



YOUR LOGO



# The Economy of Vietnam

FACULTY OF ECONOMICS  
THAMMASAT UNIVERSITY

# Outline

Section 1	<b>Overview</b>
Section 2	<b>Economic performance</b>
Section 3	<b>Sector performance</b>
Section 4	<b>Development challenges</b>
Section 5	<b>Conclusion</b>

# OVERVIEW



# Socioeconomic indicators

	2000	2018
Population	79.9 million	96.5 million
GDP per capita	\$390	\$2,715
Under 5 mortality (per 100,000 births)	29.7	20.4
Infant mortality (per 100,000 births)	23.4	16.3
Primary education attainment	85%	99%
Poverty rate	32.1%	15.0%



# Geography

- Land area: 331,000 square km
- A narrow strip of land spanning from the border with PR China in the north to the South China sea in the south
- Northern and central highland areas are mountainous; most of the large cities are along the coastal areas
- Arable is only 23%, mostly around the Red river delta, the central coastal region, and the Mekong river delta in the south



# Historic milestones

- 1986: Vietnam Congress announces *Doi Moi* to open up its economy, along with economic reforms
- 1990s: Official development assistance and foreign investments begin to materialize
- 2000: Bilateral trade agreement signed with the US to allow "normal trade relations" status of Vietnamese goods



