

A/ ASSESSMENT RECAP

- **Length:** 1,500 words total (+10% buffer)

Task: A report detailing the repercussions of the current economic development in Vietnam on the company you assessed in the previous report.

Research Areas:

- GDP analysis
- Factors affecting AD-AS
- Inflation, interest rates
- Financial markets
- International comparative advantage
- Trade agreements

Suggested structure:

I. Introduction

II. Macroeconomic Overview of Vietnam

III. Inflation and Interest Rates in Vietnam

IV. International Comparative Advantage and Trade Agreements

V. Conclusion and Recommendations

B/ DEFINITION

- **Gross Domestic Product (GDP):** The total value of all goods and services produced in a country within a specific time period, typically measured annually.
- **Aggregate Demand (AD) and Aggregate Supply (AS):** AD-AS model analyzes factors influencing the economy. AD represents total demand for goods and services, and AS represents the total supply. Changes in these factors can impact GDP and the price level.
- **Inflation:** The rate at which the general level of prices for goods and services rises, eroding purchasing power. It is commonly measured as the percentage change in the Consumer Price Index (CPI).
- **Interest Rate:** The cost of borrowing or the return on investment, expressed as a percentage. Central banks use interest rates to influence economic activities and control inflation.
- **Financial Market:** A marketplace where buyers and sellers trade financial securities, including stocks, bonds, commodities, and currencies.

- **International Comparative Advantage:** The ability of a country or business to produce a particular good or service more efficiently than other countries, allowing for more competitive trade.
- **Trade Agreements:** Formal agreements between countries to facilitate and regulate trade. They often involve reducing tariffs, quotas, and trade barriers to promote economic cooperation.

C/ REFERENCE

- [World Bank - Vietnam GDP Current US\\$](#)
- [World Bank - Vietnam Historical GDP Data.](#)
- [Vietnam Briefing - Economic Indicators, FDI, and Trade Trends.](#)
- [A brief overview of the Vietnam economy](#)
- [GDP bình quân Việt Nam năm 2000 xếp thứ 173/200 thế giới, năm 2022 thay đổi thế nào?.](#)
- [The main industries in Vietnam.](#)
- [GDP năm 2022 ước đạt 8,02%, cao nhất giai đoạn 2011-2022](#)
- [Vietnam- Gross domestic product \(GDP\) per capita 2028 | Statista](#)
- [Economic Indicators, FDI, and Trade Trends: Vietnam's Gross Domestic Product](#)
- [VIETNAMNET GLOBAL: Budget resolutions set plan for 2023](#)
- [Kinh tế Việt Nam khép lại năm 2022 với nhiều con số ấn tượng](#)
- [Vietnam Government Spending](#)
- [Vietnam Balance of Trade](#)
- [Overcoming difficulties, Vietnam has a trade surplus of 12.25 billion USD in 6 months of 2023](#)
- [7 months of 2022: Vietnam has a trade surplus of nearly USD 1.1 billion](#)
- [China.org.cn, 2023. Vietnam's lending interest rates to drop in 2nd half of year: experts](#)
- [The World Bank, 2023. Vietnam's Economic Growth Slows Due to Global Headwinds and Internal Constraints](#)
- [Mckinsey, 2023. Vietnamese consumers are coming of age in 2023: How businesses can stay ahead](#)
- [Chỉ số giá tiêu dùng](#)
- [VTV - Kinh tế VN](#)
- [RCEP](#)
- [Factors affecting GDP](#)

- [Consumer spending 2022:](#)
- [Government spending 2022.](#)
- [CPI 2022](#)
- [U.S Department of State: 2023 Investment Climate Statements. Vietnam](#)
- [Thông cáo báo chí về tình hình giá tháng 12, quý IV và năm 2022](#)
- [Vietnam Inflation Rate](#)
- [Inflation, consumer prices \(annual %\) - Viet Nam](#)
- [What Causes Inflation?](#)
- [Vietnam Gasoline Prices](#)
- [Engineer shortage may harm US plan to turn Vietnam into chips powerhouse | Reuters](#)
- [Vietnam: real interest rates 2022 | Statista](#)
- [Vietnam: deposit interest rates | Statista](#)
- [Chance for another rate cut this year: experts | Business | Vietnam+ \(VietnamPlus\)](#)
- [Central bank highly valued for flexible monetary policy governance | Business | Vietnam+ \(VietnamPlus\)](#)
- [S&P Global Market Intelligence, 2023. Vietnam Economy Moderates in Early 2023](#)
- [Nguồn nhân lực Việt Nam: cơ hội và thách thức cho các nhà đầu tư | Kizuna](#)
- [Doanh nghiệp công nghệ số Việt Nam: Cơ hội gia nhập thị trường nghìn tỷ USD](#)
- [Cơ hội và thách thức trong phát triển công nghệ số của doanh nghiệp Việt Nam](#)
- [Để phát huy nguồn lực tài nguyên và môi trường đóng góp nhiều hơn nữa cho phát triển bền vững đất nước](#)
- [Labor force participation rate in Vietnam 2021, by age group.](#)
- [Nguồn nhân lực Việt Nam: cơ hội và thách thức cho các nhà đầu tư | Kizuna](#)
- [Doanh nghiệp công nghệ số Việt Nam: Cơ hội gia nhập thị trường nghìn tỷ USD](#)
- [Cơ hội và thách thức trong phát triển công nghệ số của doanh nghiệp Việt Nam](#)
- [Để phát huy nguồn lực tài nguyên và môi trường đóng góp nhiều hơn nữa cho phát triển bền vững đất nước](#)
- [Nguồn nhân lực Việt Nam: cơ hội và thách thức cho các nhà đầu tư | Kizuna](#)
- [Cơ hội và thách thức trong phát triển công nghệ số của doanh nghiệp Việt Nam](#)
- [Skills and employability in Viet Nam](#)
- [RCEP: Hiệp định mở ra lợi thế về quy tắc xuất xứ cho hàng hoá của Việt Nam](#)
- [AANZFTA là gì? Tìm hiểu những quy định trong hiệp định AANZFTA](#)
- [CPTPP – Hiệp định đầu tiên được thực thi của thế kỷ 21](#)

