NATIONAL ECONOMICS UNIVERSITY
Faculty of Mathematical Economics

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ASSIGNMENT

SUBJECT: MACROECONOMICS

TOPIC: Vietnam's Balance of Payments in 2020

Full name: Nguyễn Huỳnh Đức
Class: Actuary 62
Student's ID: 11200853
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I. INTRODUCTION

International economic integration has been a trend of the times and is taking place more and more deeply in terms of scale content in many fields. In that trend, Vietnam's international economic integration has been going on for a long time since Vietnam initiated the comprehensive reform of the country in 1986. Especially since 2007, Vietnam officially became the 150th member of the World Trade Organization (WTO), which is an important milestone in the cause of industrialization and modernization of the country, marking the deepening integration with Vietnam with the international market in general and in the banking and finance sector in particular.

To seize opportunities as well as proactively deal with challenges in the integration process, Vietnam has been working to improve the international balance. However, it is very difficult to make a complete and accurate balance of payments account promptly because the scope of collecting the balance of payments data is too wide. In order for the balance of payments to become a tool for analysis and good management of foreign economic activities, it is imperative that there be research in both theory and practice in the establishment, analysis, and adjustment of the international balance of payments.

Therefore, I boldly chose the topic: "Vietnam's Balance of Payments", I want to be able to learn more about this issue from which to have a better view of Vietnam's Balance of Payments. I look forward to receiving your comments. Thank you sincerely.

II. THEORY

1. Definition of Balance of Payment

The balance of payments (BoP) is a statistical table that systematically and scientifically records economic transactions between domestic residents and foreign residents during a certain period, usually a year.

The economic transactions discussed here include the transactions of the exchange of goods and services between the residents of two countries, in other words, import and export activities. In addition, there are transactions in the form of borrow and lends between residents of the two countries, then it will confirm the country is a debtor or creditor country of the world. In addition, this also covers transactions on foreign currency assets of the Central Bank, thereby changing the level of foreign exchange reserves of the central bank.

2. Accounting Methods

As defined above, the economic transactions recorded in the balance of payments are not in the form of lists but are presented in the most condensed way, simultaneously conveying the most meaning and information.

Traditionally, the balance of payments table is structured into two main sections, the current account, and the capital account. Economic transactions will be arranged in these two accounts. While the current account reflects net income flows between domestic and foreign residents, the capital account reflects net changes in the composition of assets and liabilities between domestic and foreign residents. The current account and capital account themselves can be further divided into sub-accounts. Units in the balance of payments statement can be local currency or some can be US dollars.

Every transaction between domestic residents always has two sides (the principle of double entry in accounting), receipt and payment, and both sides are recorded in the statistics of the balance of payment. Transactions which involve a flow of payments into our country have a plus sign (credit items). Transactions which involve a flow of payments out of our country have a minus sign (debit items).

3. Structure of BoP

3.1. Current Account Balance

The current account, according to the classification of the international monetary fund is divided into four sub-accounts namely trade balance, net services, net investment income and net transfers. The word "net" here means the difference between receipt and paying.

3.1.1. Trade Balance

The ***net exports*** of any country are the difference between the value of its exports and the value of its imports:

Net exports=Value of country's exports - Value of country's imports.

Because net exports tell us whether a country is, in total, a seller or a buyer in world markets for goods and services, net exports are also called the ***trade balance***.

If net exports are positive, exports are greater than imports, indicating that the country sells more goods and services abroad than it buys from other countries. In this case, the country is said to run a trade surplus. If net exports are negative, exports are less than imports, indicating that the country sells fewer goods and services abroad than it buys from other countries. In this case, the country is said to run a trade deficit. If net exports are zero, its exports and imports are exactly equal, and the country is said to have balanced trade.

3.1.2. Net Services

Net services include many transactions such as freight transportation, transportation insurance, costs incurred during transportation and residence for transportation purposes, incomes of employees overseas employment (but less than one year of work abroad), income from property rights such as patents, intellectual property, copyrights and other non-financial intangibles, operations communication, advertising..., and transactional activities of government agencies such as embassies, military bases... arising between the two countries.

The difference between the value of services received from abroad and the value of services paid to abroad will give us the net non-factor service value.

