

A Closer look into recent economy, Whether or not Vietnam faces a 10-year crisis?

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Abstract

From 2018, the global economy began to grow strongly and synchronously, but as 2018 passed, the development momentum has become slower, faded, along with biased growing trends. The US economy has accelerated thanks to fiscal stimulus policies early this year, while the economy of the EU, Britain, Japan and China began to weaken. These differences will continue to exist in 2019 and Vietnam is not excluded. This study is a closer look into Vietnamese economy from 2007 up to now & prediction to the upcoming period. *Objective:* The present study aims at giving predictions & recommendations to sustain Vietnam's economy in the next years based on analyzing multiple economic indicators such as: economic growth rate, inflation, unemployment rate, import and export throughout the period 2007 – 2018. *Material and methods:* General information about the Vietnam's economy & crisis trend was collected from the documentation provided by National Financial Committee as well as economic websites. Then, the authors analyzed & made comparisons between years to years & created tables to show them clearly. Secondary data, such as theoretical frameworks and literature, were obtained from reference books, scientific books, scientific articles and peer reviewed journals. *Results:* The economy since 2007 has been so volatile: the economic growth rate fell erratically, unpredictably; unemployment & inflation rate are still really big problems while import, export & investment have prospered gradually. *Conclusions:* Vietnam's economy is on a good & rapid growth path, with many economic advantages. However, in essence, Vietnam is still a young economy, so we need to be well prepared to cope with major economic fluctuations that may occur, possibly next year – the beginning year of the 10-year crisis period.

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Keywords

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1 Introduction

Vietnam's economy has been growing well, but growth remains unsustainable. The ratio of investment to GDP decreased over the last three years, which will have impact on national development in 2019-2020. According to Nielsen inc., 48% of Vietnamese consumers said that the country is about to face with a recession[1].

Economic experts also warned that the economic recession may return to the 10-year cycle. The recession cycle of the economy is averagely 10 years /time and is quite clear during the past. If calculated from the latest recession in 2008, this time is at the end of the 10-year growth cycle before entering a recession in 2019.

This study aimed to assess the current Vietnamese economy to investigate sources of impacts causing economic fluctuations recently, so that people may get the best prediction & closer look into the 2019 – 2020 period. We used data from vital statistics and the statistics from the General Department of Vietnam Customs from 2007 to 2018, to estimate general economic rates. The annual percentages of change and trends were calculated & illustrated on the charts.

As a result of researching, this study is hoped to contribute significant economic data on the path of sustaining the economy & prepare to resist to a crisis if it happens.



2 Actual State & Analysis

2.1 Economic growth rate

In each economic cycle, there are usually two phases: recovery and recession, divided into four stages: (1) money growth and recovery; (2) growth peak; (3) decline / post-growth; and (4) stage of bottoming. For each stage, the evolution of macroeconomic indicators and the implementation of economic policies are relatively different. During the 2007-2016 period, Vietnam's economy has experienced 3 major periods: (i) post-growth in 2007-2008; (ii) economic recession in 2009-2012; and (iii) growth in 2013-2016. From 2017 up to now, Vietnam may be at the peak of the economic cycle with some early warning signs of risks that have appeared in the macroeconomic picture of the first 6 months of 2018.

- 2007 is the year Vietnam has the highest economic growth rate (8,48%)[2].

- From 2018, the growth rate tends to decrease. This is the impact of global economic recession affecting our country's economy:

- In the period of 2009-2012, especially in 2009, the growth rate of our country was low, only 5.32%, which can be explained by the fact that these two years are the first phase of the economic recession. At that time our country was in high inflation, while the government issued a policy of tightening the production without developing, making our economy fall into stagnation.

•In 2010, the economic growth rate increased from 5.32% to 6.78%. This is thanks to the Government's 9 billion USD stimulus packages at the end of 2009[2].

•In 2011, the impact of the stimulus package is no longer available, and the banking system is difficult (restructuring), while the world crisis has not passed yet, so enterprises both lacked capital and failed to solve the output, leading to bankruptcy or stopping promoting production. In a nutshell, it is clear that the economic recession has had a profound impact on our economy, an open economy and quite extensive integration with the world economy, especially after WTO accession (2007) of our country. The impact of the Depression is clearly reflected on the GDP growth.

•In two years 2011-2012, the economic growth continued to decline, from 6.42% in 2010 to 6.24% in 2011 and 5.25% in 2012[2].