- [Vietnam's International Free Trade Agreements](#)
- [Vietnam - Trade Agreements](#)
- [FTAs to generate more benefits for Vietnam in 2023: minister | Business | Vietnam+ \(VietnamPlus\)](#)
- [Vietnamplus, 2023. Vietnam's inflation forecast to slow to 4% in 2023: ADB](#)
- [Reuters, 2023. Vietnam c.bank cuts refinance rate by 50 bps to support growth](#)
- [Vietnamplus, 2023. Central bank cuts policy interest rates to spur growth](#)
- [S&P Global Market Intelligence, 2023. Vietnam Economy Moderates in First Half of 2023 as Exports Slump](#)
- [Reuters, 2023. Vietnam cuts interest rates again as economic growth slows](#)
- [Tuoitrenews, 2023. Vietnam cuts interest rates again as economic growth slows](#)
- [Vietnam Briefing, 2023. Vietnam Q3 Labor Market Update: Increase in Workers, Employment](#)
- [Viettonkinconsulting, 2023. Socio-Economic Situation in Vietnam Q3 2023](#)
- [Vietnam.vn, 2023. First 5 months of 2023: CPI, inflation slightly increase](#)
- [The Saigon Times, 2023. Vietnam's inflation forecast to reach 4.8% in 2023](#)

D/ DETAILED OUTLINE

I. Introduction (suggest 100 words)

- Brief introduction of the company (name, industry, size, time of operation in the Vietnamese market, future strategy)
 - Concise overview of the company, including its name, industry, and size.
 - Duration and nature of the company's operations in the Vietnamese market.
 - Company's future strategic directions or goals within Vietnam.

Example: Momo, a prominent e-wallet in Vietnam, operates in the financial technology industry. Since its inception in 2013, it has grown significantly, becoming one of the leading digital payment platforms. With a focus on user-friendly services, Momo continues to play a key role in transforming Vietnam's digital payment landscape and aims to further enhance its services for future market expansion.
- The purpose of the report (understanding of the current economic landscape in Vietnam and articulate how these factors influence the specific company)

- Explore and understand the current economic environment of Vietnam.
- Factors influence the specific operations and strategies of the company.
- Establish a context for the company's strategic decision-making in response to the economic conditions of Vietnam.
- Identify potential opportunities and challenges for the company arising from Vietnam's economic landscape.

Example: The report aims to comprehensively analyze the current economic landscape in Vietnam and delineate its implications on the specified company. By scrutinizing factors such as GDP, AD-AS dynamics, inflation, interest rates, financial markets, and international trade, the report seeks to provide a nuanced understanding of the economic context, enabling insightful assessments of the company's performance and future prospects.

II. Macroeconomic Overview of Vietnam (suggest 400 words)

1. Vietnamese economy overview

Example: With an impressive annual GDP growth averaging around 6.5%, Vietnam's economy has soared to over 366 billion US dollars in 2021. The nation maintains a stable population growth rate. Projections from the IMF anticipate Vietnam's GDP per capita to reach 4,162.94 USD by 2022, positioning it at 117th globally. The economic structure reveals a diversified landscape, with Agriculture-Forestry-Fishery contributing 13.96%, Industry and Construction comprising 34.49%, and Services dominating at 43.44%. This economic overview showcases Vietnam's robust growth, strategic sectoral distribution, and a promising trajectory in the global economic landscape.

Suggested ideas:

- Most Recent GDP Data and Historical Growth Patterns:
 - For the most recent GDP data: World Bank - Vietnam GDP Current US\$.
 - For historical GDP data: World Bank - Vietnam Historical GDP Data.

Hint:

- Average annual GDP growth of about 6.5% and has just reached a level of more than 366 billion US dollars in 2021.
- Vietnam's population growth rate has always been stable.
- According to the IMF, by 2022, Vietnam's GDP per capita will reach 4,162.94 USD, ranking 117th in the world.

- Insights into key economic indicators, FDI, and trade trends, including details on leading industries. The report also covers trade trends and the performance of various sectors
 - Agriculture-Forestry-Fishery (nông - lâm - ngư nghiệp) _ 13,96%
 - Industry and Construction (công nghiệp và xây dựng) _ 34,49%
 - Services _ 43,44%

Source:

- [A brief overview of the Vietnam economy](#)
- [GDP bình quân Việt Nam năm 2000 xếp thứ 173/200 thế giới, năm 2022 thay đổi thế nào?](#)
- [THE MAIN INDUSTRIES IN VIETNAM](#)
- [GDP năm 2022 ước đạt 8,02%, cao nhất giai đoạn 2011-2022](#)

2. The country's GDP and its components

Example: Vietnam's economic landscape witnessed a remarkable upswing with a GDP growth rate exceeding 8%, a historic achievement after decades. The foreign direct investment capital realized soared to nearly 22.4 billion USD, marking a substantial 13.5% increase from the previous year, the highest in the last 5 years. Government spending surged, reaching VND 784,651.87 billion in 2021, a notable increase from VND 422,452 billion in 2020. The trade surplus expanded significantly, rising from \$0.85 billion to \$1.51 billion compared to the same period the previous year. The first four months of 2023 saw Vietnam maintaining a robust trade surplus of 6.35 billion USD, surpassing the 2022 figure of 2.35 billion USD.

Suggested ideas:

→ The GDP growth rate increased very high, surpassing 8% for the first time in decades.

Consumption	Household Consumption: Explore spending patterns of Vietnamese households, including major areas of expenditure.
	Consumer Confidence and Trends: Assess the level of consumer confidence and emerging spending trends.
	Hint: We forecast real household spending in Vietnam will grow by 7.3% y-o-y over 2023, a slowdown from the 7.5% growth in spending estimated for 2022, although we note that growth in 2022 largely came about from the low base of 2021 (2.6%).

