D/ DETAILED OUTLINE

Section 1: Events Overview

A. **Introduction:**
- 2-3 first sentences: Start with an introduction that briefly explains the purpose of this section

Hints: To provide an overview of recent economic events and their significance.

B. & C.Event/Condition 1/2/3(if applicable)
- **1-2 first sentences - Identification and Nature**: Clearly identify and describe the first event or condition that has taken place in the Vietnamese economy in the past 12 months. Emphasize its macroeconomic nature.

Example: Ukraine - Russia war
- The escalating conflict between Russia and Ukraine that erupted into full-scale war in February 2022 has had pronounced macroeconomic ripples globally, including in distant Vietnam

- **2-3 next sentences - Direct Sectoral Impact:** Discuss which sector(s) have been directly impacted by this event. Explain how the event may have affected these sectors in the short run and the long run.

Example: Ukraine - Russia war
- Disruptions to food and energy exports from the Black Sea region, leading to global shortages and price spikes (29% drop in Ukraine's grain production in 2022/202)
- Weighs on global growth and trade, dampening demand for Vietnamese exports (The combined trade of Vietnam with Russia and Ukraine stood at 7.6 billion U.S. dollars in 2021, accounting for 1.2 percent of Vietnam's total import-export turnover, according to data from the Vietnamese Ministry of Industry and Trade).

- **3-4 next sentences - Spillover Effects**: Outline how the impact on the identified sector(s) might spread to other sectors of the economy. Analyze the interconnectedness of sectors and the ripple effects.

Example: Ukraine - Russia war
- **Business**: Rise in prices of commodities oil, gas, wheat, and fertilizers filter through to higher costs and inflation in Vietnam - Also hit by the storm of oil and food prices, Vietnam's CPI in March increased by 1.91% compared to December 2021 and by 2.41% over the same period in 2021.

- **Government:** Potential shifts in bilateral relations and free trade prospects with major partners - Bilateral trade turnover between Vietnam and Russia in 2021 reached US$5.5 billion up 13.8 percent compared to 2020. Vietnam-Ukraine trade turnover was estimated at US$720 million up 50 percent compared to 2020.

- **3-4 next sentences - Well-being of Residents**: Explain how this event or condition affects the well-being of residents in both the short run and the long run. Consider factors like employment, income, access to essential services, and the overall standard of living. Illustrate the impacts through the AD-AS model.

Example: Ukraine - Russia war
- **Income:** Higher inflation reduces real incomes and consumption
- Dragon Capital has upped its inflation forecast for this year from 3.5 percent to 3.58-4.18 percent following the surge on oil prices due to the Russia-Ukraine imbroglio.
- **Supply:** Possible energy shortages if unable to secure alternative supplies
- the price of coal in the global market in 2022 has increased by sixfold since 2020, and by 2.6-fold since 2021

D. Conclusion
- 2-3 next sentences: Summarize the key findings, emphasizing the significance of these events/conditions for the well-being of residents and the broader economy.

II. Section 2: Economic Activity

A. Data Presentation:
- 4-5 first sentences: Begin by presenting key economic data, such as GDP, inflation, and unemployment. Use charts, graphs, and tables to illustrate these data points.

Example: Vietnam's economic data from 2020 to 2023

- GDP: Vietnam's GDP growth slowed to 2.6% in 2020 due to the COVID-19 pandemic but is projected to rebound to 6.5% in 2022 on resumed manufacturing and service sector activity (World Bank, 2022).

- Inflation: surged to 3.2% in 2022 compared to 0.9% in 2020 driven by rising food and energy costs globally (GSO, 2022).

- The unemployment rate: dropped from a pandemic peak of 2.4% in 2020 to 2.1% in 2022 as labor demand resumes (CEIC, 2022).

→ Overall, Vietnam is experiencing a steady recovery from the pandemic slump, but faces fresh inflationary headwinds that could weigh on real incomes.