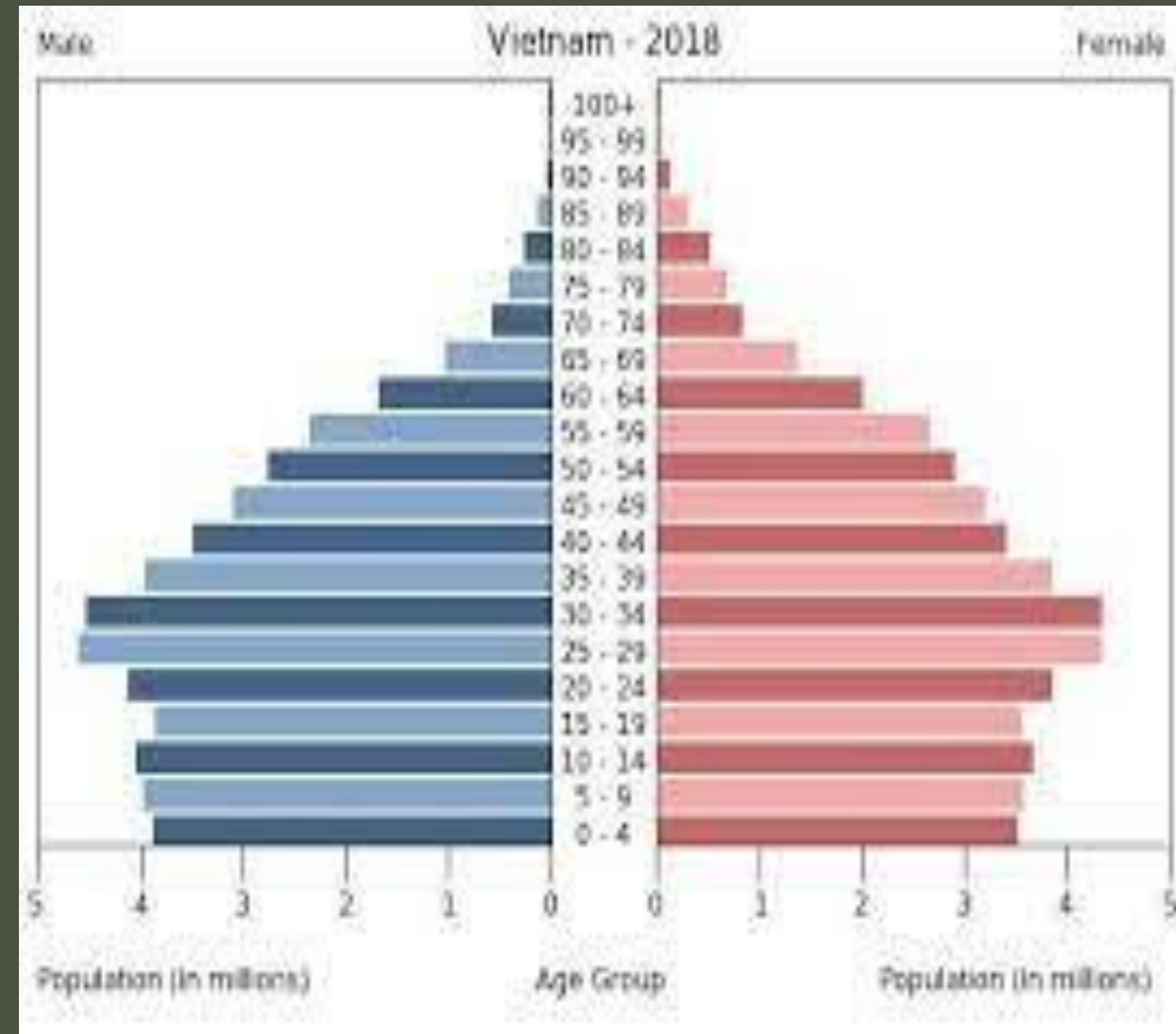
# Historic milestones

- 2001: the Communist Party approves a 10-year economic plan to enhance the role of the private sector, while reaffirming the primacy of the state
- 2006: the World Trade Organization approves Vietnam's accession to the organization
- 2015: Vietnam joins the ASEAN Economic Community

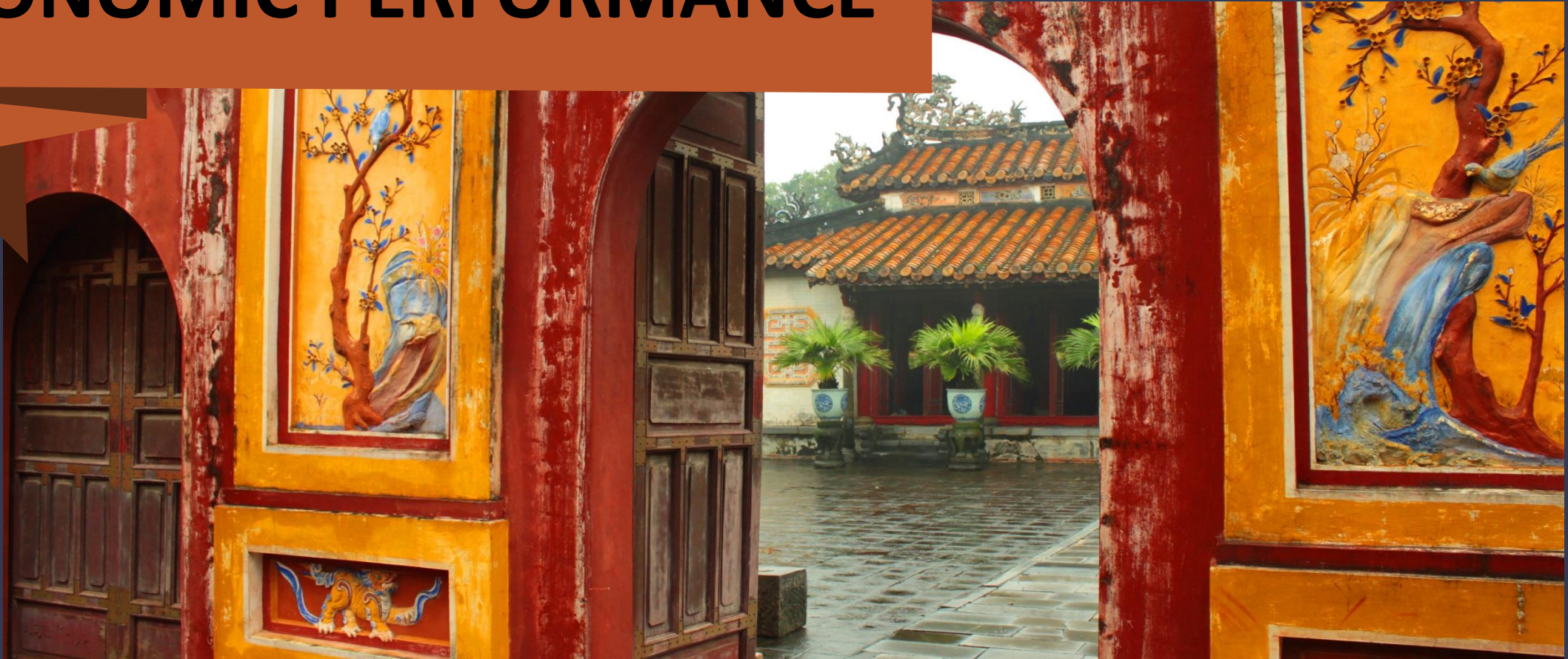


# Demographics

- Rapid demographic and social change; population increased from 60 million to 97 million from 1986 to 2020
- 70 percent of the population is under 35 years of age, with a life expectancy of close to 73 years
- The population is rapidly aging; the share of people 65 years and older is projected to double from 7% in 2015 to 15% by 2035

