**VIETNAM’S ECONOMY IN 2020 AND THE RECOVERY TREND IN THE MID-TERM 2021-2025[[1]](#footnote-1)**

**(Summary report)**

# Part 1. Vietnam's Economy in 2020 - COVID19 and its consequences

## **I. The global economy in 2020 is rather gloomy**

* 1. ***Sharp dropping in economic growth due to COVID19****:* Since the Great Depression 1929-1930, the global economic growth in 2020 experienced the deepest dropping (triple the downturn in the financial crisis in 2008-2009). Trade and investment plummeted (by 13.5-30%), especially in the sectors those have complex linkages because of the disruption in the global supply chains. Major economies, except China, experienced negative growth. The global economic recession is imminent.
  2. ***Supporting and economic stimulus packages have been launched widely:*** “Super-easing” monetary measure and economic support packages have been introduced at an unprecedented scale in many countries. However, the policy room has been gradually narrowed as the pandemic continues. Risks of public debt and budget deficit increases sharply. In addition, trade tensions, particularly the US-China trade war continues; the process of deglobalization tends to increase; world geopolitical developments complicated, etc., making the world economy even more troublesome.
  3. ***COVID-19 has also accelerated the movement of supply chains.*** COVID-19 makes many countries and businesses more aware of its over-reliance on China. Combined with US-China trade war and Industrial Revolution 4.0, COVID-19 accelerated the trend of manufacturing moving out of China. The movement of supply chains is expected to take place in three directions: (1) shift production back home; (2) shift production to countries in the region; (3) continue globalization but shift production out of China… However, many analyses show that the move away from China cannot happen quickly due to the advantages of scale and linkages among enterprises in China. Particularly, RCEP is creating more advantages for manufacturing in China.
  4. ***Also due to the COVID-19 shock, e-commerce and digitization have increased rapidly***. Many sectors are growing fast, especially those related to e-commerce and digitalization.

## **II. The domestic economy is critically affected by COVID-19 but has showed its remarkable resilience compared to many other economies**