3.1.3. Net Investment Income

Net investment income associated with income/payments related to owning financial assets and leasing land resources...You can own foreign financial assets such as shares, loans (as direct investment or portfolio investment) and these assets will give you income every year in the form of dividends, reinvested profits, in the other word retained company profits, interest...These earnings will be included in foreign investment income. Conversely, foreigners can also invest in your country, and we will have to pay the foreign interest, and this will be deducted to calculate the net investment income.

Leases of land and real estate between domestic residents and foreign residents will also generate income and are also included in this subclause. In addition, taxes and subsidies on production and products such as value-added tax, import-export tax, and business fees incurred by foreign residents or vice versa are also included in this sub-account.

3.1.4. Net transfers

Net transfers include official aid payments between the country's government and other national governments, international organizations...

In addition, it includes taxes on the income and wealth of non-residents, insurance contributions and social benefits, net non-life insurance premiums, non-life insurance coverage upon the occurrence of a covered event, private sector aids, non-resident penalties, gambling, or lottery winnings...

3.2. Capital Account Balance

The capital account records transactions involving financial assets and liabilities that take place between domestic residents (not counting the central bank) and foreign residents.

In the capital account, one can further subdivide it into sub-accounts such as direct investments, portfolio investments, and other types of investments such as financial derivatives and stock options. Within each of those sub-accounts, one can further divide equity instruments, debt instruments, and other financial instruments. Particularly for portfolio investments, one can get more details about the maturity of the investments.

A capital investment that is owned and operated by a foreign entity is called foreign direct investment. An investment that is financed with foreign money but operated by domestic residents is called foreign portfolio investment.

3.2.1. Net FDI

The net foreign direct investment sub-account is the difference between the amount of foreign currency capital coming in and the amount of foreign currency capital going out in the form of direct investment. No sign will imply the domestic market received more foreign investment than offshore investment. Conversely, if it has a negative sign, the opposite happens.

In the detailed balance of payments tables, it will be clearly stated how much is new investment, how much is FDI repayment, how much is FDI in the form of equity, and how much is in debt.

3.2.2. Portfolio Investment

A portfolio investment is an ownership of a stock, bond, or other financial assets with the expectation that it will earn a return or grow in value over time, or both.

It entails passive or hands-off ownership of assets as opposed to direct investment, which would involve an active management role. Portfolio investing, mainly investing in financial instruments on the stock market.

3.2.3. Other Investment

Other investments here include assets (cash and deposits and other revenues and payables), liabilities (cash and deposits, and foreign loans and repayments), and other investments (net).

3.3. Errors and Omissions

If the statistical work reaches the absolute level of accuracy, the errors and omissions are zero. In fact, due to many complicated statistical problems, in the process of collecting data and preparing the international balance of payments, ***errors and omissions*** often arise.

3.4. Official Transactions Account/BoP

Current Account Balance + Capital Account Balance + Errors and Omission= BoP

When ***official transactions account*** is unsigned, that is the overall balance surplus. This figure implies that the total amount of foreign currency received by domestic residents (excluding the central bank) from foreign residents is greater than the total amount of foreign currency payable by domestic residents (excluding the central bank) to foreign residents. If the official transactions account is negative, the opposite will happen.

3.5. Reserves and related items

When the overall balance is in surplus, the central bank will buy back this foreign currency in local currency and can use this foreign currency to invest in other foreign financial assets such as US treasury bills, gold, and other financial assets. This operation is called the foreign exchange market operation. Or the central bank can also use this foreign currency to repay previous loans from the International Monetary Fund, from governments, from private financial institutions. Then, the reserve assets (foreign currency assets and gold) of the central bank will increase or the foreign liabilities of the central banks will decrease.

On the contrary, if in the case of a total balance deficit, the total amount of foreign currency received by domestic residents (excluding the central bank) from foreign residents is less than the total amount of foreign currency received by foreign residents. Vietnamese residents (excluding the Central Bank) must pay for foreign residents, the central bank will be responsible for providing this shortfall. At that time, either the central bank will sell the foreign currency assets it has, and then use the foreign currency to sell it to the market, or the central bank will borrow from financial institutions and then sell it. foreign currency to the market. Doing so would lead to a decrease in the central bank's foreign reserve assets or an increase in the external debt burden.