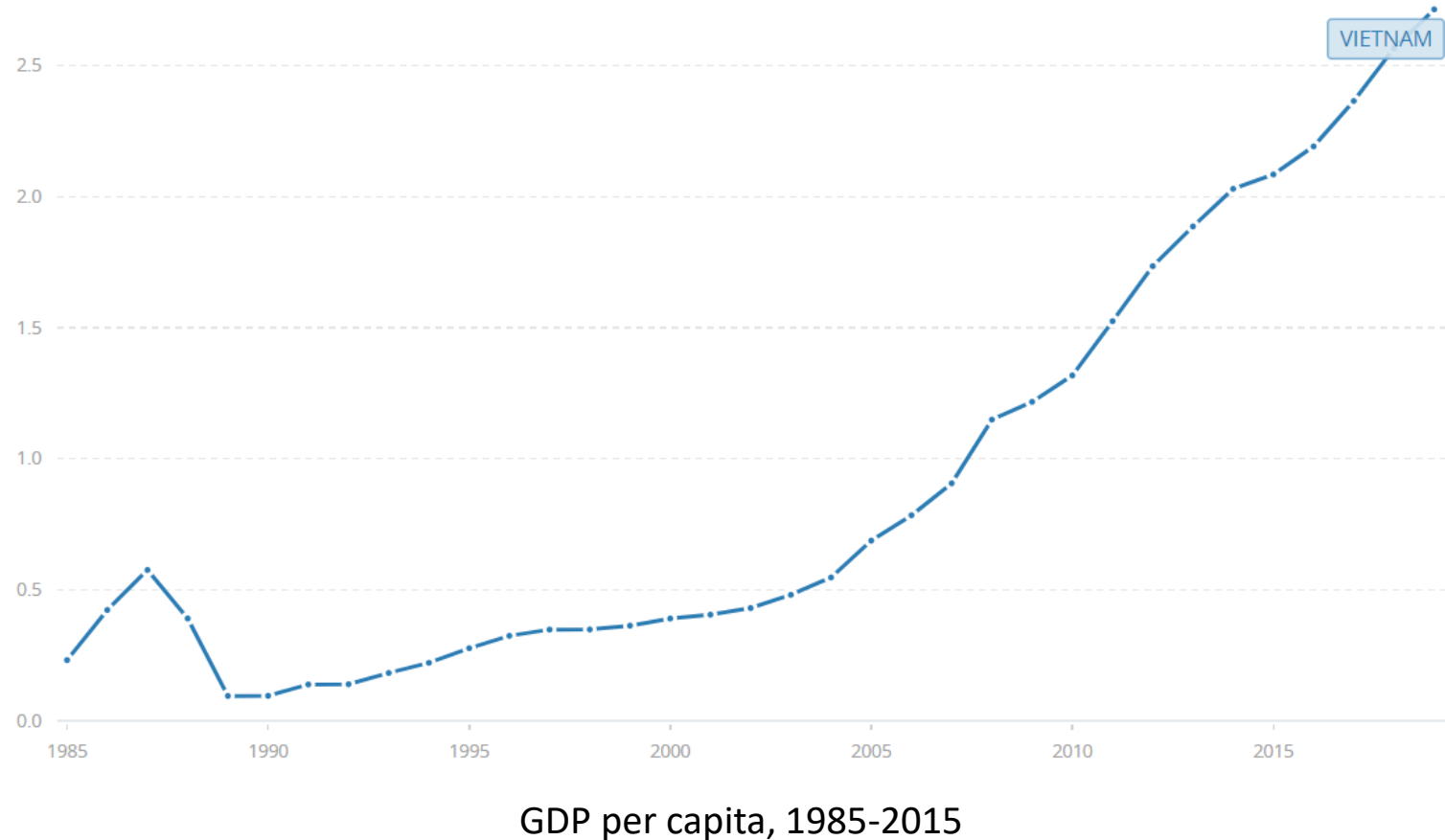


# ECONOMIC PERFORMANCE



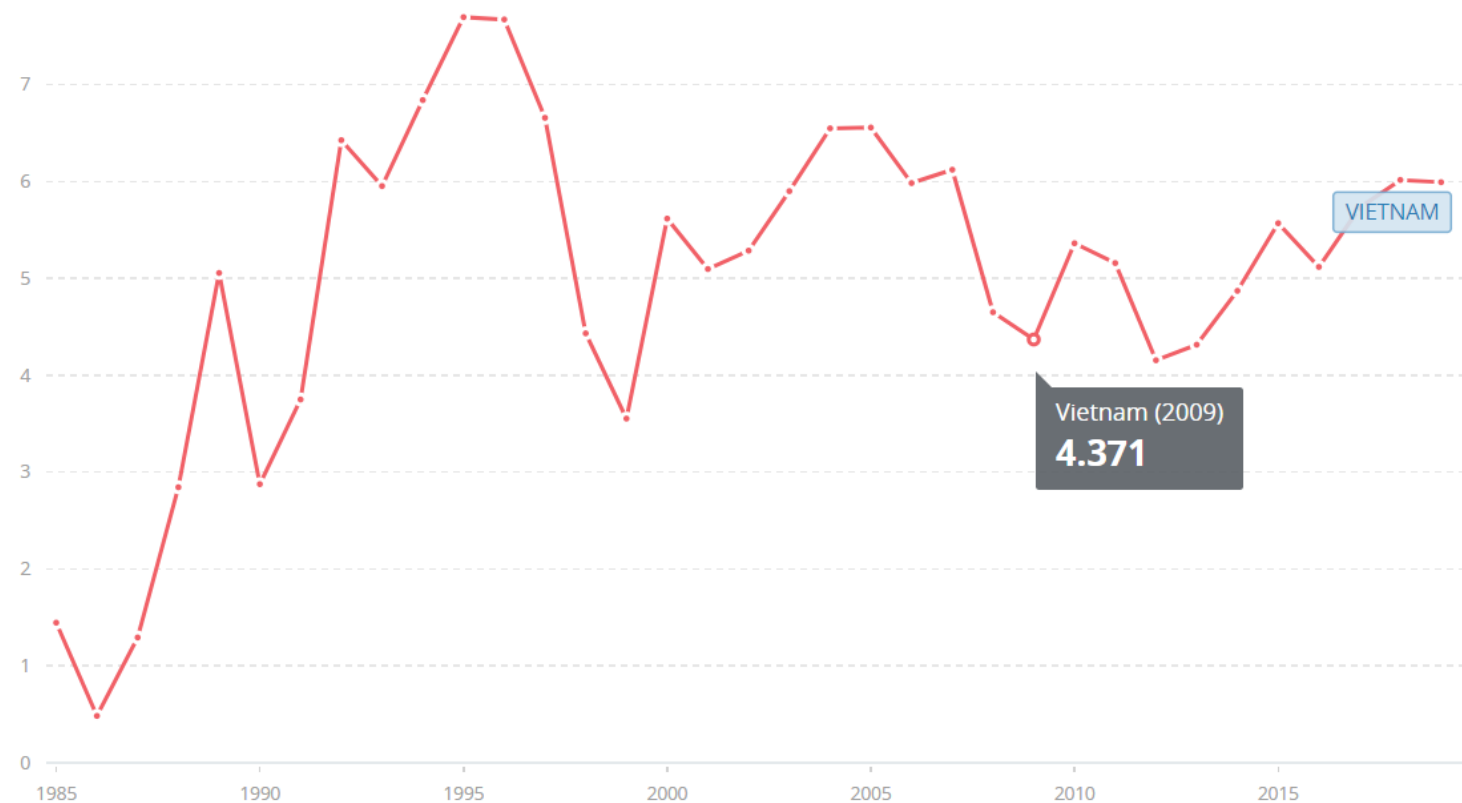
# Economic performance

- Thirty years after the *Doi Moi*, Vietnam is considered a development success: poverty reduction and dynamic economic growth
- Vietnam reached middle-income status in 2009 achieved most of the Millennium Development Goals set for 2015