* 1. ***Vietnam economy suffered large shocks from both supply and demand sides in 2020.*** GDP growth declined to just 2.91%[[2]](#footnote-2) compared to the pre-crisis forecast of 6.5% -7%. The growth target for the 2016-2020 period has not been achieved.[[3]](#footnote-3) However, Vietnam’s economy is still considered a resilient economy[[4]](#footnote-4) thanks to a balance between maintaining economic activities and controlling disease. Economic growth is still positive, while most macroeconomic and financial indicators are well controlled.
  2. ***Many sub-sectors in industrial and services were negatively affected, whereas agriculture was kept sustained.*** The service sector was hit hardest, with growth rate dropping deeply to 2.34%[[5]](#footnote-5). Tourism (and associated services such as accommodation, hotel and restaurant) and transportation and storage (especially the aviation industry) are the sectors most severely affected by travel restrictions, face-to-face contact restrictions and border lock down in many countries. Industry and construction saw the lowest growth in 10 years. Manufacturing activities fell sharply due to the disruption in supply chains and a decline in market demand[[6]](#footnote-6). The sectors, those adversely affected by COVID19, include textiles, garments, footwear, wood processing, and motor vehicle manufacturing. Meanwhile, agriculture experienced fairly good performance (growth at 2.68%), even higher than in 2019 (2.01%), which contributed significantly to the positive economic growth (contributing about 13.5% of economic growth in 2020 compared with 5-6% in 2015-2019). Some other industries maintained rather good growth amid the pandemic including chemicals, pharmaceuticals, electronics, computers and optical products[[7]](#footnote-7). In addition, e-commerce, digital services and a number of related industries and sectors showed growth potential in the context of social distancing and face-to-face contact limitation.
  3. ***From the demand side, the growth was maintained by public investment, net export, and domestic consumption.*** The government has pumped public investment to rescue the economic growth. NCIF’s simulation shows that public investment stimulus in 2020 could boost up the economic growth by 0.45% compared to the baseline scenario[[8]](#footnote-8). Private investment, which is associated with enterprises’ activities, has been reduced significantly[[9]](#footnote-9). FDI inflows to Vietnam in 2020 declined, but was less critical than that of the global and regional trend. There is a shift of FDI among industries, especially from manufacturing sector to electricity and gas sectors. In the context of the ongoing US-China trade war, COVID-19 is a catalyst accelerating the movement of FDI into Vietnam, which can be seen through the rapid increase in production capacity and exports to the US of some products.
  4. ***Domestic consumption increased slowly[[10]](#footnote-10), but was still a driver of economic growth thanks to high saving propensity before as well as consumption structure.*** Vietnamese build up savings and be able to control their personal finance to cope with the short-term economic shocks. Their consumption structure tends to focus on goods rather than services, so the negative impact of social distancing was minimized. Online shopping has grown strongly, complementing traditional consumption.
  5. ***Exports maintained positive growth[[11]](#footnote-11) in the context of sharp global trade decline (by 13.5-30%).*** EVFTA, China's economic recovery and the US-China trade war were the factors that support Vietnam's export growth[[12]](#footnote-12). Trade surplus reached new record, which in turn helped to mitigate the effects of reduced remittances and FDI, then in turn helped to support macroeconomic stability[[13]](#footnote-13). However, the high trade surplus was mainly explained by slow growth in imports, again showing that domestic production was significantly affected by COVID19. Since the second quarter of the year 2020, though still copping difficulties, export of FDI sector increased significantly, contributed a vital part in record trade surplus.
  6. ***The macroeconomic situation is generally stable, in spite of easing monetary and fiscal measures.*** Inflation rate in 2020 was kept low at 3.23%, although food and foodstuff prices fluctuated. Since the inflation was higher than economic growth, there is no signal of negative impacts from fiscal and easing monetary measures as the macroecomic and financial indicators are quite stable and under controlled. The USD/VND exchange rate was stable; the same for budget deficit. Although state budget revenue was affected by COVID19, it tended to increase more rapidly at the end of the year thanks to the growth recovery.
  7. ***The business is heavily affected by both internal and external factors.*** The results from two large-sample survey wave each of which covers more than 130,000 firms conducted by GSO (in April and September 2020) showed that over 83% of firms confirmed to be negatively affected by the COVID19. Labor and turnover of most sectors dropped by 8-15%. The firms have faced difficulties in term of input, consumption markets, and accessing financial resources. Non-state enterprises experience the lowest rate of activating and highest revenue loss.
  8. ***Even so, small proportion of enterprises have received government supports.*** 82% of surveyed businesses have not received the support. Micro and non-state enterprises have a lower rate of receiving support than other types of enterprises. The three main reasons includes: (i) not eligible, (ii) not knowing about and (iii) too difficult to apply.
  9. ***The Government has implemented plenty of monetary and fiscal measures to support the economy[[14]](#footnote-14), but the effects seem rather limited.*** So far, the supportive packages to the business and residents is said just reasonable. On one side, is believed being relevant to recent capacity of the government in term of budget availability and the target of macroeconomic stability and not creating a huge loan which may be burden afterward. However, one the other side, those measure may be criticized as not sufficient effective to recover and boost up the economy. The monetary policies helped reduce the interest rates sharply but mainly supports the existing clients, while creating little demand. At the same time, the room for further applying of that is limited since he interbank interest rates are already minimal. The size of Vietnam's fiscal measures is much smaller than that of other countries (ADB estimates the policy measures in the Asia-Pacific region on average reached 15% of GDP, while that of Vietnam was only 1% of GDP).