B. IS-LM Framework:

- 2-3 next sentences: Explain the IS-LM framework and its relevance to the Vietnamese economy. Show how changes in monetary policy and fiscal policy can be analyzed using this framework.

- Can illustrate impact of government stimulus spending during COVID-19 by shifting IS curve out
- Can show how lower SBV interest rates boosted output by shifting LM curve out

- 4-5 next sentences: Discuss the dynamics in the money and commodity markets as impacted by two recent policy initiatives of the Vietnam Government.

- Lower Interest rates Policy
  - Expansionary monetary policy to boost liquidity and lending
  - Shifts LM curve outward as lower interest rates increase money demand
  - Increases equilibrium national income through lower borrowing costs
- Commodity Market Impact
  - Cheaper credit stimulates investment and consumer spending
  - Increases aggregate demand for goods and services
  - Shifts IS curve outward to higher equilibrium income
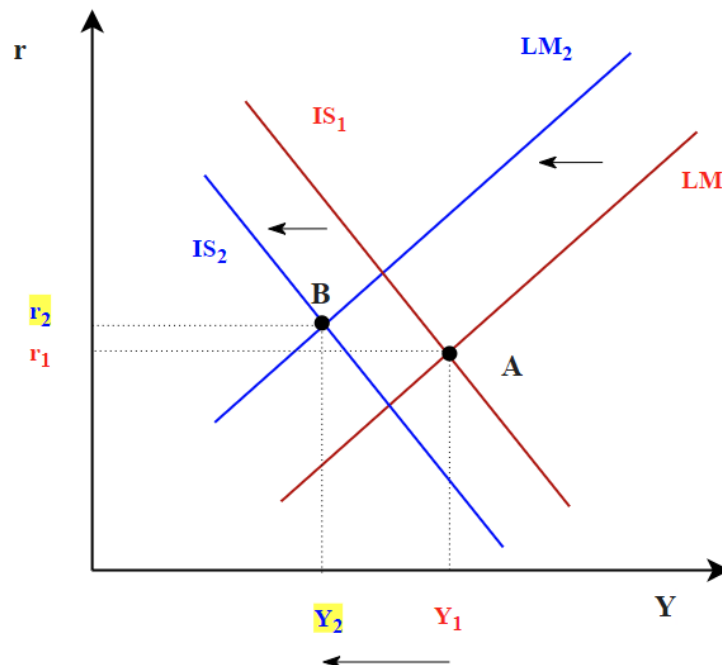
C. Industry Analysis:

- 10-12 next sentences: Present and briefly discuss two industries that experienced large decreases in their growth rates over the past 12 months. Explain why this happened based on recent economic developments.

Example: Tourism and manufacturing industry
<u>Tourism industry</u>

- Situation: Vietnam's tourism industry experienced a severe contraction due to COVID-19, with international arrivals plunging 78% from 18 million in 2019 to just 4 million in 2021
- Reason: Stringent cross-border travel restrictions imposed to control the pandemic (UNWTO, 2022)
- Situation (Domestic):
  - Domestic tourism also slumped, with major destinations like Ho Chi Minh City and Ha Long Bay reporting 60-70% decreases in visitors.
  - Hotel occupancy rates fell below 10% across the country according to VNExpress (2021).
  - Reason: Regulatory and Visa Issues, Changing Travel Preferences

→ Impacts: The loss of foreign and local tourists led to **widespread business closures and job losses**, especially for tour companies, restaurants, transportation providers, and hospitality firms (you should add data here)

The tourism industry comprises about 10% of Vietnam's GDP, highlighting its importance to economic growth.