- In the period of 2013-2016, Vietnam's economy faced many difficulties due to internal problems of the economy

and under the impact of the global economic recession. By removing difficulties for the economy at the same time as the world economic recovery, the domestic economy began to see a special improvement, recorded a breakthrough in 2015's growth, estimated to be 6.68%, which exceeded 0.48% compared to the estimation, but for the whole period, the average growth rate of the economy was estimated at 5.91%, failing to reach the 6.5-year growth plan.

- From 2017 up to now, Vietnam may have been at the peak of the economic cycle

•In 2017, economic growth reached 6.81%, exceeding the target of 6.7% set by the National Assembly, having the highest growth rate in the past 10 years, according to new figures published by the General Statistics Office. In particular, the economy in the last two quarters recorded a growth rate of over 7% compared to the same period last year.

In 2018, economic growth in the second quarter (6.79%) and the first 6 months (7.08%) was still higher than the same period last year but could not exceed the growth peak in the first quarter (7.45%). The main reason for this phenomenon is because the processing and manufacturing industry has slowed down rapidly, especially the export of phones, electronics, and computers. Meanwhile, service sectors continued to grow well, typically in the wholesale and retail segments, warehousing, and real estate. In addition, the agricultural and fishery sectors' activities continued to rise with the highest growth rate in the last 5 years [2].

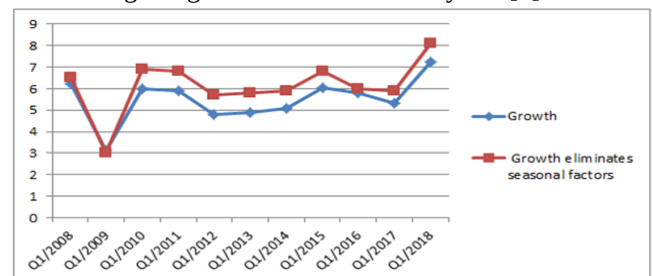


Figure 1 GDP growth in the first quarter from 2008 to 2018, % compared to the same period (Source: National Financial Supervisory Commission)

2.2 Inflation

It is undeniable that inflation in Vietnam is often significantly higher than other countries in the region and the world, as illustrated in the table below:

Table 1 The comparison of illustrated for Vietnam economic and the others area in the world
(Source: Calculated based on IMF data, 2019 is estimated)

%	2000-2004	2005-2009	2000-2009	2010-2014	2015-2019	2010-2019
Vietnam	2.6	10.8	6.7	9.5	2.9	6.2
Asia Pacific	3.5	4.2	3.9	4.3	2.9	3.6

ASIAN - 5	4.8	6.6	5.7	4.7	3.0	3.8
Emerging and developing countries	3.1	4.9	4.0	4.8	2.9	3.9
World	4.2	4.3	4.2	4.0	3.1	3.5

- From 2008 to 2012, inflation tends to lose stability and cyclical expression. This cycle is about 3 years when the inflation rate peaked in August 2008 (28.23%) and August 2011 (23.02%). Inflation in 2012 was curbed under one figure and nearly equaled the inflation rate of 6.52%[3].

The government has affirmed: "The main cause of high inflation in our country is the consequence of the loosening of monetary and fiscal policies that lasted for many years to meet the requirements of investment and development and guarantee social security, and social welfare while the economic structure and investment structure are still ineffective, with limitations in management and synergistic effects of psychological factors". And it has set the goal: "Controlling inflation is number one priority when favorable conditions will strive to achieve higher growth" in the goals of 2012 and the 5-year plan 2011 - 2015.

- Inflation in 2015 was the lowest in 15 years, according to the General Statistics Office, the consumer price index (CPI) in December 2015 increased by 0.02% over the previous month and by 0.6% over the same period. On average, the national CPI in 2015 increased by 0.63% compared to the previous year due to lowering costs, and people calculating the expenditure more carefully.

- 2016 inflation is 4.74%. On average, general inflation has a higher increase than basic inflation in 2016 compared to in 2015, which reflects price fluctuations due to high market factors, such as food prices, gasoline prices, and price control factors such as adjusting the price of health and education services.

- The average CPI in 2017 increased by 3.53% compared to 2016 and increased by 2.6% compared to December 2016. Thus, the target of inflation control, keeping the average CPI in 2017 below 4% was achieved. According to the General Statistics Office (Ministry of Planning and Investment), the average consumer price index (CPI) in the first 8 months of 2018 increased by 3.52% compared to that in 2017. Basic inflation in this period increased by 1.38% compared to the average of the same period in 2017 [3].