# Economic performance

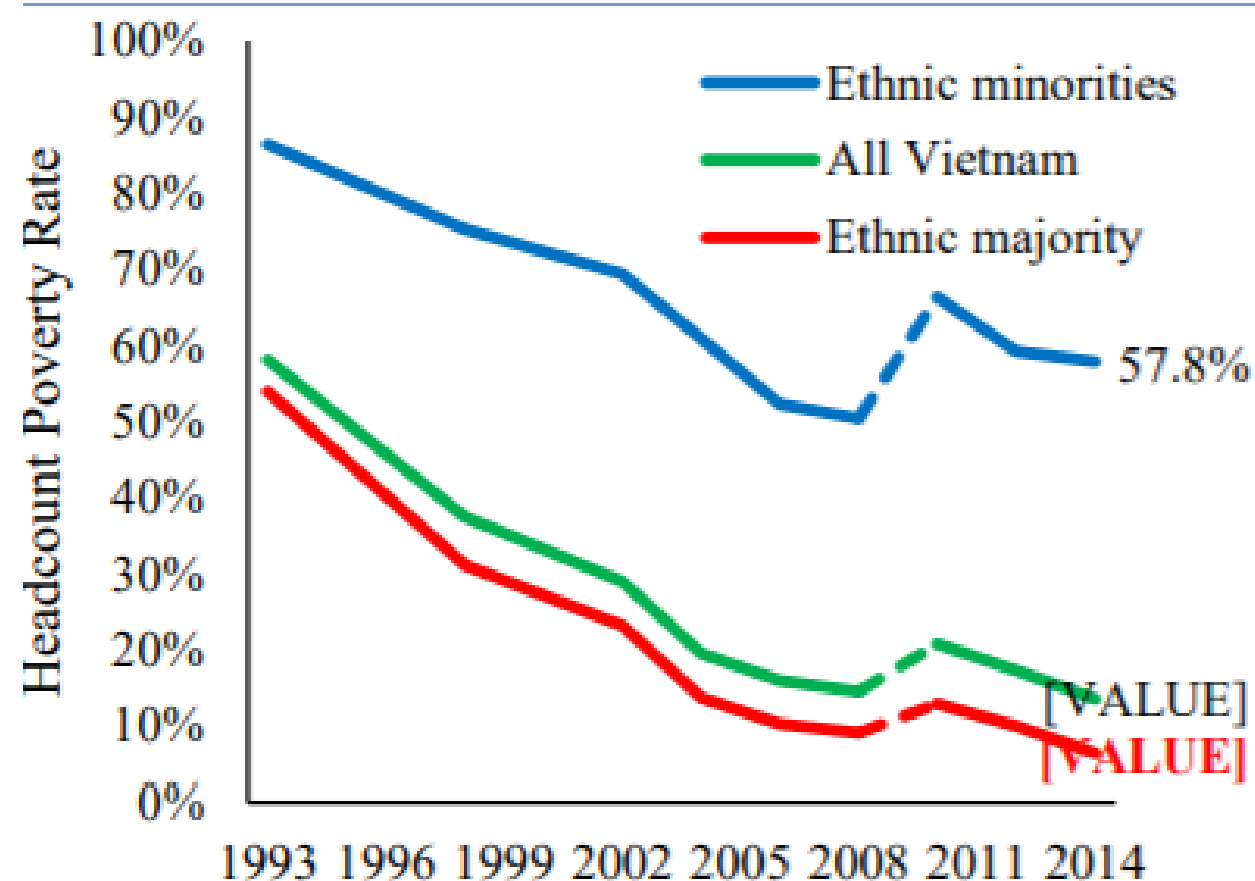
- Annual GDP growth around 8-10% from 2000-2015
- Vietnam has shifted from a centrally planned market-based economy
- It has become more integrated and connected to the global economy