	<p>Hint: Retail sales high-frequency data indicate while retail sales growth remains positive, growth has slowed as growing inflationary pressures erode consumption in Vietnam.</p>
Investment	Business Investment: Examine investments made by businesses in different sectors.
	Government Investment Projects: Look into significant government-led investment projects.
	<p>Hint: The amount of realized foreign direct investment capital reaching nearly 22.4 billion USD, up 13.5% over the previous year, the highest in the past 5 years.</p>
Government Spending	Budget Allocation: Analyze how the government allocates its budget across various sectors.
	Impact on Economy: Assess the impact of government spending on Vietnam's economic growth.
	<p>Hint: Government spending also increased to VND 784651.87 billion in 2021 from VND 422452 billion in 2020.</p> <p>Hint: revenues from export-import turnover in 2022 is forecasted to hit \$18.26 billion, up 23.6 per cent as compared to the initial estimates – responsible for 15.2 per cent of the total state budget revenues.</p>
Net Exports	Export Commodities: Identify key commodities or products that Vietnam exports.
	Import Analysis: Examine major imports and how they balance against exports.
	Trade Balance: Explore Vietnam's trade balance and its contribution to GDP.

	<p>Hint: a trade surplus that increased by \$1.51 billion compared to \$0.85 billion in the same period last year.</p> <p>Hint: In the first 4 months of 2023, Vietnam had a trade surplus of 6.35 billion USD compared to the same period in 2022 at 2.35 billion USD.</p>
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Source:

- [Kinh tế Việt Nam khép lại năm 2022 với nhiều con số ấn tượng](#)
- <https://tradingeconomics.com/vietnam/government-spending>
- <https://tradingeconomics.com/vietnam/balance-of-trade>
- [Overcoming difficulties, Vietnam has a trade surplus of 12.25 billion USD in 6 months of 2023](#)
- [7 months of 2022: Vietnam has a trade surplus of nearly USD 1.1 billion](#)

3. Factors that can affect GDP and price levels

Example: In Vietnam, the factors influencing GDP and price levels are multifaceted. The average consumer price index (CPI) increase indicates a moderate inflationary environment, impacting price levels. Notably, the trade surplus, resulting from a decrease in imports compared to exports, positively contributes to GDP. Additionally, the government's robust spending, reaching a historic high in 2021, plays a pivotal role in stimulating economic growth. As government spending directly influences GDP, this fiscal policy, coupled with a trade surplus, reflects a proactive approach to economic stability, showcasing Vietnam's resilience amidst global economic fluctuations.

Suggested ideas:

- **Economic Policy Influences:** Analyze how monetary policies (interest rates, money supply) and fiscal policies (government spending and taxation) impact GDP and inflation.
 - a. Monetary Policies:
 - i. Interest Rate Effects: Look at how varying interest rates impact loans and credit availability for businesses and consumers.

Hint: The central bank has already implemented several policy rate cuts to increase liquidity and support growth, contrasting with the tightening policies of regional peers amid global financial turmoil. These rate cuts are essential in making loans and credit more accessible for businesses and consumers, thereby stimulating economic activities

[Vietnam central bank to keep monetary policy flexible in 2023, tame inflation - VnExpress International](#)

[Vietnam c.bank cuts refinance rate by 50 bps to support growth | Reuters](#)

- ii. **Money Supply and Inflation:** Analyze the relationship between the money supply and its direct impact on inflation rates.

Hint: As of the first four months of 2023, average inflation was recorded at 3.84%, with core inflation at 4.9%, against a target of 4.5% for the year. The balancing act of adjusting the money supply while managing inflation expectations is a critical aspect of the SBV's monetary policy strategy.

[Policy interest rate expected to further reduce in H2 2023](#)

- b. **Fiscal Policies:** Evaluate the impact of government budget allocations, tax policies, and public spending on economic growth and inflation.
 - i. **Government Spending:** Examine specific government spending programs and their effect on stimulating economic activities.
 - ii. **Tax Policies:** Investigate the impact of different tax regimes on business growth and consumer purchasing power.

Hint: Government Spending - Government expenditures on goods, services, and infrastructure projects directly impact GDP. Increased government spending often stimulates economic growth. (government spending also increased to VND 784651.87 billion in 2021 from VND 422452 billion in 2020. This is the highest spending by the Vietnamese government since 2013.)

Hint: As of the second half of 2023, the average deposit interest rate for a 12-month term in Vietnam is forecast to decrease to 6.0-6.2 percent per year, reflecting the impact of four policy interest rate cuts by the central bank and a slowdown in credit growth. The benchmark interest rate in Vietnam was last recorded at 4.50 percent.(China.org.cn, 2023)

- **Global Economic Trends:** Examine the impact of global economic fluctuations, like oil prices or major economies' growth rates, on Vietnam's economy.
 - a. **Global Market Changes:** Assess how shifts in global commodity prices or stock markets affect Vietnam's economy.
 - b. **Effects of Economic Downturns in Major Economies:** Explore how recessions in key trading partners influence Vietnam's exports and economic health.

Hint: Due to global headwinds and weaker domestic demand, Vietnam's economic growth slowed from 8% in 2022 to 3.7% in the first half of 2023. The World Bank forecasts a moderate growth of 4.7% in 2023, with potential acceleration in the following years, suggesting a significant impact of global economic fluctuations on Vietnam. ([The World Bank, 2023](#))

- **Domestic Market Dynamics:** Consider the role of domestic market conditions, such as consumer demand, investment levels, and production capacity, in shaping GDP and price levels.
 - a. Consumer Demand: Analyze trends in consumer spending and how they drive economic growth.
 - b. Employment Rates: Investigate the relationship between employment rates and economic productivity.
 - c. Production Levels: Examine how changes in domestic production capacity influence GDP and inflation.

Hint: The average consumer price index (CPI) in the fourth quarter of 2022 increased by 4.41% over the same period last year.

Example: For the whole year 2022, CPI increased by 3.15% compared to 2021, reaching the target set by the National Assembly.

