

Vietnam maintains positive growth

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CA - While more developed south-east Asian economies are sinking toward recession, Vietnam on Thursday reported economic growth of 3.1 per cent for the quarter ending March 31.

Though the government is taking pride in the early, positive figures, the growth rate is the lowest it has recorded in a decade and below what many analysts were expecting. A year ago, GDP expanded 7.4 per cent.

“Our expectations were for around 4.5 per cent,” said Alvin Liew, an economist with Standard Chartered Bank in Singapore, but he stressed that current volatility made forecasts uncertain.

The figures were supported by a revival of construction, which was slowed last year by government anti-inflation measures; a positive trade balance, a result of slowing imports which slid 45 per cent; and reasonably robust retail figures.

Rice exports rose 71 per cent, with support from a large government-to-government deal with the Philippines. There is also evidence that farmers are going to reap a good rice crop in the second quarter.

Vietnam's export sales of rice, the staple of the half the world's population, have jumped this year as its lower prices have allowed it to undercut Thailand and to attract importing countries focused on low prices rather than grain quality.

Vietnam is the world's second-largest exporter of rice after Thailand.

Thailand's government is keeping rice export prices artificially high with an intervention programme in which it pays to paddy farmers Bt11,800-12,000 (\$333-\$339, €247-€251, £228-£232) per tonne, equal to an export price for high-quality white rice of about \$580-\$620 per tonne. Thailand's lower-quality “5 per cent broken” rice is trading at \$570 (€422, £390) a tonne, well above the \$460 per tonne for the similar quality in Vietnam. Thai rice exporters have told their government that they are losing market share to Vietnam because of their high prices.

Nevertheless, Bangkok maintains a stronghold in some markets, particularly the Middle East, which is interested in higher-quality rice. Vietnam produces only medium and low-quality grain, selling it to African and Asian countries.

The level of rice exports from Vietnam in the first quarter, at about 1.75m tonnes, looks even bigger compared with the same period of 2008 because Hanoi was then capping sales to maintain local supplies.

Hanoi is still hoping for annual growth of between 5 and 6 per cent, down from its estimate of 6.5 per cent at the end of last year. “The growth figure is considered positive given the context of a global economic recession,” the government said.

Pledges of new investment fell 70 per cent in the quarter. Exports are forecast to contract by 7 per cent this year, but rose 2 per cent during the quarter.

By contrast, Singapore and Malaysia have been hard hit by plunging electronics shipments. Hanoi signalled support for its exporters this week by widening the daily trading band for the dong, effectively allowing it depreciate faster.

Source: The Financial Times Limit

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