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An analysis of the challenge of Vietnam's Economy after the nCOV-19 pandemic

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Abstract

Viet Nam has emerged as a more robust, more resilient economy. It recovered strongly from the low "base" two years ago to illuminate a world of challenges and uncertainties. However, Vietnam's long-term economic growth picture still contains several risks, such as a slowing growth trend, many barriers and obstacles in the financial and monetary system of Vietnam that may affect economic growth, etc. Thus, it requires radical solutions to solve the above problem.

Keywords: Ncov-19 Pandemic; Social Security; Vietnam's Economy; Economic Growth Rate; Global Economic Shock

1. Introduction

With some headwinds projected for the global economy in 2023, Vietnam confronts significant obstacles as well. The Covid-19 sickness has appeared since the end of last year, with a convoluted development process that has adversely impacted all countries across the world. Vietnam's economy is very open, with more deep international integration, and as a result, it suffers from several harmful consequences of illness in socioeconomic domains. Despite the disease's terrible consequences, Vietnamese firms continue to find chances for growth and improvement. The disease's resurgence helps our country become a dependable address for foreign investors, a prospective and safe destination for the global reallocation of investment capital, particularly the trend of huge international firms transferring manufacturing out of China. However, Vietnam continues to face several obstacles and must find answers in order to improve its economy.

2. Vietnam's economic growth after the pandemic

When the 20-year Viet Nam War ended in 1975, Viet Nam's economy was one of the world's poorest, and development under the subsequent five-year central plans was anemic. Midway through the 1980s, the per capita GDP remained between \$200 and \$300. Then, however, something altered. In 1986, the government implemented "Renovation," a series of economic and political reforms, and guided the nation towards becoming a "socialist-oriented market economy."

Today, Vietnam is one of the emerging markets brightest stars. Its 6-7% economic growth is comparable to China's, and its exports are equal to its GDP. Everything from Nike activewear to Samsung handsets is manufactured in this ASEAN nation. Sheng Lu, an assistant professor at the University of Delaware, told the Financial Times that there are few surplus employees or production facilities due to the country's success.

Over the last three decades, Vietnam's economy has grown impressively, with an average GDP growth rate of 6.57%. However, this growth rate is on a decreasing trend. Specifically, right after the renovation, the growth rate reached

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7.6%, and in the next ten years, it decreased to 6.6%. In the past ten years, the growth rate was only 5.6%. The economic scale as of 2021 is about 363 billion USD, in the top 40 largest economies in the world. Vietnam's GDP per capita 2021 will reach nearly 3,700 USD, 2.4 times higher than in 2011. From 2008 up to now, Vietnam's GDP growth rate has tended to slow down due to the internal crisis of the economy, the influence of the international economic environment, and economic growth in breadth (based on net capital injection) is reaching a tipping point. If comparing Vietnam's per capita income by purchasing power parity in 2021, Outlook Database clearly shows that Vietnam is 17% of that of the US, equal to 24-26% of Japan and Korea if these two countries keep their current growth rate, it will take more than three decades for Vietnam to catch up with them; equal to 40% of Malaysia and 61% of Thailand and China.

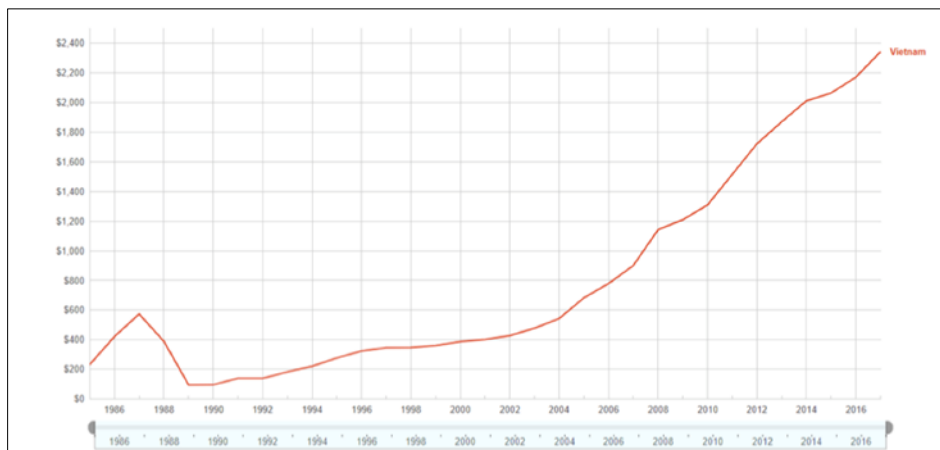


Figure 1 Viet Nam's per capita GDP has increased tenfold over the past 30 years [1]

3. Vietnam's Post-Pandemic Economic Challenges

In general, the feature of the world economy in 2022 is that the growth slowdown occurs in most economies, including both developed and developing economies. Notably, the "reverse waves" to the world economy are "multi-dimensional, multi-wave" impacts. Multi-dimensional impacts due to risks and pressures come from economic reasons, and a multi-stage result is reflected in the developments. The situation was continuous and multi-layered, causing the world economy not to recover from successive waves of implications.