Hint: McKinsey analysis shows that Vietnam's GDP growth is expected to be between 2 and 7 percent annually from 2023 to 2030. However, challenges like decreased demand from key markets and inflation around 3.8 percent in 2023 are likely to impact consumer spending ability (McKinsey, 2023)

- **External Trade Relationships:** Explore how Vietnam's trade agreements and its export-import balance influence its economic growth and price stability.
 - a. Trade Agreements: Study the impacts of specific trade agreements on Vietnam's market access and export opportunities.
 - b. Export-Import Dynamics: Explore how the balance of trade affects economic growth and the stability of the Vietnamese currency.

Hint: Vietnam still recorded a trade surplus that increased by \$1.51 billion compared to \$0.85 billion in the same period last year. This is because exports fell less than imports, exports fell 17.1% while imports fell 20.5%.

Hint: Net Exports - The difference between exports and imports influences GDP. A trade surplus (exports > imports) contributes positively to GDP, while a deficit may have a negative impact.

Hint: Vietnam's focus on free trade agreements, such as the EU-Vietnam Free Trade Agreement (EVFTA) and the Regional Comprehensive Economic Partnership (RCEP), helps attract foreign direct investment and improves market access for Vietnamese exports. These agreements also encourage investor-friendly reforms, contributing to the country's economic growth and stability. (U.S Department of State, 2023)

Source:

- [Chỉ số giá tiêu dùng](#)

- [VTV - Kinh tế VN](#)
- [RCEP](#)
- [Factors affecting GDP](#)
- [Consumer spending 2022:](#)
- [Government spending 2022.](#)
- [CPI 2022](#)

4. Implications for the e-wallet company

- The robust economic growth and stable population provide a conducive environment for the company's expansion.
- A thriving market with potential increased consumer spending.

Example:

The current economic landscape in Vietnam, marked by impressive GDP growth, rising foreign direct investment, increased government spending, and a substantial trade surplus, holds promising implications for the e-wallet company. The robust economic growth and stable population provide a conducive environment for the company's expansion. The surge in government spending and a positive trade balance suggest a thriving market with potential increased consumer spending. However, considerations for potential inflation, changing consumer behaviors, and adapting to evolving economic dynamics will be essential for the e-wallet company to leverage the opportunities presented by Vietnam's flourishing economy effectively.

III. Inflation and Interest Rates in Vietnam

Requirement:

- Analyze the current inflation rate in Vietnam and its potential impact on the business, including the cost of goods and services and the company's profitability
- Discuss the factors that can affect inflation in Vietnam, such as supply and demand shocks
- Analyze the current interest rates in Vietnam and their potential impact on the A2 company, including the cost of borrowing and the company's investment decisions
- Discuss the factors that can affect interest rates in Vietnam, such as the supply and demand for credit

Guideline:

1. The current inflation rate in Vietnam and its potential impact on the company's business venture

Example:

Vietnam's core inflation rose to 4.3% by December 2022, slightly higher than the 3.15% average CPI increase. This moderate inflationary environment could affect the e-wallet company's business by potentially raising the costs of goods and services. To maintain profitability, the company may need to implement strategic measures, such as efficient cost management or adjusting service fees. Adapting to these inflationary trends will be crucial for the e-wallet company to navigate the economic landscape effectively in Vietnam.

- Overview of Current Inflation Rate: Begin by examining the latest inflation rate in Vietnam, considering its trend over the past months or years.

Hint: By December 2022, Vietnam's core inflation reached 4.3%, up 2.59% over the same period last year. The core inflation, which excludes volatile items like food and energy, increased 3.15% year-over-year in November 2023, the lowest in 16 months. Predictions for the year 2023 vary, with forecasts suggesting an inflation rate ranging from 3.5% to 4.8%, reflecting the ongoing economic pressures and fluctuating global conditions [Vietnamplus, 2023](#)

- Impact on Cost of Goods and Services: Explore how this inflation rate affects the prices of raw materials, labor, and other costs related to the production and provision of services by A2.

Hint: The average Consumer Price Index (CPI) increase of 3.15%

→ A moderate inflationary environment, signaling potential cost increases for goods and services within the economy.

→ Other factors like rising basic wages, higher food prices, and costs in health and education sectors are also contributing to inflationary pressures

- Effect on Company's Profitability: Discuss how changes in costs influence A2's profit margins. Higher costs may not always be fully passed to consumers, affecting profitability.

Hint: Adapting to these inflationary trends will be crucial for the e-wallet company to navigate the economic landscape effectively in Vietnam.

2. The factors that can affect inflation in Vietnam

- Supply and Demand Shocks: Analyze incidents that cause sudden changes in supply (e.g., natural disasters or trade restrictions) and demand (e.g., shifts in consumer preferences or economic downturns).
- Governmental Policies and Global Factors: Review monetary policies, fiscal policies, and international factors like oil prices or global economic trends that influence Vietnam's inflation.

Example:

Vietnam's inflation increase, lower than the average CPI, is primarily attributed to rising prices of essential commodities like food, gasoline, oil, and gas. The aftermath of the COVID-19 pandemic, global supply chain disruptions, and geopolitical tensions contribute to this trend. Additionally, the world's decreasing commodity and fuel prices, linked to a sluggish global economic growth, impact inflation in Vietnam. The shortage of computer chips, a consequence of the US-China trade war and political tensions in Taiwan, further adds complexity to the inflationary landscape. These multifaceted factors highlight the intricate interplay influencing inflation dynamics in the country.