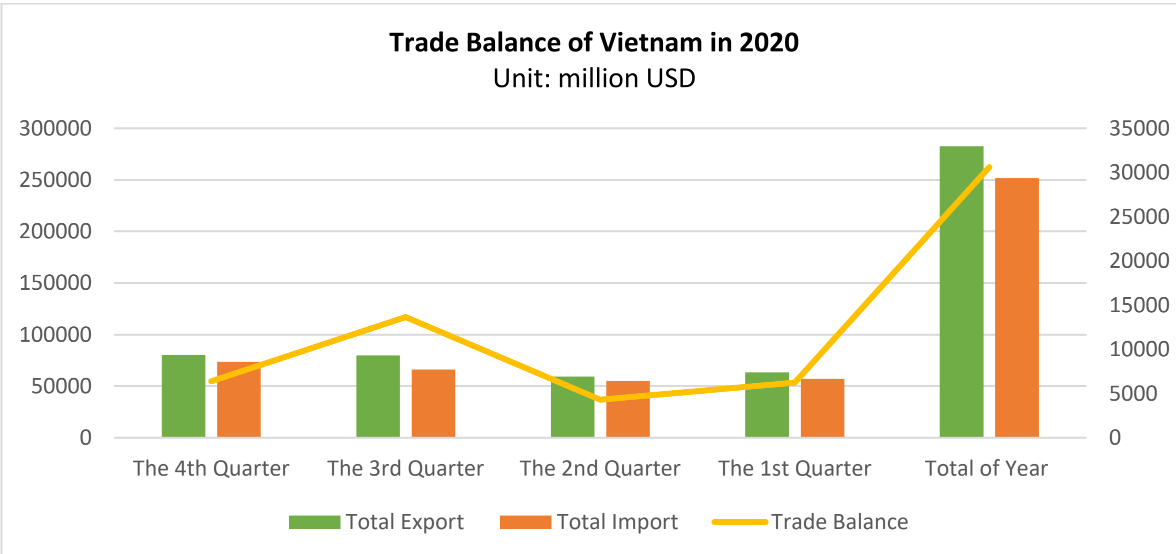
The central bank can also actively buy and sell foreign currency in the market to adjust the exchange rate to the level desired by the central bank.

III. FACT: VIETNAM 'S BALANCE OF PAYMENTS

1. Actual situation in 2020

1.1. Current Account Balance

1.1.1. Trade Balance



The year 2020 recorded strong efforts of import and export activities in the context that the domestic and world economies were negatively affected by the Covid-19 epidemic and the disruption of global trade. Total import and export turnover of goods in 2020 was estimated at 543.6 billion USD, up 5.1% over the previous year, of which commodity export turnover reached 282.6 billion USD, up 6.5%; goods import reached 252 billion USD, up 3.6%. The balance of trade in goods in 2020 was estimated to have a trade surplus of 30.6 billion USD, the highest level in 5 consecutive trade surpluses since 2016.

The realized export turnover of goods in November 2020 reached USD 25,238 million, USD 438 million higher than the estimated number. It was estimated that in December 2020, export turnover of goods reached 26.5 billion USD, up 5% over the previous month and up 17.6% over the same period last year. Export turnover in the fourth quarter of 2020 was estimated at 78.9 billion USD, up 13.3% over the same period last year and down 1.1% compared to the third quarter of this year. For the whole year of 2020, the export turnover of goods was estimated at 282.6 billion USD, up 6.5% compared to 2019, of which the domestic economic sector reached 78.2 billion USD, down 1.1 %, accounting for 27.8% of total export turnover; FDI sector (including crude oil) reached 203.3 billion USD, up 9.7%, accounting for 72.2%. In 2020, there were 31 items with export turnover of over 1 billion USD, accounting for

91.9% of total export turnover (6 items with export turnover of over 10 billion USD, accounting for 64.3%).

Regarding the structure of export products in 2020, the group of heavy industrial goods and minerals was estimated at 152.5 billion USD, up 11.3% over the previous year. The group of light industrial products and handicrafts was estimated at 100.3 billion USD, up 2.4%. The group of agricultural and forestry products reached 20.3 billion USD, down 1.9%. The group of aquatic products reached 8.4 billion USD, down 1.8%.

Regarding the commodity export market in 2020, the United States was Vietnam's largest export market with a turnover of 76.4 billion USD, up 24.5% over the previous year; followed by China with USD 48.5 billion, up 17.1%; EU market reached 34.8 billion USD, down 2.7%; ASEAN market reached 23.1 billion USD, down 8.7%; Japan reached 19.2 billion USD, down 5.7%; Korea reached 18.7 billion USD, down 5.1%.