With a GDP growth rate of more than 8% in 2022, Vietnam's economy will lead economic growth in the Asia-Pacific region, establishing a new benchmark in the international arena for its ability to recover swiftly from the Covid-19 pandemic. VNDIRECT Securities Company forecasts that Vietnam's economy will continue to develop positively in 2023, based on 2022's strong growth. However, the economy must continuously operate with a blend of benefits and drawbacks [4].

In terms of advantages, the growth momentum is supported by three primary drivers. First, a substantial quantity of funds will be allocated for public investment. The government has announced the budget estimate for 2023, in which the investment capital from the state budget is estimated to be VND 698,867 billion, an increase of 28.9% over the previous year's plan. This amount comprises funds allocated to initiatives under the Socioeconomic Development and Recovery Programme. To accomplish this ambitious plan, the government has lowered the average inflation target for 2023 to 4.5 percent (it was 4 percent in 2022) and projected a higher budget deficit in the future, from 4 percent in 2022 to 4.5 percent in 2023.

Experts from VNDIRECT believe that Vietnam's energy transition towards sustainable development will receive a climate change financing package worth at least 11 billion USD to combat climate change, following in the footsteps of Indonesia and South Africa. The funding agreement, spearheaded by the European Union (EU) and the United Kingdom, seeks to unveil a "Fair Energy Transition Partnership" at the EU-ASEAN Summit on December 14. About \$5 billion to \$7 billion will come from public sector loans and grants, with the remainder from private sources. The funding package for Vietnam is the third in a series of significant agreements aimed at assisting coal-dependent middle-income countries to accelerate their transition to a low-carbon economy.

The strong recovery of the service and tourism industries is the third element. According to the General Statistics Office, the number of tourists to Vietnam from the United States, the European Union, Japan, South Korea, and Southeast Asia

will continue to recover in 2023, with 10 million international visitors a possibility. This year, a 195% increase from the projected level for 2022. In 2023, the revival of global tourism will propel the service sector's recovery. The most practical activities are services, lodging and meals, travel, conveyance, and recreation.

In 2023, Vietnam's economy confronts significant challenges and unknowns in addition to favorable factors. First, export growth decelerates because of weakening global demand. According to Fitch's most recent Global Economic Outlook, consumer expenditure growth is projected to reach 2.5% in 2022 before decelerating to 0.9% in 2023 in response to the global economic slowdown. Consequently, Vietnam's export growth will decelerate in 2023. The persistence of interest rate and exchange rate pressures will directly impact the performance of businesses. In addition, domestic consumer demand growth may decelerate in the first half of 2023 due to general labor market difficulties. VNDIRECT analysts anticipate this year's GDP growth to be around 6.7%.

4. Economic recovery solutions after the n-cov-19 pandemic

To recover and develop the economy in the context of safe, flexible adaptation and effective control of the Covid-19 pandemic, Vietnam needs to focus on implementing the following solutions for creating the foundation for the economic recovery process, minimizing losses caused by the pandemic and economic development. It is necessary to be more determined in implementing measures to control and repel the Covid-19 epidemic, especially in big cities and localities with many industrial parks.

Furthermore, Vietnam must maintain macroeconomic stability, stabilize financial and monetary markets, and ensure primary economic balances. Continue to implement the expansionary fiscal, credit, and monetary policies reasonably and flexibly to make the most of and effectively use resources, ensure national financial safety, control inflation, and price of raw materials and input materials for production. It is necessary to keep inflation and interest rates low, exchange rates stable, and large balances guaranteed so that the economy recovers quickly after the epidemic. Viet Nam also needs effectively implement the issued business support packages, regularly evaluate the results of the implementation of support packages, and immediately remove obstacles in the implementation process. The study considers the additional overall support package based on considerations, calculating the fiscal and monetary policy space, the impact of the epidemic, the new context, and opportunities to design appropriate policies.

In addition, Vietnam needs to continue promoting the implementation of public investment projects - this is an essential factor in promoting economic growth in the coming time. Due to the impact of the Covid-19 pandemic, the demand for spending from the business sector and the people dropped sharply, and the State needs to play a role in stimulating demand. Institutional improvement, administrative procedure reform, investment and business environment improvement, and removal of difficulties and obstacles in production and business must also be implemented. This is a strategic breakthrough for Vietnam in the next ten years and one of the driving forces for economic recovery with low cost but efficiency and high sustainability. Finally, Vietnam must promote digital transformation and develop a digital government, digital economy, digital society, and contactless economy. The Covid-19 pandemic has put our country's economy in front of enormous challenges and simultaneously brought opportunities to accelerate the digital transformation of the economy. To develop the digital economy, it is necessary to acquire its infrastructure and implement policies to change the habit of using cash, building a solid foundation for e-commerce development with three decisive factors: logistics, e-payment, and network security.

5. Conclusions

Viet Nam remains a popular investment destination for foreign investors, and a delegation from the United States recently visited the country to investigate investment opportunities. The current challenge is to transform this interest into actual commitment. If Viet Nam can capitalize on favorable external factors and domestic efforts, it will maintain a positive growth rate in the current quarter. To keep pace with the rest of the world and develop sustainably, Viet Nam must, in addition to immediate actions, continue to advance reform and development in line with new trends.

Compliance with ethical standards

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Disclosure of conflict of interest

No conflict of interest.

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