Suggested ideas:

Inflation Increase Lower than Average CPI	Focused Price Movements	<p>The specific increase in inflation primarily stems from rising costs in food, gasoline, oil, and gas, rather than a general increase across all goods and services.</p> <p>Prices of food items increased by 3.8%, mainly due to increased consumer demand during holidays and Tet, impacting the CPI increase by 0.81 percentage points. (Vietnam.vn, 2023)</p> <p>The price of electricity for daily life increased by 2.59%, contributing to a 0.09 percentage point rise in CPI. Similarly, domestic rice prices increased by 2.37%, impacting the CPI increase by 0.06 percentage points (Vietnam.vn, 2023)</p>
	Significance of CPI Comparison	<p>Comparing inflation to the average Consumer Price Index (CPI) helps isolate the effects of these particular commodities on the overall price level.</p>

		<p>The core inflation in May 2023 increased by 4.54% over the same period in 2022, which was higher than the overall average CPI increase of 4.83%. (Vietnam.vn, 2023)</p> <p>The average domestic gasoline price in the first five months of 2023 decreased by 15.27% compared to the same period last year, and the decrease in gas price by 8.51% acted as a restraining factor on the CPI growth rate (Vietnam.vn, 2023)</p>
Impact of Covid-19 Pandemic and Global Disruptions	Pandemic-Related Economic Slowdown	COVID-19 has caused significant disruptions in economic activities, affecting supply chains and demand globally.
	Global Supply Chain Disruptions	The pandemic, along with various global conflicts, has led to interruptions and inefficiencies in the production and distribution of goods.
Commodity and Fuel Price Trends	Downward Trend in Prices	Globally, commodity and fuel prices are decreasing as a result of slowed economic growth worldwide.
	Economic Slowdown Effects	<p>The slowing economy reduces demand for commodities and fuel, contributing to the downward pressure on prices.</p> <p>Vietnam's inflation rate was forecasted to increase to 3.9-4.8% in 2023. This was close to the target of 4.5%, with inflationary pressures remaining high in the second quarter of the year. The forecast was based on the increasing prices of primary products such as petroleum, grains, food, household electricity tariffs, construction materials, education, healthcare, and rental housing (The Saigon Times, 2023)</p>

Shortage of Computer Chips	US-China Trade War Impact	The ongoing trade tensions between the US and China have disrupted the supply of computer chips, crucial components for various industries.
	Tense Political Environment in Taiwan	Taiwan, a major producer of semiconductors, is affected by the political tensions in the region, exacerbating the shortage of computer chips globally.

Source:

- [Thông cáo báo chí về tình hình giá tháng 12, quý IV và năm 2022](#)
- [Vietnam Inflation Rate](#)
- [Inflation, consumer prices \(annual %\) - Viet Nam](#)
- [What Causes Inflation?](#)
- [Vietnam Gasoline Prices](#)
- (opportunity for chip manufacturing) [Engineer shortage may harm US plan to turn Vietnam into chips powerhouse | Reuters](#)
- interest rates [Vietnam: real interest rates 2022 | Statista](#)
[Vietnam: deposit interest rates | Statista](#)
- affecting business activities
[Chance for another rate cut this year: experts | Business | Vietnam+ \(VietnamPlus\)](#)
- policies affecting interest rates
[Central bank highly valued for flexible monetary policy governance | Business | Vietnam+ \(VietnamPlus\)](#)

3. The current interest rates and their potential impact on the company's business venture

Example:

The State Bank of Vietnam, in its March 2023 meeting, decided to maintain the base interest rate at 4.5 percent, while simultaneously reducing annual rediscount rates, overnight electronic interbank rates, and lending rates by 1 percentage point each. This strategic adjustment aims to foster economic growth and enhance liquidity in response to the prevailing Vietnamese market

conditions. The government's concerted efforts to lower market interest rates and boost lending to businesses and individuals align with the goal of navigating the uncertainties of the global economic landscape. This interest rate policy can positively impact the e-wallet company's business venture by potentially reducing the cost of capital, facilitating investment, and encouraging consumer spending.

Suggested ideas:

- Base Interest Rate Unchanged
 - Maintaining Stability

Hint: The benchmark interest rate in Vietnam remained unchanged at 4.5% in September 2023. This rate has been steady for several months, following adjustments earlier in the year

reflects an assessment of the current economic conditions as balanced, not necessitating a change at this time.

- Current Economic Assessment: The unchanged rate suggests an assessment of the current economic conditions as being balanced enough not to necessitate a change.

- Reduction in Other Rates

→ 1 percentage point reduction in the annual rediscount rates, overnight electronic interbank rates, and lending rates ([Reuters, 2023](#))

→ The ceilings for interest rates on dong-denominated deposits were lowered by 0.5 percentage points to between 0.5% and 6.0% depending on maturities. ([Reuters, 2023](#))

→ The caps on short-term dong-denominated loans were adjusted to 4.5% to 5.5%, down from the previous range of 5.0% to 6.0% for certain economic sector ([Reuters, 2023](#))

- Targeted Adjustment: These reductions are more focused and affect specific aspects of the money market and lending, potentially stimulating economic activities.

- Flexible Solution for Market Conditions

- Adapting to Needs: The reduction in operating interest rates reflects a responsive measure to suit current Vietnamese market conditions.

→ The State Bank of Vietnam (SBV) reduced the refinancing rate to 5.5% from 6% in April 2023 to stabilize the economy amidst slowing growth ([Vietnamplus, 2023](#))

→ Caps on interest rates of dong-denominated deposits for terms between one month and less than six months were lowered to 5.5% from 6% ([Vietnamplus, 2023](#))

→ The Consumer Price Index (CPI) inflation rate moderated to 2.0% year-over-year in June 2023 ([S&P Global Market Intelligence, 2023](#))

- Promoting Growth and Liquidity: The adjustments aim to promote economic growth and increase liquidity in the economy, providing more accessible financing options.
 - Government's Efforts Amidst Global Uncertainty
 - Reducing Market Interest Rates: The government's broader strategy to lower interest rates is intended to make borrowing cheaper and stimulate economic activity.
- Lower global demand for Vietnamese exports and internal challenges have tightened credit, especially in the real estate sector [Reuters, 2023](#).
- Supporting Businesses and Individuals: By reducing costs of borrowing, the aim is to increase lending to businesses and individuals, providing them with financial support in a time of uncertain global economic outlook.
- By reducing the costs of borrowing, these rate cuts are intended to facilitate more lending to businesses and individuals. This is particularly vital given the global economic uncertainties and the need to support sectors facing challenges, such as the manufacturing sector which has been impacted by external conditions like weak global demand [Tuoitrenews, 2023](#)
- Vietnam targets economic growth of 6.5% in 2023, adjusting its policies in response to the global economic outlook [Reuters, 2023](#).
- By lowering interest rates, the SBV aims to support sectors that are crucial to Vietnam's economic growth, particularly the manufacturing sector. [S&P Global Market Intelligence, 2023](#)