# Part 2. Vietnam’s economy in 2021 and in the mid-term 2021-2025

## **The main drivers of the growth**

* 1. ***Success in controlling the spread of COVID-19 and maintaining macroeconomic stability is the foundation for the economic recovery.*** In the tough year of 2020, Vietnam's economy has shown a resilience and a relatively good position to escape the "economic trap" of the COVID-19 crisis. This is the result of succeed disease control and previously accumulated economic growth achievements. In 2021, the existing foundation combined with factors including the continued business environment reform; measures to support enterprises getting out of difficulties; deep participation in global value chains; the implementation of new-generation FTAs; promotion of organizational and technology restructuring; digital transformation; and economic growth model transformation towards fast and sustainable business operation, will create an opportunity for Vietnam’s economy to grow rapidly again.
  2. ***The growth recovery of major trade and investment partner could support Vietnam's export growth in 2021.*** Forecasts of most international organizations show that the global and major economies can achieve higher growth rate in 2021including the US, EU, China, Japan, Korea and some others. In that context, the FTAs like EVFTA, CPTPP and RCEP are considered critical factors, supporting Vietnam's economic recovery in 2021[[15]](#footnote-15) and 2021-2025 as well. Exports to the US and China can be maintained regardless the continues US-China trade tensions showing no signs of improvement (even when China's economic growth is low, the US economy plummets, Vietnam's exports to these markets are still growing strongly). With better prospects in 2021 in such major markets, Vietnam has better grounds to expect for an acceleration in exports. However, exports to the US are facing great risks when the US list Vietnam as "currency manipulator countries".
  3. ***Vietnam is showing its remarkable “attractiveness” to international investors*** with its strong economic resilience to the pandemic, a prospect for post-pandemic recovery and the foreseen opportunities from the FTAs. The country is also likely to benefit from supply chain shipment. In fact, although the registered FDI in 2020 decreased by about 15%, the realized investment decreased very slightly (2%). It can be expected that when the pandemic is under controlled and the new normal state is set up in many countries, the FDI inflow in Vietnam will continue to increase, providing a solid basis for the recovery in 2021 and the following years.
  4. ***Internally, domestic consumption and public investment will still be drivers of economic growth recovery in 2021.*** Domestic consumption, which contributes about 68-70% of GDP, is likely to recover thanks to improved market sentiment and income. Public investment is likely to be driven by large projects starting in 2020, along with the efforts of the Government at both local and central level to seek for higher investment efficiency and greater linkages effect. In addition, the private and FDI sectors have opportunity to recover thanks to the recovery from both the supply and demand sides.
  5. ***The industry and services sectors may achieve higher growth next year (from the low level of 2020) thanks to the recovery of the consumer market and the supply sources.*** In particular, the manufacturing, wholesale and retail, and transportation and storage sectors are expected to recover strongly, regaining their leading roles as drivers for economic growth in 2021. Agricultural sector is forecasted to continue to grow steadily.
  6. ***Scenarios for economic growth in 2021 based on five critical assumptions:*** (i) Assumptions of COVID-19; (ii) The possibility of increasing exports and FDI; (iii) the supportive factors (including fiscal and monetary policies, the recovery of export markets and export orders); (iv) Disbursement of public investment; (v) Prospects for recovery of sectors and industries.
  7. ***Most international organizations anticipate a positive economic growth prospect of Vietnam in 2021.*** Positive signs of recovery include: (i) Many financial and economic indicators show signs of improvement; (ii) The Government is more proactive and experienced in disease control and response; (ii) The services sector has a chance for higher growth if the COVID19 is controlled; (iii) Exports come back fast-growing trend,; (iv) Disbursement of public investment is bushed up when the Government starts large project constructions; (v) Low interest rates; and (vi) The corporate income tax reduction policy has come into effect (from August 30, 2020). However, the actual developments depend on the practical situation and the ability to control the disease globally as well as in Vietnam.
  8. ***In the longer term, the digital business has opportunities to grow rapidly.*** E-commerce has grown strongly during the COVID-19 pandemic. In term of the digital financial services, especially in the banking sector, Vietnam currently has the most impressive growth in the region. This momentum will be continued in 2021 and near future.