GDP annual growth, 1985-2015

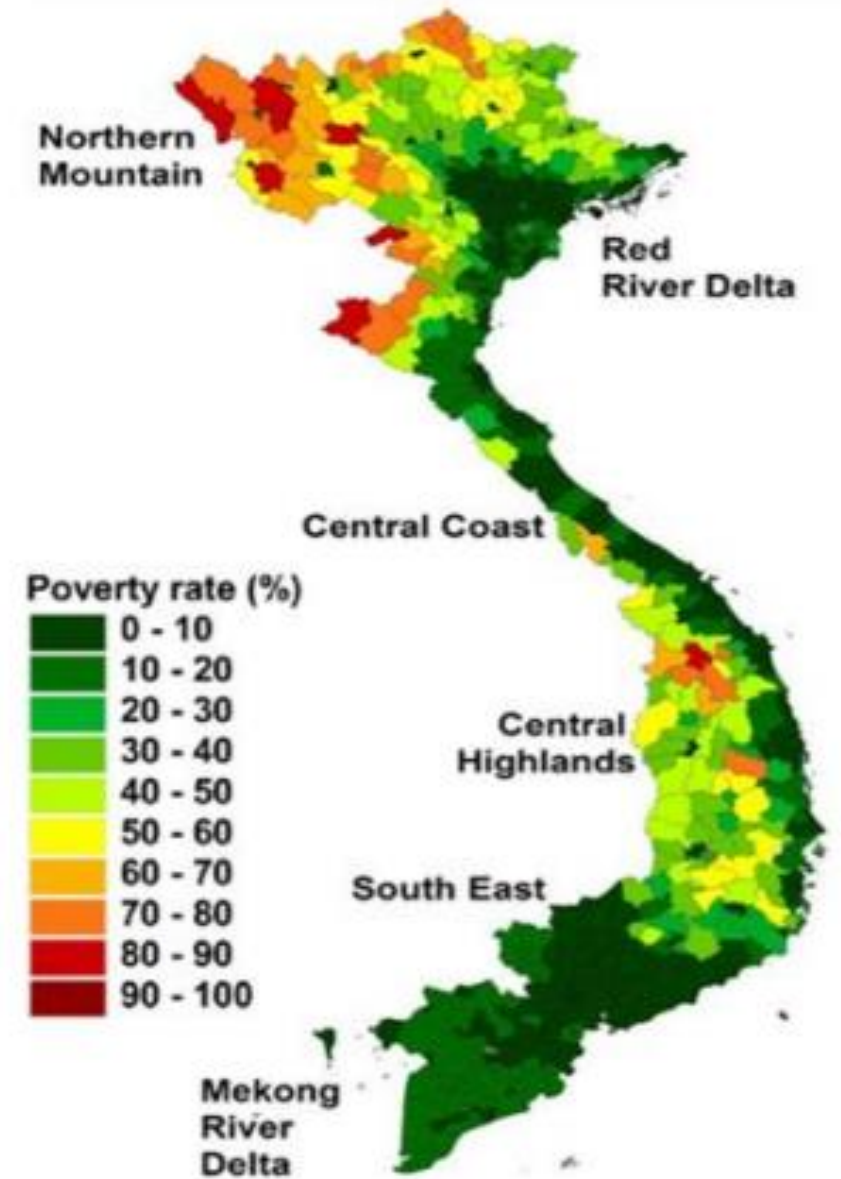
# Poverty reduction

- Population living below the national poverty line decreased from 60% in 1993 to 13.5% percent in 2014
- More than 40 million people escaped poverty over the last thirty years
- Poverty reduction comes largely from rapid economic growth that created more and better jobs



# Poverty reduction

- Government investments have significantly improved service delivery, education, and public infrastructure, facilitating growth and broad-based participation in the economy
- However poverty reduction for ethnic minorities has been slower than the national average; poverty is concentrated among ethnic minorities, living in the northern and central mountains



# Drivers of economic rapid growth

- Exports which capitalized on bilateral free trade agreements along with enterprises' resilience and rapid adaptation in global trade
- Manufacturing; mainly textiles, processed food, furniture, plastics and paper
- Agriculture; mainly rice and agricultural crops, fisheries, forest products, which contributed to 14% of total GDP
- Tourism; in 2016 tourist arrivals topped 10 million



# SECTOR PERFORMANCE



## Design Option #3

# Agriculture

- Main agricultural crops: rice, cassava, maize and sweet potatoes. Rice consumption in Vietnam reached 21.5 million tons, ranking (5<sup>th</sup> in the world)
- Agriculture employs half the labor force; agriculture growth has slowed, from 4.5% a year in 1994–2000 to 2.6% in 2008–2018



# Agriculture

- Transformation from an agrarian economy to labor-intensive manufacturing and services created 15 million jobs over the past 20 years
- Rural population earn more income from non-agriculture employment; non-agriculture wages are more likely to be non-poor