4. Factors that can affect interest rates in Vietnam

Example: In Vietnam, several factors intricately shape interest rates, influencing economic dynamics and the operational landscape for businesses like e-wallet companies. Economic growth acts as a pivotal force, with robust expansion fostering heightened demand for credit, potentially prompting upward shifts in interest rates. The nation's integration into global markets renders it susceptible to changes in global economic conditions and interest rates. The State Bank of Vietnam's role in setting interest rates, exemplified by maintaining the base rate at 6.0% in March 2023, showcases the significance of monetary policy. These adjustments aim to stimulate economic growth and liquidity, aligning with broader efforts to navigate uncertainties. The e-wallet company can benefit from potential reductions in the cost of capital, fostering investment and consumer spending amidst this dynamic economic landscape.

Suggested ideas:

- Economic Growth: Robust economic growth often leads to increased demand for credit, potentially driving interest rates higher.
 - Increased Credit Demand: As the economy grows, businesses and consumers seek more credit to capitalize on opportunities, pushing demand and potentially interest rates higher.
 - Inflationary Pressures: Robust economic growth can lead to inflation, which central banks often counter with higher interest rates to maintain economic stability.

Hint: The CPI inflation rate rose to 3.7% year-over-year in September 2023, up from 3.0% in August. Earlier, in March, it moderated to 3.4% year-over-year from 4.3% in February [S&P Global Market Intelligence, 2023](#)
 - Investment Attractiveness: Strong growth may attract more investments, influencing the dynamics of credit supply and demand.

Hint: Vietnam's inflation rates have been variable. The Consumer Price Index (CPI) inflation rate rose to 3.7% year-over-year in September from 3.0% in August 2023. Earlier, in March, the inflation rate moderated to 3.4% year-over-year, compared with 4.3% in February. These changes in inflation rates are closely tied to global economic conditions and domestic factors like rising fuel prices and transportation costs [S&P Global Market Intelligence, 2023](#)

Hint: Vietnam continued to attract strong foreign direct investment, with implemented FDI estimated at USD 22.4 billion in 2022. This is supported by factors like lower manufacturing wage costs and a well-educated labor force [S&P Global Market Intelligence, 2023](#)
- Global Economic Conditions: Vietnam's economy is interconnected with global markets. Changes in global interest rates and economic conditions can affect the country's interest rates.
 - Interconnected Markets: Changes in the global economic landscape, including interest rates in major economies, can impact Vietnam through trade and investment flows.

Hint: Vietnam's trade and investment flows have been influenced by global market dynamics. The country's exports have faced challenges, with declines in some key markets, indicating the interconnected nature of Vietnam's economy with global conditions [S&P Global Market Intelligence, 2023](#)
 - Import-Export Influence: As a trade-dependent country, shifts in global demand and supply can alter Vietnam's economic performance, affecting domestic credit needs and interest rates.

Hint: The downturn in exports has affected the manufacturing sector, with industrial production growing only marginally in 2023. This demonstrates how

global market conditions can directly influence Vietnam's domestic economic landscape

- Foreign Investment Flows: Global economic health influences the level and direction of foreign investments, affecting domestic liquidity and interest rate trends.
- Monetary Policy:
 - Central Bank's Role: The State Bank of Vietnam sets key policy rates that influence the overall lending and borrowing costs in the economy.
 - Inflation Control: Through interest rate adjustments, the central bank aims to control inflation, stabilize the currency, and foster sustainable economic growth.
 - Economic Stimulus or Cooling: Depending on economic conditions, the central bank may lower rates to stimulate the economy or raise them to cool down inflationary pressures.

Hint: The State Bank of Vietnam initially raised policy rates by 200 basis points in 2022 but then cut them by a total of 200 basis points in several steps in 2023 to support the slowing economy [S&P Global Market Intelligence, 2023](#)

IV. International Comparative Advantage and Trade Agreements

1. Comparative advantage

Example:

Vietnam possesses a robust international comparative advantage rooted in its advantageous demographic and economic factors. With a population exceeding 90 million, over 54 million workers aged 15 and above contribute to a dynamic and abundant labor force. The current "golden population structure" until 2040 reflects a demographic sweet spot for economic growth. Notably, Vietnam exhibits high labor productivity, showcasing significant growth within the ASEAN region. The workforce's youthfulness, particularly the 70% aged 15-24, positions Vietnam as a hub for embracing new technological developments. This combination of a sizable, skilled, and tech-savvy workforce enhances the country's appeal in the international market, offering a cost-effective yet highly proficient talent pool.

Suggested ideas:

- An extremely ideal workforce: the abundance and young labor structure.
 - Abundant Labor Force: Vietnam's large population over 90 million provides a vast pool of potential workers.
 - Youth Dominance: A significant portion of the workforce is young, offering vitality and adaptability to the labor market.
- Vietnam has a population of over 90 million people, with an estimated 54 million people aged 15 and over employed annually, the workforce is continually rejuvenating.

- Vietnam is currently in a "golden population structure" that is expected to end in 2040
 - Current Demographic Bonus: The "golden population structure" indicates a high proportion of working-age individuals compared to dependents, maximizing economic productivity.
 - Expected Duration: This period is projected to last until around 2040, providing a temporary but significant demographic advantage.
- Labour productivity in Vietnam is also increasing, and the country has a high labour productivity growth rate in the ASEAN region.
 - Growth in Productivity: Vietnam's labor productivity is on the rise, suggesting improvements in efficiency and output.
 - Regional Standing: The country stands out in the ASEAN region for its high labor productivity growth rate, indicating a competitive edge.
- The international market is cost-effective but highly skilled personnel.
 - Balancing Cost and Skill: Despite being cost-effective, the workforce is recognized for its high skill level, making it an attractive market for international businesses.
 - Appeal to Foreign Investment: The combination of cost-effectiveness and skill attracts foreign companies seeking efficient yet skilled labor.
- Technological Exposure Among Youth
 - High Proportion of Young Technophiles: About 70% of the population aged 15-24 is significantly exposed to new technological developments, indicating a tech-savvy demographic.
 - Readiness for Innovation: This age group's familiarity with technology positions Vietnam as a fertile ground for adopting and integrating innovative solutions, including digital technologies and e-commerce.