## **The resistance a higher growth and changing of global trends 2021-2025**

* 1. ***Global economic risks still remain high, preventing the possibility of obtaining high growth rate in the 2021-2025 period.*** The COVID-19 could be unpredictable, even when vaccines are available. The effect of economic stimulus policies is quite limited because the space of current monetary and fiscal policies in developed countries is narrowing. Huge amount of money pumping into the economies may increase the risk of global macroeconomic and financial instability while business opportunities have not yet recovered. Many countries had already been in “cycle crisis”, “structural crisis” (such as EU) before the COVID-19 pandemic. It could take from 2-4 years for the world economy and major partners economies to recover to the pre-pandemic COVID-19 levels, depending on how they were affected by the pandemic.
  2. ***Geopolitical risks tend to increase post-COVID19 (IMF, October 2020)***. Geopolitical power tends to shift from West to East, as the consequences of the COVID-19 pandemic for Western countries are quite serious in association with the risk of public debt crisis. Trade tensions has continued and and transforming to the technological competition. Trade pattern between countries also tend to change over the medium term. The transition of power in the United States has a definite influence on the global economic landscape. Medium-term forecasts suggest that a recession will leave economies vulnerable and require structural changes that impact growth potential. These factors will definitely affect Vietnam's growth in the short-term and medium term. Currently, Vietnam is good at controlling the COVID19, but the uncertainty of the global context leads to many challenges for the process of solving COVID-19 consequences. The world economy and key partner countries have not really got out of difficulties, while their recovery process is unstable and contains many risks, leading to many challenges for Vietnam in promoting exports, attracting FDI and recovering the supply chains.
  3. ***The effect from supply chain movements and FDI inflows into Vietnam may not as expected.*** Global supply chains, value chains and trade flows have shifted drastically, in a more diversified direction following the COVID-19 pandemic. The GVCs are in the "reshaping" phase under the influence of COVID-19, giving Vietnam the opportunity to involve in the process of reallocating production and business facilities of multinational corporations. However, the opportunity for Vietnam to be involved in is not clear due to digitization, protectionism, and limited FDI absorption capacity as well as the capacity to create linkage between FDI and domestic SMEs.
  4. ***Internally, the recovery process in 2021-2025 period faces a number of challenges:*** The effects of economic stimulus policies are quite limited, as just small amount of firm accessed to the support packages. Investment outlook is also gloomy as private investment remains low. Uncertainty in the recovery of exports and economic sectors (service sectors, especially tourism and travel services may not grow again in 2021 if the pandemic is still unpredictable). Inflation pressure and macroeconomic instability risks due to foreign super-easing monetary and fiscal policies and Vietnam’s easing monetary policy. State budget sustainability is threatened due to high spending.
  5. ***The need to reform the economic growth model becomes more urgent.*** In 2020, although Vietnam experienced a positive economic growth rate, it basically based on increasing the input factors. Particularly, while many policies to deal with COVID-19 are available, the resources to implement those are very limited. Economic growth stimulation based on increased capital and low-skilled labors cannot last too long.
  6. ***Industry Revolution 4.0 and the digital economy are expected to develop faster after COVID-19, giving Vietnam opportunities to accelerate the economic restructuring and growth model reforming based on science, technology and innovation.*** Vietnam has opportunities to transform faster, from a growth model based on resources, low-cost labor and capital-intensive to a growth model based on productivity, quality, and efficiency by taking advantage of the rapid development of Industry Revolution 4.0. However, it also brings many challenges including the risks of being left behind or more dependent on rich countries.

## **Economic growth scenarios in the mid-term 2021-2025**

* 1. **Having assessesed abover factors Vietnam's economic growth in 2021 is forecasted to regain reasonable high level, with two following scenarios:**

*Baseline scenario*: Vietnam's economic growth rate may reach 6.17%; the average CPI is about 3.8%, given the context of a recovery of world economic and the COVID-19 pandemic is gradually controlled. In this scenario, some major economies such as the US, EU, and Japan will return from negative in 2020 to positive growth in 2021. US growth is assumed to reach 3-3.5%; China's economy recover at the rate of 5%. Oil prices remain low at $45/barrel as the same in 2020. The production gradually recovers, and state investment grows at 7%. Contribution of the FDI sector is expected to be maintained. Monetary policy continues to be flexible and appropriate, helping to stabilize the macroeconomic foundations.

*Optimistic scenario*: Vietnam's GDP growth in 2021 may reach 6.72%, and the average CPI is about 4.2%. This scenario may happen if faster-than-expected recovery of the world economy is observed. The US economy grows by over 3.5%. China reaches 6-8%. Domestic investment, production and business activities return to normal in 2021. In addition, by utilizing the advantages of new trade agreements, the investment flows, production and business will flourish again. State investment growth reaches 8%. Other conditions are unchanged from the baseline scenario.

* 1. ***In the rest of 2021-2025 period, Vietnam's economy may not see a breakthrough, as many internal difficulties are not resolved thoroughly, or even become worse after the COVID-19 pandemic.*** On the basis of analyzing and evaluating the influencing factors and the adjustments in the mid-term of 2021-2025, NCIF updated its economic growth forecast for the 2021-2025 period under two scenarios as follows:

*Base scenario:* The economic growth rate will reach an average of about 6.3% per year in the 2021-2025 period. This scenario is constructed with the assumption that risks of the COVID-19 epidemic remain permanent, the government's support packages are moderately effective, international context contains prolonged risks and instability; economic and trade growth is slow.