# The need to focus on new drivers of growth

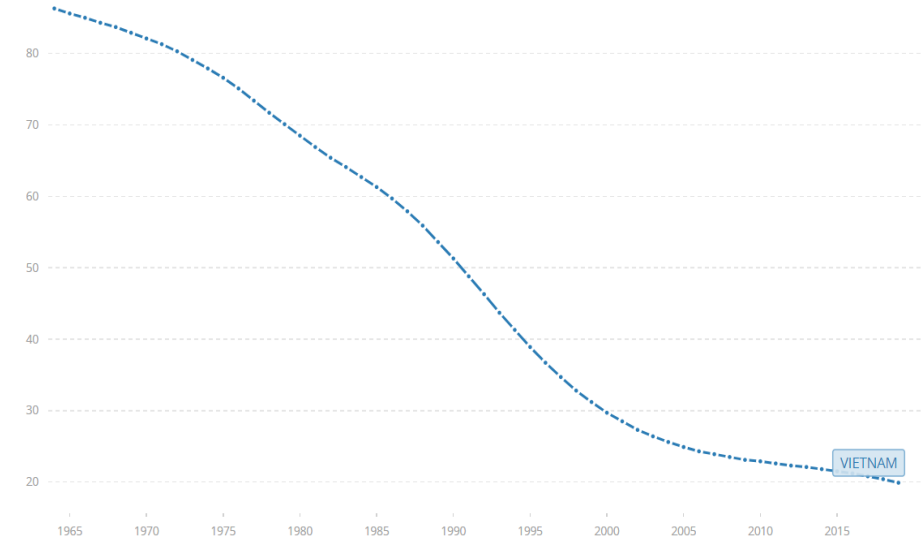
Higher agriculture growth will require a focus on new drivers of growth including:

- agricultural innovation
- inclusive value chain development
- quality, and value addition
- higher land market efficiency
- greater sustainability of farm production and climate change resilience
- more efficient water use

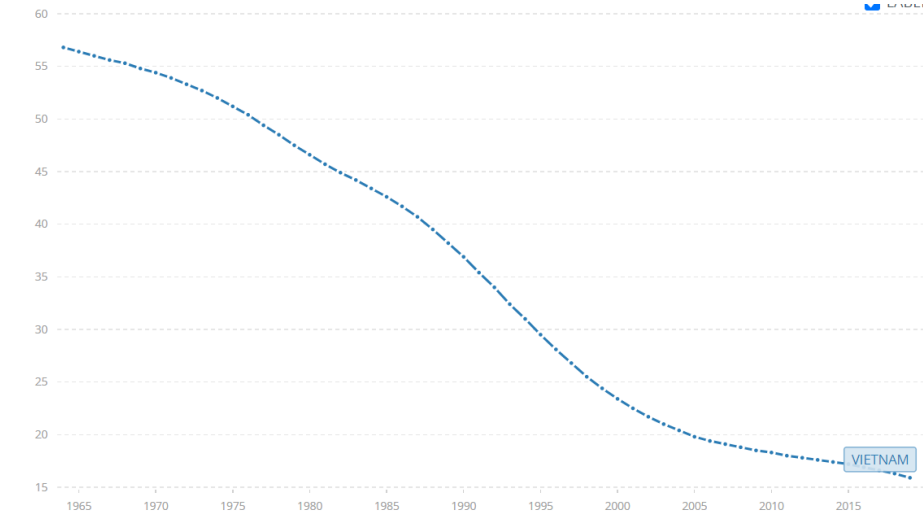


# Human development

- Investments in health and education has enabled Vietnam to achieve substantial progress in providing access to infrastructure and basic services
- Today Vietnamese are far healthier and educated compared to 20 years ago
- Service coverage and learning outcomes are high and equitably achieved in primary school



Under-5 mortality rate, 1980-2018



Infant mortality rate, 1980-2018

# Education

- Improved education has enabled Vietnamese to obtain better jobs; however as the economy develops and becomes increasingly sophisticated and integrates further into the global economy, new and varied skills are needed to contribute to a changing economy
- Development of the domestic private sector will also require innovation