Source:

- [Nguồn nhân lực Việt Nam: cơ hội và thách thức cho các nhà đầu tư | Kizuna](#)
- [Doanh nghiệp công nghệ số Việt Nam: Cơ hội gia nhập thị trường nghìn tỷ USD](#)
- [Cơ hội và thách thức trong phát triển công nghệ số của doanh nghiệp Việt Nam](#)
- [Để phát huy nguồn lực tài nguyên và môi trường đóng góp nhiều hơn nữa cho phát triển bền vững đất nước](#)
- [Labor force participation rate in Vietnam 2021, by age group.](#)

2. The potential benefits and challenges for the company based on the country's comparative advantage

Example:

The e-wallet company in Vietnam stands to benefit from the country's demographic advantages, including an abundant and youthful labor force, high labor productivity, a cost-effective market, and a population exposed to new technologies. However, challenges such as uneven population distribution, issues with labor quality and skills, concerns about discipline, and dependency on foreign suppliers may pose hurdles. To succeed, the company must navigate these challenges by implementing strategic workforce and market expansion measures, enhancing discipline standards, and addressing supply chain vulnerabilities. Leveraging the technological aptitude of the young population offers a pathway for the e-wallet company to thrive in Vietnam's dynamic fintech landscape

Suggested ideas:

Benefits:

- Abundant and Young Labor Force:
 - Large Population: Vietnam's significant youthful population offers a vast potential customer base for e-wallet services.

As of the third quarter of 2023, Vietnam's labor force aged 15 and over reached approximately 52.4 million, indicating a significant pool of potential workers and consumers for industries like e-wallet services [Vietnam Briefing, 2023](#)

The number of employed workers increased to 51.3 million during the same period, showcasing a robust and expanding labor market [Vietnam Briefing, 2023](#)
 - Youthful Demographic: The young workforce is adaptable, quick to learn, and more likely to embrace new technologies like e-wallets.

The Vietnamese labor market is characterized by a high proportion of young individuals, showcasing adaptability and a greater likelihood of embracing new technologies such as e-wallets.

The young workforce is adaptable and tech-savvy, making them more likely to embrace new technologies and innovations [Vietnam Briefing, 2023](#)
- High Labor Productivity:
 - Rising Productivity Levels: Vietnam is experiencing a rapid increase in labor productivity, indicating a more efficient workforce.
 - Comparative Advantage: When compared to other ASEAN countries, Vietnam's higher productivity may lead to more efficient operations for businesses like e-wallet companies.
- Cost-Effective Market:

- Skilled Yet Affordable Labor: Vietnam's workforce is not only skilled in various sectors but also relatively cost-effective, reducing operational costs.
- Operational Efficiency: The overall cost-effectiveness of the market allows e-wallet companies to allocate resources efficiently and offer competitive pricing.
- Technologically-Exposed Population:
 - Tech-Savvy Youth: A significant portion of the population, especially those aged 15-24, is already familiar with digital technology and more likely to adopt e-wallets.
 - Potential for Widespread Adoption: The familiarity with technology among the population indicates a readiness for widespread adoption of new services like e-wallets, providing a large market opportunity.

Challenges:

- Population Distribution:

The population in Vietnam is unevenly distributed across regions, which may pose challenges in uniformly accessing labor resources.
- Labor Skills:

There are concerns regarding labor quality, teamwork, and foreign language skills, which are crucial for modern businesses.

The discipline among Vietnamese workers is not as high as desired in some sectors, which can impact productivity and business operations.
- Dependency on Foreign Technology:

The Vietnamese market still relies heavily on foreign suppliers for products serving digital technology, such as hardware and software.

This dependency can create vulnerabilities and constraints for businesses heavily reliant on technology.
- Economic Targets and Restructuring Challenges:

Vietnam faces challenges in meeting its economic growth targets and in economic restructuring, which could impact the labor market and business environment.

Only 10 out of 30 targets set by the National Assembly's Resolution for economic restructuring are expected to be attainable, highlighting significant challenges in productivity enhancement

[Viettonkinconsulting, 2023.](#)

Source:

- [Nguồn nhân lực Việt Nam: cơ hội và thách thức cho các nhà đầu tư | Kizuna](#)
- [Doanh nghiệp công nghệ số Việt Nam: Cơ hội gia nhập thị trường nghìn tỷ USD](#)
- [Cơ hội và thách thức trong phát triển công nghệ số của doanh nghiệp Việt Nam](#)

- [Đề phát huy nguồn lực tài nguyên và môi trường đóng góp nhiều hơn nữa cho phát triển bền vững đất nước](#)
- [Nguồn nhân lực Việt Nam: cơ hội và thách thức cho các nhà đầu tư | Kizuna](#)
- [Cơ hội và thách thức trong phát triển công nghệ số của doanh nghiệp Việt Nam](#)
- [Skills and employability in Viet Nam](#)

3. The current trade agreements

Example: Vietnam's participation in trade agreements like the Regional Comprehensive Economic Partnership (RCEP), AANZFTA, and CPTPP holds significant implications for the e-wallet business. RCEP, encompassing key partners like China and Japan, enhances Vietnam's trade position, fostering post-pandemic recovery. Sectors benefiting from RCEP, including information technology and telecommunications, align with the digital nature of e-wallet services. AANZFTA's commitment to a 92% tariff elimination rate by 2022 fosters a favorable trade environment, promoting export-oriented growth. Moreover, under CPTPP, reduced import taxes to 0% for Vietnamese goods in major markets like Japan and Canada create positive impacts, potentially facilitating cross-border transactions and international business expansion for the e-wallet company.