*Optimistic scenario:* The average economic growth rate in 2021-2025 may reach nearly 6.8% per year, and despite of adjustment to slightly lower level from the high level in 2021, Vietnam’s economy will still recover sustainably in the rest of period.

As such, the lastest forecast for Vietnam’s GDP growth rate in 2021-2025 period (December 2020), with an update on the impacts of the COVID-19 pandemic and the changes in domestic and international contexts, was significantly lower compared the pre-COVID19 forecast of NCIF (December 2019). Adjusted GDP growth decline by about 0.7-0.8 percentage points compared to the previous forecast, of which the growth rate decreases more strongly in the industrial, construction and services sectors.

## **IV. Policy implications**

* 1. ***In short-term, economic recovery is prioritised, focusing on solutions below:***
  2. Effective control of the disease is the prerequisite to restore the economy and minimize the losses caused by the pandemic.
  3. Continue policies to support the economy and social safety, taking into account the nature, the resonance impact, implementation costs as well as the slow implementation of support packages in pratice. More importantly, implement the economic stimulus measures in addition to the support measures.
  4. In short term, promote the implementation of public investment projects. In particular, focusing on large and prioritized projects with large spill-over effects. The priorities include: (1) large and important infrastructure and transportation projects with large spill-over effects, creating a driving force for socio-economic development, especially inter-regional projects. (2) projects aimed at preventing and mitigating the impacts of climate change and natural disasters. (3) National digital transformation projects.
  5. Take advantage of market opportunities, especially from FTAs ​​to promote exports, especially in markets with plenty of room. RCEP can make big changes in reshaping of the supply chains, so it is necessary to assess opportunities and challenges from this agreement soon.
  6. Develop an automatic response processes for emergency with the qualitative and quantitative thresholds that can be "triggered" and deployed as soon as a crisis, pandemic or other disasters occur.
  7. Develop domestic market, effectively implement the measures to stimulate domestic consumption, focus on stimulating demand in a number of sectors such as tourism, retail, transportation, accommodation and food services.
  8. In 2021, it is necessary to take advantage of opportunities to restructure some core sectors such as tourism, logistics, digital transformation, e-commerce, and domestic trade.
  9. ***In longer-term: Focus on some key issues***
  10. Continue institutional reform and improve the business environment are the core and most important factors that create new driving force for economic growth.
  11. Accelerate economic restructure associated with reforming growth models based on utilizing science and technology, developing digital economy; improving market conditions, especially the labor market.
  12. Support and accelerate digital transformation in the business sector through policy breakthroughs. Take advantages of Industry Revolution 4.0 to promote science and technology development, innovation and labor productivity.
  13. Take advantages of new generation FTAs and world economic trends; and actively respond to negative effects of trade competition and trade conflicts. Increasing investment in the supporting industries to take advantage of CPTPP, EVFTA and other FTAs. Attracting high-quality FDI and increasing domestic content in manufacturing.
  14. Build a solid foundation for e-commerce, with three dominant factors: logistics, e-payment and cybersecurity.