2.3 Unemployment

Under the impact of the financial crisis and the global economic recession, production, business, and services declined; products and stagnant goods, including important supplies, food and many large-scale agricultural products, are being consumed more slowly; The number of unemployed people in 2008 was about 667,000 people, from which group 3,000 workers from abroad had to return home before deadline, while Labor export is difficult.

By the 3rd quarter of 2018, it is estimated that the unemployment rate of working age workers in Vietnam is 2.2%, higher than that of the 2nd quarter with 0.3%. Meanwhile, the labor force reached 55.2 million people, with an increase of 581,500 people compared to the same period the previous year[4].

2.4 Import and export

In the period of 2006 up to now, import and export activities have achieved great progress, thanks in part to Vietnam's deeper integration into the international market. According to the reports of the Government, the import and export of 2018 increased sharply, higher than the recorded level in 2017, estimated to reach USD 475 billion, up 11.7%.

2.4.1 Export

In the period of 2006-2010, the average export turnover of goods reached USD 56 billion / year, about 2.5 times higher than the figure of 2001-2005 period; The average growth rate of export turnover is 17.2% / year. In the period of 2013-2017, the export turnover of goods averaged USD 165.85 billion/year.

The results for 2016, 2017 and 2018 were all surpluses. In 2018, export was estimated at USD 238 billion, increasing by 11.2% in trade balance, with surplus of about 1 billion USD[5].

2.4.2 Import

The trade deficit in the 2016-2018 period increased sharply. As of the first 6 months of 2018, the total value of goods import and export of the whole country reached 225.02 billion USD, increasing by 12.9% compared with the same period last year and close to the value of the whole year 2012 (228.31 billion USD). The export value was 114.19 billion USD, rising by 16.3% and import was 110.83 billion USD, rising by 9.6%[5].

With above export and import results, the country's trade balance of goods in June 2018 had a surplus of 799 million USD, thereby bringing the country's surplus in the first two-quarters of 2018 to 3.36 billion USD. Huge openness of the economy has created an opportunity for total import-export turnover to rise to 193% GDP in 2017. However, There are still problems in the foundation and domestic growth resources.

2.5 Investment

In contrast to the region and the world, investment has slowed down in Vietnam in the current decade compared to 10 years ago, especially in the five-year period from 2015-2019.

This is reflected in the data on the total investment in the economy, based on the GDP of Vietnam and the region and the world, in the table below. Thus, one of the factors leading

to hot economic growth and the collapse of an economy is that high investment growth has not been present in Vietnam, especially in the second half of this decade.

Table 2 Vietnam's investment / GDP ratio compared to the region and the world (Source: Calculated based on IMF data, 2019 is estimated)

%	2000-2004	2005-2009	2000-2009	2010-2014	2015-2019	2010-2019
Vietnam	32.6	36.3	34.4	29.2	27.4	29.1
Asia Pacific	25.2	26.8	26.0	28.8	28.7	28.5
ASIAN - 5	32.5	37.8	35.2	42.4	40.1	41.2
Emerging and developing countries	25.5	29.1	27.3	32.3	32.7	32.3
World	23.3	24.4	23.8	25.1	25.8	25.2

2.6 Banking system

The asset quality of the banking system is getting worse due to the high credit growth in the past years while the ability to manage risk is low and operating monetary policy and interest rates of the agency state management are still inadequate. From 2012 to the end of June 2018, the banking system handled 785.93 trillion dongs of bad debt. By the end of June, the bad debt ratio had been 2.09%, less than that by the end of 2016 (2.46%), although still higher than by the end of 2017. The picture of bad debt of the banking system has been changed very much. In addition to the increase in NPL ratio, it is worth noting that the proportion of NPLs in Group 5 (potential loss of debt) among the total internal NPLs increased sharply in some banks. Bad debt increased rapidly while low credit showed that credit quality is declining and reflects difficulties of enterprises in 2019, increasing credit risk for the banking system[6].

The minimum capital adequacy ratio tends to fall sharply. Liquidity pressures can also be seen based on the increasing tendency of lending/mobilization (LDR).