The realized import turnover of goods in November 2020 reached 24,692 million USD, 492 million USD higher than the estimate. It was estimated that in December 2020, import turnover of goods reached 25.2 billion USD, up 11.4% over the previous month and 22.7% over the same period last year.

In the fourth quarter of 2020, import turnover reached 76.4 billion USD, up 15.7% over the same period last year and up 10.7% compared to the third quarter of this year. In general, in 2020, the import turnover of goods was estimated at 262.4 billion USD, up 3.6% compared to 2019, of which the domestic economic sector reaches 93.6 billion USD, down 10%; FDI sector reached 168.8 billion USD, up 13%. In 2020, there were 35 imported items with a turnover of over 1 billion USD, accounting for 89.6% of the total import turnover (4 items reaching over 10 billion USD, accounting for 49.4%).

Regarding the structure of goods import in 2020, the group of materials of production was estimated at 245.6 billion USD, up 4.1% over the previous year and accounting for 93.6% of the total import turnover of goods; the consumer goods group was estimated at 16.8 billion USD, down 3.8% and accounting for 6.4%.

Regarding the import market of goods this year, China was still the largest import market of Vietnam with a turnover of 83.9 billion USD, up 11.2% over the previous year; followed by South Korea with USD 46.3 billion, down 1.5%; ASEAN market reached 30 billion USD, down 6.9%; Japan reached 20.5 billion USD, up 5%; EU market reached 14.5 billion USD, up 3.5%; The United States reached 13.7 billion USD, down 4.9%.

The trade balance of goods in November had a trade surplus of 546 million USD; 11 months of trade surplus of 20.1 billion USD; December was estimated to have a trade deficit of 1 billion USD. It was estimated that in 2020, a trade surplus of 19.1 billion USD, of which the domestic economic sector had a trade deficit of 15.5 billion USD; FDI sector (including crude oil) had a trade surplus of 34.6 billion USD.

1.1.2. Net Services

In the second quarter of 2020, due to the impact of the outbreak in the early stages of the Covid-19 epidemic, our country's service export turnover decreased by 76.1% over the same period in 2019 and decreased by 75.8% compared to the first quarter of the year 2019.

In the fourth quarter of 2020, when the epidemic had gradually stabilized and the country returned to a new normal, service export turnover was estimated at 820 million USD, up 4.2% compared to the third quarter of the same year but still down 84.8% over the same period in 2019; service import turnover reached US$4.7 billion, an increase of less than 1% compared to the third quarter of the same year and a decrease of 14.6% over the same period in 2019.

In 2020, due to the Covid 19 epidemic, service export turnover was estimated at 6.3 billion USD, down 68.4% compared to 2019; service import turnover was estimated at 18.3 billion USD, down 14.5%. The service trade deficit in 2020 was 12 billion USD, nearly twice the service export turnover, up 10.5 billion USD compared to 2019.

1.1.3. Net Investment Income

Net investment income for the whole year of 2020 was -14817 million USD, an increase of 1978 million USD compared to 2019. Specifically, in investment income: incoming decreased of 809 million USD, and in investment income: spending reduced 2787 million USD.

Subtracting investment income: spending increased by 28 million USD in the third quarter, investment income: incoming and investment income: spending in all four quarters decreased compared to the same period last year, especially in the second quarter of investment income: spending down 1302 million USD.