# Part 3. SUPPLY CHAIN MOVEMENTS

* 1. ***COVID19 accelerates supply chain shifts.*** In association with the strategy “China + 1”, the trend of moving out of China has been strengthened in 2019 in the context of of US-China trade war, including the movement of technology companies. COVID-19 has accelerated this trend faster. Four main shift modes include: (1) reshoring; (2) diversification; (3) regionalization; (3) replication. Depending on specific industries, degree of automation and digitization, the supply chain developments may differ. However, an important implication is that the global FDI flows associated with supply chain movements may decrease.
  2. ***Even so, by 2021, when the risks from COVID19 are still high, the possibility of these movements may be slow.*** Movement can only be accelerated in 2021-2025 when the Covid-19 pandemic is under controlled. Based on the scoring method and Ben Aylor approach (2020), NCIF builds the diagram of possibility supply chain shift by industry consists of two axes including the impetus to move (based on factors such as cost reduction, tax avoidance, reduction of supply chain disruption risks and incentive policies by some countries) and ease of movement (based on factors such as technology and labor intensity of the industry; capacity of alternative suppliers, costs of movement and the holding back of existing markets).
  3. ***The industries with the strongest possibility to move*** (upper right corner) are textiles, garments and footwear, electronics assembly, mechanical machinery and logistics services. The industries with great impetus but not easily to move (upper left corner) are pharmaceuticals, consumer electronics and technology goods because it is difficult to find alternative suppliers to meet requirements on technology capability, infrastructure and human resources (for the trend of moving electronics and high-tech goods out of China).
  4. ***Factors that facilitate the supply chains moving into Vietnam include:*** the success in pandemic control; good growth prospects; low labor costs; new generation FTAs; proximity to China; the rise of the middle class which drives domestic consumption; availability of industrial zones; improved business environment; opportunities to develop supporting industries thanks to rather high labor productivity and significant number of enterprises in some industries that produce material and intermediate goods (metal, rubber, and synthetic fiber production).

**Diagram: The impetus to move and ease of moving for some supply chains**

* 1. ***However, there are many barriers for the movements***: limited technology capability and labor skills; rapid increase in labor costs (although still low) which is incompatible with the low increase in labor productivity, underdeveloped infrastructure..., therefore it is difficult to attract industries that require high production capacity and technology capability and high quality infrastructure and human resources. Regarding microeconomic (sectoral and enterprise) barriers: labor productivity of enterprises in most industries[[16]](#footnote-16) is relatively low. And due to underdeveloped supporting industries, manufacturing activities in Vietnam are mainly outsourcing and assembling. There are only a few supplying industries that have higher labor productivity and export goods to many markets, but most of them are FDI firms.
  2. **Different industries have different levels of readiness to take advantages from supply chain movements.**
* *Textile, garment and footwear industry*: mainly processing and importing raw materials from abroad. Supply capacity of upstream firms is limited, except for firms in plastics and synthetic rubber production which have higher productivity as well as potential for growth.
* *Electronics industry*: Vietnam is the 12th largest exporter of electronics in the world and the 3rd in ASEAN, however 95% of exports belongs to FDI enterprises and mainly in processing and assembling activities. Most of the production uses imported materials. Supporting industry is underdeveloped. Labor productivity is at mid-range level.
* *Automotive manufacturing industry*: Vietnam has the strength to export a number of components and spare parts (such as wires for cars, tires) produced by FDI enterprises. Labor productivity of the automotive assembly industry is relatively high. The upstream sectors (prefabricated metals and iron and steel production) have relatively high labor productivity and a large number of enterprises, which suggests that Vietnam has the potential to produce raw materials for the production of components and module for assembly of end products.
* *Logistics industry*: has high growth rate and great potential for development thanks to the seaport system and favorable geographical location. However, investment in Vietnam's logistics infrastructure is still limited, especially international logistics centers connecting Vietnam with other countries, which leads to high logistics costs and limited competitiveness of export goods.
  1. ***Policy implications regarding supply chain movements***
  2. Industrial zone development is constrained by rising land prices. It is necessary to complete the plan to increase land supply for these zones.
  3. Labor bottlenecks, including unskilled workers have begun to appear. It is necessary to improve the policies on migration, settlement and household registration. There is shortage of senior management and technical workers. It is useful recommendation to training institutions. The vocational training system has not taken into account changes in occupational skills as the supply chains change.
  4. Policy of tax exemption and reduction for imported machinery, equipment and raw materials promotes domestic production, but not yet encourages development of supporting industries, which is a constraint to the development of upstream industries.
  5. Policy of increasing the minimum wage improves the living standards of workers, but not increase labor productivity accordingly, which in turn reducing the competitiveness of the labor force in Vietnam.