<u>Manufacturing sector:</u>
Situation:
  - Vietnam's manufacturing sector, dominated by electronics, textiles, and food processing, contracted significantly during the pandemic (Reason: dampened global export demand, disrupted supply chains, and factory worker absenteeism).
  - Specifically, the textile industry reported a 22% drop in output in 2021 (Reason: firms scaled back production in response to order cancellations and shortages of imported fabric from China) (VITAS, 2022).
  - Several large overseas electronics companies like Samsung and LG also slowed local operations (Reason: consumers reduced purchases of discretionary goods amidst economic uncertainty). These demand- and supply-side pressures led to manufacturing capacity utilization declining below 75% for most of 2020 and 2021 according to data from the Ministry of Industry and Trade.

  - 10-12 next sentences: Present and briefly discuss two industries that experienced large increases in their growth rates over the past 12 months. Explain why this happened based on recent economic developments.

Example:
<u>Agriculture industry:</u>

Situation:
- Vietnam's agriculture industry showed resilience during the pandemic, with sectoral GDP growing 3% in 2020 and 2.9% in 2021 despite broader economic contraction (GSO, 2022).
- Agricultural exports expanded 6.4% in 2021 (Reason: surging Chinese demand for tropical fruits boosting produce revenue) (Mordor Intelligence, 2022).
- Domestically, (Reason: lockdowns and movement restrictions) increased food-at-home consumption, benefitting local staple producers.
- (Reason: Government stimulus policies like delayed tax payments) aided agribusiness cash flows.
- Robust global food prices further lifted revenues for farmers, with FAO's cereal price index rising 27% over 2020-2021.

→ These tailwinds enabled agriculture to thrive while other sectors struggled.

ICT industry:

Situation:
- Vietnam's ICT industry comprising hardware, software, digital services, and communications grew at an accelerated 9% annual pace over 2020-2021 (Fitch Solutions, 2022).

Reason:
- IT hardware exports boomed as work-from-home policies increased demand for products like laptops, webcams, and cloud services globally.
- VNG and Viettel were among Vietnamese tech firms seeing valuations double during the pandemic (Nguyen, 2021).
- While increased digitization supported growth, lingering supply chain bottlenecks disrupted hardware assembly. But expanding local electronics production and surging tech usage underscore ICT's immense potential as a high-growth industry in Vietnam.

III. Section 3: Recommendations

A.   Introduction
- Begin this section by introducing its purpose, which is to provide policy recommendations based on the analysis in the previous sections.

B. Policy Recommendations:
- Clearly explain the rationale behind each recommendation and how it addresses the economic conditions/events identified in Section 1. Focus on short-term support and long-term prosperity for the economy and industries discussed in the report.
- Quality and relevance are more important than quantity. Aim for recommendations that are well-supported and practical.

- Visually illustrate how it can positively impact both aggregate demand and aggregate supply through AD-AS model, potentially contributing to economic growth while managing inflation.

<u>Example:</u>

- Reason for Policy:
  - Offset Inflation: To alleviate the burden of rising prices and inflationary pressures on lower income groups.
  - Promote Consumer Spending: Encourage higher consumer spending by putting more money in the hands of lower-income individuals.

- Results of Policy:
  - Increased Aggregate Demand: Lifting VAT and income taxes for lower income groups would boost their disposable income, leading to higher consumer spending.
  - Stabilized Aggregate Supply: By stimulating demand, the policy may incentivize businesses to produce more, helping stabilize the aggregate supply.
  - Economic Growth: A combination of increased demand and supply could lead to economic growth, potentially reducing inflationary pressures.

- How to Conduct It:
  - Tax Relief Mechanism: Implement a system that temporarily reduces VAT and income tax for specific income brackets, ensuring only lower-income groups benefit.
  - Monitoring: Continuously monitor the effects of the policy on demand, supply, and inflation.

E/ TIPS & TRICKS

- Use charts and graphs to illustrate your points, making data more accessible to your audience.
- Maintain a professional and succinct writing style to provide insightful, well-supported, and actionable information to guide government decision-making/
- Ensure to consistently support your findings and recommendations with relevant economic theories for academic depth and credibility.