

## **IMF's economic outlook on Vietnam medium-term**

**VNBusinessNews.com - The International Monetary Fund said that Viet Nam economy's medium-term prospects are good and Viet Nam will still be an attractive investment destination for foreign investors.**

After the period of impressive economic growth, Viet Nam is meeting various challenges. In 2007, Viet Nam had hot economic growth but in the first half of 2008 the situation reversed. The hot credit growth was because of strong foreign investment inflows, high increase in public spending, increase in fuel and food prices that resulted in inflation and trade deficit. The above factors significantly impacted psychology of investors and made pressure on dong depreciation.

Economic policy makers have made some successes in stabilising the economy. Viet Nam started being impacted from the strong fluctuation of the world's financial market and the world's difficult economy.

The current biggest challenge is putting forward such policies that ensure the macro-economy and finance amidst the world's economic downturns. Additionally, in medium terms, it is required to ensure the economic growth and the poverty reduction.

GDP growth in 2007 was 8.5% but this figure in 2008 fell to only 6.5%, the lowest level since 1999. The main reason was the downturns of the construction and service sectors, the difficulties of the real estate market. So, the economy faced up various challenges although in fact agriculture production still strongly increased.

From October 2008, industrial production, particularly in the foreign-invested sector decreased. Inflation climbed to all-time high level within 17 years however having recently reduced somehow. Namely, headline inflation increased fast and topped at 28.5% in August 2008. This figure then fell to 17.5% in January, which was resulted from reduction of food and energy prices. However, core inflation that excludes food and energy prices also reduced gradually.

The current account deficit increased highly in 2007 and 2008.

The strong growth of both exports and imports led to a trade deficit of up to 9.75% of GDP in 2007. Such an uptick continued in the first half of 2008. The deficit of current accounts started declining in the second half of 2008 because of reduction of both export and import. For the whole year of 2008, the deficit of current accounts still stayed at 10.25% of GDP.

The growth of goods and services export and foreign direct investment slowed down. Vietnam's stock market slashed by 75% from the end of 2007. The GDP growth in 2009 will be likely at 4.75%. The downturns of the global economy, reduction of export, decrease of overseas remittance and reduction of foreign direct investment, low domestic demand will also put the production sector into difficulties. The headline inflation by the end of 2009 may fall to 6% because of lower commodity prices.

The current account deficit is likely to stay at about 8% of GDP because of lower import spending. The difficulties of the financial market will make capital inflow into Viet Nam sharply reduce.

Viet Nam is still an attractive destination for foreign investors. The country's GDP growth by 2013 will be 7.5%. The deficit of current account in 2013 will be 7.5% of GDP. Export and deposits will resurge. When confidence of investors recovers, investment capital will resurge. (CafeF)

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