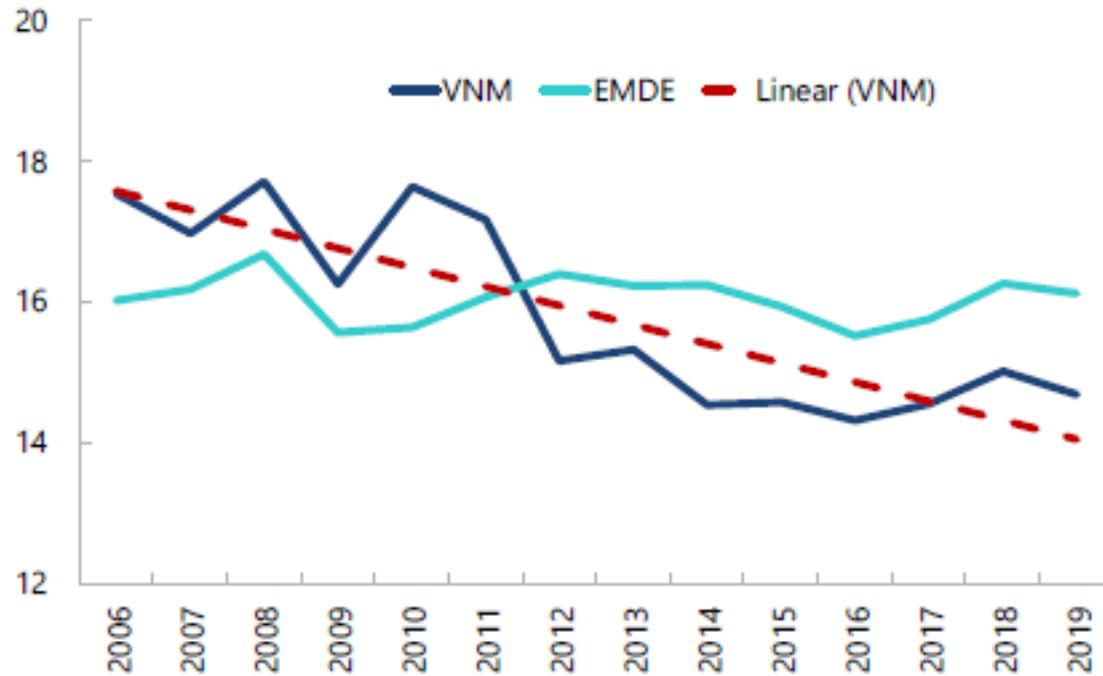
Sources: 2017 Vietnam Enterprise Survey; IMF staff calculations.



# Need for revenue mobilization...

## General Government Tax Revenue

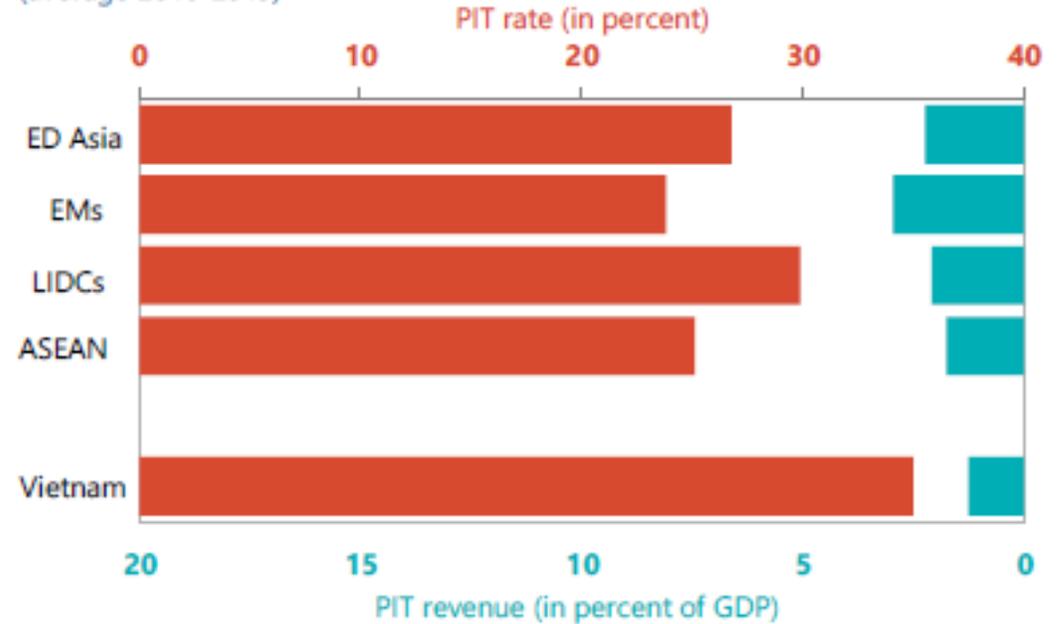
(In percent of GDP)



Sources: Calculations based on 2020 October WEO.