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2. In particular, the growth of the construction and industry sector and services sector decreased deeply, respectively from 8.9% in 2019 to 3.98% in 2020 and from 7.3% to 2.34%. [↑](#footnote-ref-2)
3. The average GDP growth rate of this period is only 5.99%, compared to the target of 6.5-7%. [↑](#footnote-ref-3)
4. Vietnam's growth rate decline in 2020 is 4.11 percentage points, compared to the world's 7.3 percentage point decline, Japan's 6 percentage point; Thailand’s 9.3 percentage point; and the Philippines’ 14.3 percentage point, ... [↑](#footnote-ref-4)
5. Decreased by 4.96 percentage points from 7.3% in the same period in 2019. [↑](#footnote-ref-5)
6. Survey results of the General Statistics Office (September 2020) on the impact of COVID-19 on business operations showed that nearly 30% of enterprises were in shortage of inputs, which is on average about 50.5% of the demand. World Bank's second round survey (September and October 2020) also reflected a similar results, with nearly 40% of businesses facing difficulties due to reduced supply of raw materials, even though the economic activities has became less difficult in September and October 2020 and showed signs of recovery compared to the second quarter of 2020. On the output side, the disease caused a decrease in market demand, including reducing new orders and canceling signed orders. In particular, the domestic consumption market of about 64.3% of enterprises was narrowed; 48.2% of exporting enterprises had difficulties; 51% of businesses had reduced new orders, 3% of businesses had canceled orders. [↑](#footnote-ref-6)
7. Textile and garment were strongly influenced by the supply chain disruption (the first quarter period) and the demand decreases in the second and third quarters. Textile and garment exports decline seriously (except for medical protection products). Imports of inputs such as cotton, fiber, fabric and raw materials decreased by 11.4-20.2%; about 88.7% of textile and garment enterprises were affected negatively due to shortage of long-term orders, with the rate of shutdowns and waiting for dissolution higher than average. Footwear industry: About 89.0% of businesses were negatively affected, 53.9% had lower inputs; 54.7% had difficulty in domestic consumption and about 85.1% suffered declined exports due to the decrease in orders and difficulties in goods circulation. [↑](#footnote-ref-7)
8. NCIF’s calculation. Baseline scenario assumed a 7% increase in public investment - equivalent to the level of 2019. [↑](#footnote-ref-8)
9. Private investment increased only 3.1% over the same period in 2019, compared with an increase of 17.3 in 2019, 18.5% in 2018 and and 16.5% in 2017. The number of enterprises that were in a status of being impossible to expand investment increased highly. [↑](#footnote-ref-9)
10. Consumption increased slowly due to the impact of the COVID-19 pandemic through 2 main channels: (1) travel restriction and social distancing measures in April and July of 2020 reduced consumers’ opportunities to consume However, this impact was not strong due to the short periods of social isolation measures in both the first wave (with national isolation) and the second wave (local isolation) of the pandemic. (2) Consumers were forced to reduce spending because of unemployment or reduced income. This negative impact is considered to be stronger and last for long. [↑](#footnote-ref-10)
11. In 2020, exports increased by 6.5%, compared to a 7.6% increase in 2019. [↑](#footnote-ref-11)
12. Exports to the US and China markets are high. However, the strong and continuous increase in export turnover to the US market also comes with risks, especially when the US Department of Finance put Vietnam in the list of "currency manipulators" (dated December 16, 2020). [↑](#footnote-ref-12)
13. Remittances and foreign currency revenues from tourism decreased by 7.8%; FDI decreased by 2%. [↑](#footnote-ref-13)
14. The fiscal measures include (i) A credit support package of 250 trillion VND; (ii) Tax exemption, reduction, deferral and delay for enterprises; (iii) Social security support package of 62 trillion VND (nearly 1% of GDP) for affected workers and households; (iv) promote the disbursement of 100% of public investment capital worth 686 trillion VND, equivalent to nearly 9% of GDP (of which VND 225 trillion was transferred from previous years). Monetary measures include (i) lowering interest rates; (ii) rescheduling loan terms, reducing/exempting loan interest; (iii) direct credit flows to 5 priority economic sectors and accelerating consumer lending to meet the reasonable needs of individuals and households; (iv) affected businesses are eligible for preferential loans from the Vietnam Bank for Social Policies (VSPB) without interest to pay the employee who are temporarily suspended from working. Total loan value as planned is 16.2 trillion dong (about 0.2% of GDP). [↑](#footnote-ref-14)
15. EVFTA has had quite positive impacts on Vietnam's exports since it officially came into effect. [↑](#footnote-ref-15)
16. Calculated by dividing value added by labor. [↑](#footnote-ref-16)