3 Conclusion & Vietnam economic prospect

In the period of 2018-2020, under the perspective of Experts and Economic Advisory Group, Vietnam is facing risks when economic growth is more and more dependent on the FDI sector. FDI in Vietnam is focused on a number of key products, so when there are trade lawsuits or conflicts economic growth will greatly be affected.

Besides, credit growth and monetary supply are at high levels and have potential risks of national debt and macroeconomic instability.

Vietnam's national financial openness is higher than the level of economic development. High public debt ratio and large debt repayment obligations also affect macroeconomic management as well as the ability to reduce interest rates.

The continuation of the process of liberalization and adjustment of public service prices such as electricity prices, environment protecting taxes, and rising health service prices will also affect macroeconomic stability in the coming period.

Although the world forecasts that Vietnam's growth trend is lower, with an average rate of about 6.5-6.6% per year in the period of 2019-2020 due to unfavorable impacts from the international market, But if Vietnam continues to stabilize the macro economy, attracting FDI well, boosting economic restructuring, it will promote the positive effects.

If the macroeconomic stability continues, attracting FDI, boosting economic restructuring and implementing FTAs will support economic growth. These are also factors for NCIF to believe that growth in the coming period will reach 6.9%. Accordingly, it is necessary to prioritize policies in 5 main areas: Power promotion economic competitiveness, building skills, enhancing integration, strengthening state institutions, supporting the transition to high-income status. Thus, Vietnamese economy can be strong enough to resist if a crisis happens.

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Góc nhìn sâu hơn về nền kinh tế thời gian gần đây, liệu Việt Nam có phải đối mặt với chu kỳ khủng hoảng 10 năm hay không?

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Tóm tắt Từ năm 2018, nền kinh tế toàn cầu bắt đầu tăng trưởng mạnh mẽ và đồng bộ, nhưng năm 2018 trôi qua, đã phát triển trở nên chậm hơn, xu hướng tăng trưởng lệch. Nền kinh tế Mỹ tăng tốc nhờ các chính sách kích thích tài chính vào đầu năm nay, trong khi nền kinh tế của EU, Anh, Nhật Bản và Trung Quốc bắt đầu suy yếu. Những khác biệt này sẽ tiếp tục tồn tại vào năm 2019 và Việt Nam cũng không ngoại trừ. Bài nghiên cứu dưới đây cho chúng ta một cái nhìn chi tiết hơn về nền kinh tế Việt Nam từ năm 2007 đến nay và dự đoán cho giai đoạn sắp tới.

Mục tiêu: Bài nghiên cứu nhằm đưa ra dự đoán và khuyến nghị để duy trì nền kinh tế Việt Nam trong những năm tới dựa trên việc phân tích nhiều chỉ tiêu kinh tế như: tốc độ tăng trưởng kinh tế, lạm phát, tỉ lệ thất nghiệp, xuất nhập khẩu trong giai đoạn 2007 - 2018.

Tài liệu và phương pháp: Thông tin chung về xu hướng khủng hoảng và kinh tế Việt Nam được thu thập từ các tài liệu do Ủy ban Tài chính Quốc gia cũng như các trang web kinh tế cung cấp.

Sau đó, tác giả đã phân tích và thực hiện so sánh giữa năm này với năm khác và tạo các bảng để hiển thị chúng rõ ràng hơn.

Dữ liệu thứ cấp, ví dụ như lý thuyết và tài liệu được lấy từ sách tham khảo, sách khoa học, bài báo khoa học và các tạp chí đánh giá tương đương.

Kết quả: Nền kinh tế từ năm 2007 đã rất biến động: tốc độ tăng trưởng kinh tế giảm thất thường, không thể đoán trước được; tỉ lệ thất nghiệp và lạm phát vẫn là vấn đề thực sự lớn trong khi nhập khẩu, xuất khẩu và đầu tư ngày một phát triển.

Kết luận: Nền kinh tế của Việt Nam đang trên con đường tăng trưởng tốt và nhanh chóng, với nhiều lợi thế kinh tế. Tuy nhiên, về bản chất, Việt Nam vẫn là một nền kinh tế non trẻ, vì vậy chúng ta cần chuẩn bị tốt để đối phó với những biến động kinh tế lớn có thể xảy ra, có thể trong năm 2019 - năm đầu của giai đoạn khủng hoảng 10 năm.

Từ khóa Chu kỳ khủng hoảng 10 năm, kinh tế Việt Nam, khủng hoảng kinh tế Việt Nam.