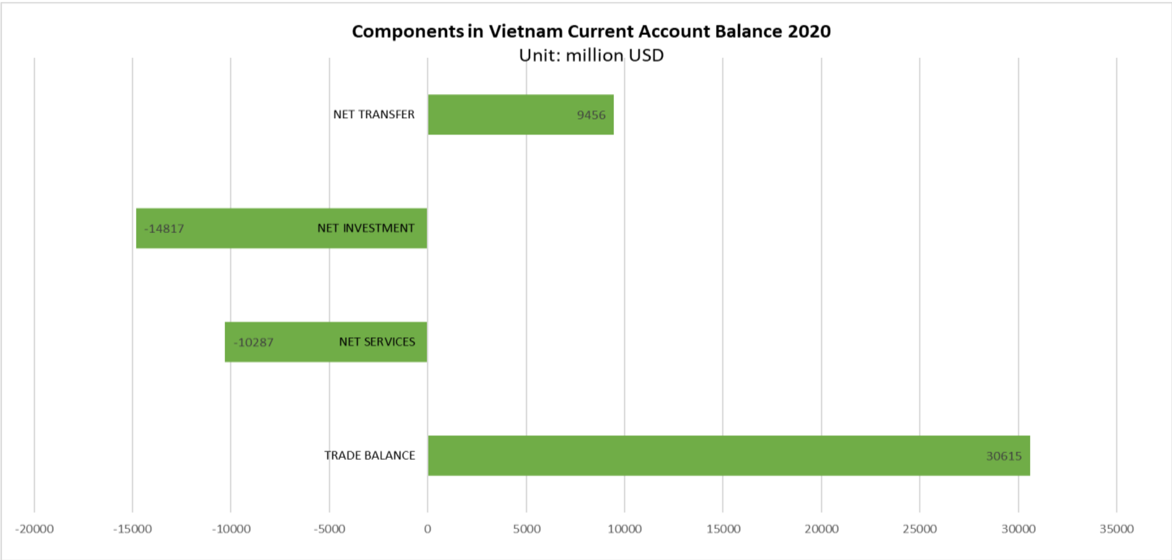
1.1.4. Net Transfers

This entry includes non-refundable unilateral money transfers, expressed as a net. For Vietnam, private sector remittances (in exchange) account for a major share of this category, in addition to official grants from governments and organizations.

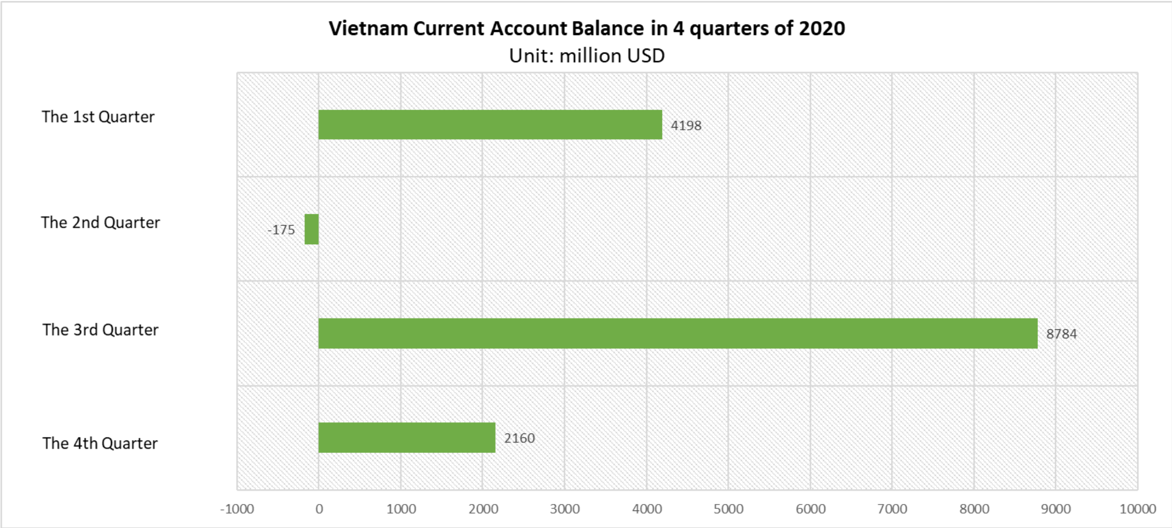
According to statistics of the State Bank of Vietnam, current transfer (secondary income): incoming in 2020 reached 11427 million USD, while current transfer (secondary income): spending was 1971 million USD.

Accordingly, net current transfers reached USD 9456 million in 2020. This figure only increased by 213 million USD compared to 2019.

1.1.5. Current Account Balance



Thus, despite the outbreak of the Covid-19 epidemic, the current account in 2020 had a surplus of 14967 million USD, an increase of 23% compared to 2019. In which, the trade balance achieved a record surplus of 30.6 million. USD, three times more than net transfer. However, net investment and net services recorded deficits of 14817 million USD and 10287 million USD respectively.