Suggested ideas:

- The Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement (FTA) between 10 ASEAN countries and 5 partners: China, South Korea, Japan, Australia and New Zealand.
- RCEP will help Vietnam:
 - Expanding Market Access: RCEP opens up larger markets for Vietnamese exports, including information technology, textiles, footwear, agriculture, automobiles, and telecommunications.
 - Reducing Trade Barriers: The agreement reduces tariffs and other trade barriers, making it easier and more cost-effective for Vietnam to export its goods.
 - Boosting Economic Recovery: By enhancing trade and investment, RCEP is expected to significantly contribute to Vietnam's economic recovery post-pandemic, increasing demand for Vietnamese products.
 - Diversifying Export Portfolio: With RCEP, Vietnam can diversify its exports, not just in terms of products but also in terms of destinations, spreading economic risk and opportunity.
 - Attracting Foreign Investment: Improved trade relations and market access are likely to attract more foreign investment into Vietnam, further strengthening its economic growth and development.
- Vietnam's tax reduction roadmap committed in AANZFTA is:

- 92% Tariff Elimination by 2022: A majority of tariff lines, specifically 92%, are to be eliminated by the year 2022, significantly reducing trade barriers for a vast range of products.
- Roadmap for the Remaining 8%: The remaining 8% of tariff lines will follow a separate, detailed roadmap, outlining gradual reductions or maintenance of tariffs over time.
- Strategic Tax Rate Maintenance: Some of the remaining tariffs might be maintained instead of reduced, based on strategic economic considerations or to protect sensitive sectors.
- Long-term Economic Integration: This structured reduction and strategic maintenance are steps towards deeper economic integration and more robust trade relations with ASEAN, Australia, and New Zealand.
- According to CPTPP, major markets such as Japan and Canada reduce import taxes to 0% for Vietnamese goods, which will create positive impacts in promoting export turnover.

Source:

- [RCEP: Hiệp định mở ra lợi thế về quy tắc xuất xứ cho hàng hoá của Việt Nam](#)
- [AANZFTA là gì? Tìm hiểu những quy định trong hiệp định AANZFTA](#)
- [CPTPP – Hiệp định đầu tiên được thực thi của thế kỷ 21](#)
- [Vietnam's International Free Trade Agreements](#)
- [Vietnam - Trade Agreements](#)
- [FTAs to generate more benefits for Vietnam in 2023: minister | Business | Vietnam+ \(VietnamPlus\)](#)

V. Conclusion and Recommendations

Requirement:

- Summarize the key findings of the report and their potential implications for the business you analyze.
- Provide recommendations for the company based on the analysis, including strategies to mitigate risks and take advantage of opportunities in the Vietnamese economy.

Recommendations

Example: The report on Momo, the prominent Vietnamese e-wallet, reveals key findings shaping the potential implications for its business. Vietnam's robust economic growth, marked by an impressive GDP rise and increased foreign investment, presents a favorable landscape for Momo's expansion. However, inflation trends, attributed to global and local factors, pose

challenges. The State Bank's interest rate adjustments, aiming for economic stimulation, offer potential benefits for Momo in reducing capital costs. Additionally, the country's demographic advantages and participation in trade agreements like RCEP and CPTPP provide strategic opportunities and challenges for the e-wallet business in Vietnam's dynamic fintech landscape.

Conclusion

Example: To capitalize on Vietnam's demographic advantages, Momo should tailor its marketing to resonate with the tech-savvy youth. Exploring partnerships with educational institutions can tap into talent pools and expand its user base. Strengthening community ties through CSR initiatives will enhance brand perception and trust. Aligning CSR efforts with local social and economic priorities not only contributes meaningfully to the community but also establishes Momo as a socially responsible player. These strategies will not only mitigate risks associated with demographic shifts but also position Momo to seize opportunities presented by the youthful population in the dynamic Vietnamese economy.

Suggested ideas:

Harness Demographic Advantages:

- Understand Youth Preferences:
 - Research the trends, interests, and values of the youthful demographic.
 - Identify their preferred communication styles and platforms.
- Align Marketing Strategies:
 - Develop targeted advertising campaigns that resonate with young people's lifestyles.
 - Use digital platforms popular among youths, like social media and apps, for marketing.
- Design Youth-Centric Products:
 - Create products or services that reflect the interests and needs of the younger population.
 - Incorporate technology and innovation that appeal to tech-savvy youths.
- Engage Through Brand Experience:
 - Build a brand narrative that speaks to youth aspirations and values.
 - Offer interactive and immersive brand experiences through events or online engagement.
- Innovate with Young Talent:
 - Involve young individuals in brainstorming and innovation processes.

- Encourage a culture of feedback and fresh ideas from younger employees or partners.

Community Engagement and Corporate Social Responsibility (CSR):

- Understanding CSR and Community Engagement:
 - CSR is a company's commitment to responsibly manage its social, environmental, and economic impact.
 - Community engagement involves active collaboration with local groups to address communal issues and objectives.
- Strengthen Ties with Local Communities:
 - Engage with local groups and leaders to support community activities and initiatives.
 - Establish communication channels for feedback and regular interaction with community members.
- Develop and Implement CSR Initiatives:
 - Create sustainable projects focusing on critical areas like education, health, and environment.
 - Plan long-term initiatives for continual community benefit and development.
- Build Trust and Positive Brand Perception:
 - Practice transparency and ethical behavior in all community dealings.
 - Share CSR achievements openly to build a positive reputation and trust.
- Align CSR with Local Needs:
 - Research local challenges and tailor CSR efforts to address these specific needs.
 - Involve community in the planning and execution of CSR activities for better relevance and impact.
- Contribute to Local Ecosystem:
 - Assess the impact of CSR initiatives on local development and adjust strategies accordingly.
 - Collaborate with various stakeholders to magnify the benefits of CSR efforts on the local ecosystem.