# Educational reforms in Vietnam

- Improved teaching quality: higher education instructors to hold masters or doctoral degrees
- Labor force development through large-scale investments in applied, employment-gearred training
- Requirement for students to be enrolled in applied programs
- Secondary education system reforms: high school grad exams and university admissions



# Health

- From 2000 to 2018, infant mortality rate decreased from 29.7 to 20.4 per 1,000 live births; stunting decreased from 61% to 23%
- While health insurance coverage has increased to 81% of the population, one-third of those living in the bottom 40% are still not covered
- Universal health coverage and access to affordable quality services, particularly for ethnic minority groups remains a challenge



# Urban development

- Extensive urban transformation; substantial advances have been made in providing basic services and access to infrastructure
- Traffic congestion in and around urban areas and along the connecting national highway systems cause traffic delays and movement of goods
- Access to clean water and sanitation services in urban areas is above 90%; access to electricity is 99%



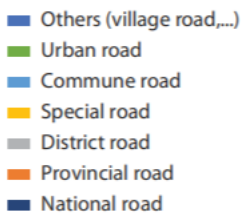
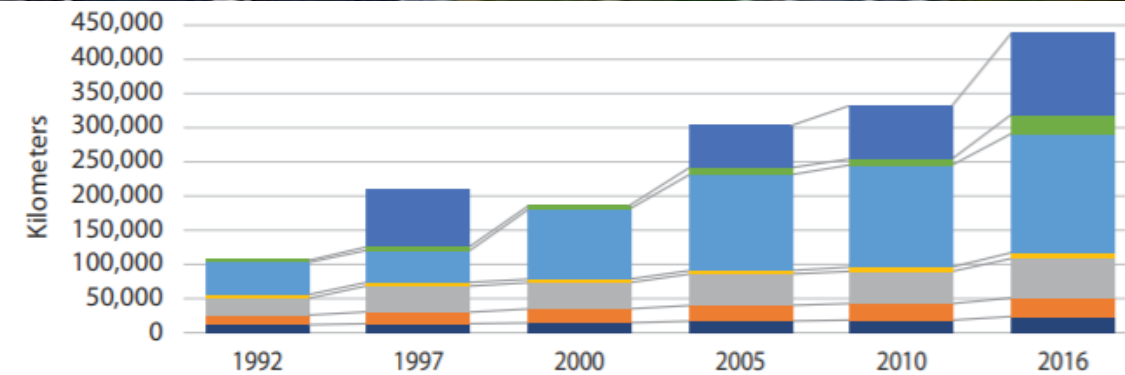
# Urban development

- Migration to cities present rural households with non-farm opportunities, thereby diversifying their income sources from agriculture
- Development of economic clusters around major urban areas, seaports, airports and main economic corridors
- Economic clusters have attracted foreign investment and generate employment due to connectivity, infrastructure and favorable government policies



# Transport

- The transport network has expanded significantly; total length excluding village roads, reached over 300,000 km, including 1,000 km of expressways
- The extensive transport network is exposed to various hazards, including landslides, floods, typhoons, which are increasing in intensity and frequency due to climate change



# Transport

- Vietnam has an extensive network of natural waterways, including 16,000 km of managed navigable routes around the Red River and Mekong Delta areas
- The seaport system includes 45 ports and nearly 200 terminals; maritime cargo has continued to increase, both international and domestic
- Vietnam's aviation sector has seen rapid growth in the recent years, with its air freight growing at an average rate of 10.8% per year from 2009 to 2017



# Environment

- Rapid growth has resulted in negative impacts on the environment
- Emerged as the fastest growing per capita greenhouse gas emitter in the world, growing at 5% annually
- Highly vulnerable to climate change impacts and natural disasters, given the narrow coastline





# CONCLUSION

# Conclusion

In responding to changing global and domestic conditions, Vietnam has embarked on four key structural changes:

- from central planning to market-based economy
- from agrarian to manufacturing and services
- from rural to urban spatial change
- from a closed to an export-driven economy

Continued development and growth and ability to respond to development challenges will require structural changes



# Conclusion

Vietnam will also have to ensure environmentally sustainable practices and address climate threats, promote equity and social inclusion, reduce poverty among marginalized groups, particularly ethnic minorities and provide services for an increasingly urban as well as aging middle class population

Vietnam's high economic growth rates will likely to be sustained if built on increased productivity growth; this will require strengthening the competitiveness of the private sector



**T**HANK **Y**OU!