## PIT: Revenue and Rate

(average 2010-2019)



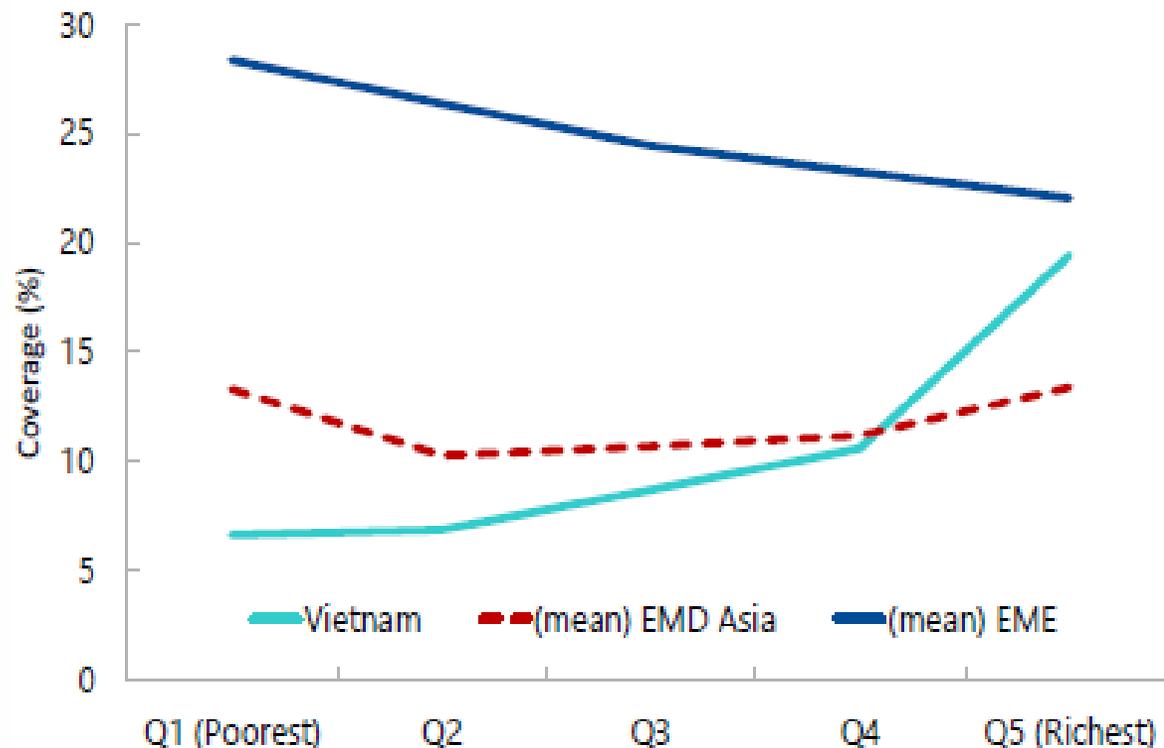
Sources: Staff calculations based on Vietnamese authorities; IMF Internal World Revenue Longitudinal and Tax Rates Databases.



# Pensions and Sustainable Development Goals (SDGs)

## Coverage by quintile, Contributory Pensions

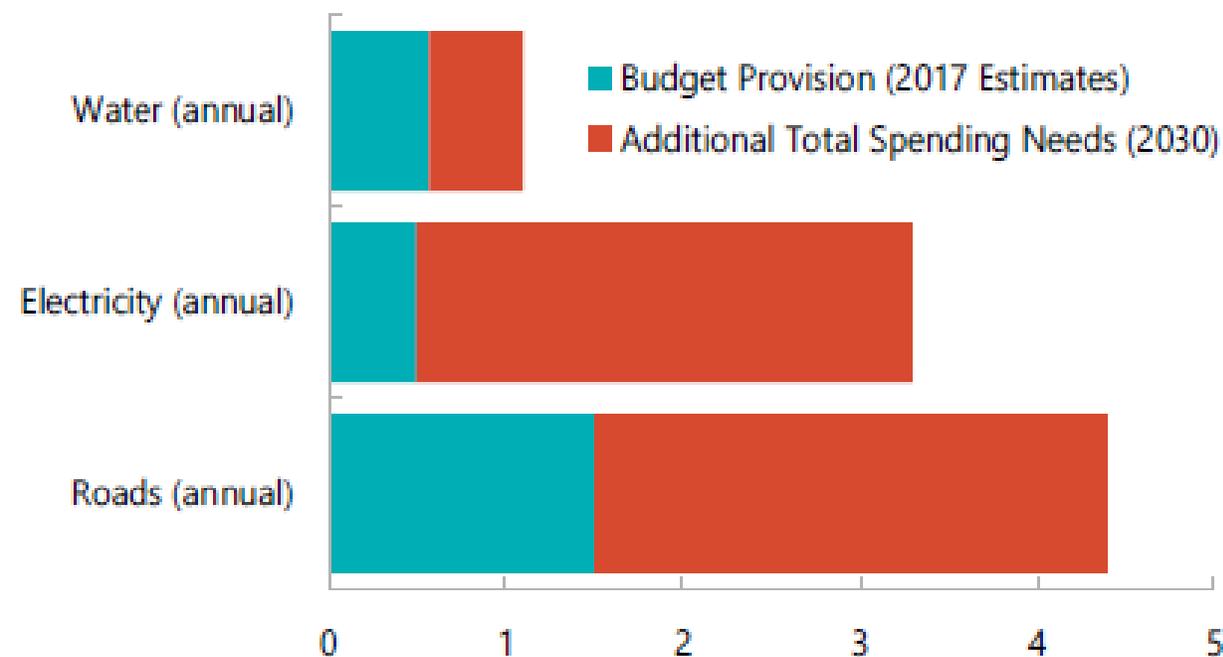
(Most recent available year)



Sources: IMF FAD Social Protection & Labor - Assessment Tool (SPL-AT).

## Spending Needs to Achieve Selected SDGs

(additional total spending, in percent of GDP)



Sources: Baum (IMF WP 2020/31).

Notes: Additional spending needs are based on current budget provisions above which spending would need to increase.