In addition, in 2020, the current account also recorded a decrease from a surplus of 9456 million USD in the first quarter to a deficit of about -14817 million USD in the second quarter. The above decrease was mainly due to the sharp increase in import of goods. Services import-export balance continues to have a negative impact on the current account due to the closure of borders to most international visitors. However, in the third quarter, it increased sharply to reach a surplus of USD 8784 million and then decreased by nearly 4 times in the last quarter of the year.

1.2. Capital Account Balance

1.2.1. Net FDI

In 2020, Vietnam became a bright spot to attract FDI with effective anti-epidemic achievements. Vietnam was also considered a beneficiary of the US-China trade war. Also in 2020, Vietnam entered the group of 20 economies receiving the largest foreign direct investment (FDI) capital for the first time with 16 billion USD. Amidst a global FDI declined of tens of percent, FDI inflows in Vietnam remained stable.

In the first 11 months of 2020, foreign investors invested 17 billion USD in Vietnam with a significant portion of these projects targeting the manufacturing, processing, real estate, and fertilizer manufacturing sectors. power distribution.

Vietnam FDI Attraction (As of Novermber 20,2020)

No.	Industry	Number of projects	Total registered investment capital (Mil. US$)
1	Manufacturing, processing	15080	225733
2	Real estate activities	939	60112
3	Production, electricity, gas, steam, and air conditioning supply	149	28733
4	Accommodation and food service activities	891	12516
5	Construction	1755	10683
6	Wholesale and retail trade; repair of motor vehicles and motorcycles	5145	8434
7	Transportation and storage	869	5235
8	Mining and quarrying	108	4897
9	Education and training	577	4404
10	Information and communication	2316	3950

Efficiency and consumer demand had been key factors in Vietnam's investment attractiveness. In the future, these could be supplemented by the expanding digital economy as well as Vietnam's participation in numerous global and regional trade agreements.

Along with the increase in import and export activities, the trade intensity of FDI also increased for the first time in the past 10 years. Foreign companies had played an important role in the import and export of goods and services. For example, in trade in goods, the FDI sector accounted for 72% of total exports and 63% of imports. This has most likely reflected FDI's preference for trade-intensive sectors such as manufacturing and crude oil and the positive effects from many recently signed trade agreements including the EU-Vietnam free trade agreement (EVFTA) and the UK – Vietnam FTA.

Top 5 Investors in Vietnam (As of November 20,2020)			
No.	Country	Number of new projects	Total registered investment capital (Mil. US$)
1	Singapore	225	8076
2	South Korea	573	3702
3	China	311	2402
4	Japan	251	2111
5	Taiwan	115	1999

As of November 2020, there were 109 countries and territories having investment activities in Vietnam. Singaporean companies had invested 8 billion USD in the country, the largest, beating South Korea since last year. In second place were Korean enterprises (invested capital of 3.7 billion USD), followed by China (invested capital of 2.4 billion USD). In addition, many companies from Japan, Thailand, and Taiwan were also operating in the country.

In recent years, Asian countries had emerged to represent the majority of Vietnam's FDI. In 2020, China's rise as an FDI partner was particularly notable. In early 2020, Chinese companies negotiated and got approval for major projects despite strained relations between the two countries. Japanese MNCs such as Toyota, Honda, Canon, and Sumimoto had been present in Vietnam.

A series of new Japanese companies such as AEON, Uniqlo, and Mizuho had recently expanded their presence in the Vietnamese market. A recent survey showed that Japanese businesses rated Vietnam as the most promising foreign direct investment destination in 2020. Similarly, Thai businesses registered many projects in 2020 which is doubled compared to 2019 attracted by the investment environment and Vietnam's participation in many regional trade agreements.

Regarding direct investment from Vietnam to abroad, the figure of 2020 was 380 million USD, down 15.56% compared to the figure of 2019 which is 450 million USD.

Net foreign direct investment for the whole year of 2020 reached 15420, a slight decrease of 1.6% compared to 2019.

1.2.2. Portfolio Investment

Although outward portfolio investment(assets) had a surplus of 4 million USD, Vietnam's net indirect investment in 2020 had a deficit of 1256 million USD due to indirect investment in Vietnam(liabilities) having a deficit of 1,260 million USD.

This was a heavy deficit compared to 2019, the year that net indirect investment had a surplus of 2998 million USD due to a surplus in both assets and liabilities of 3 million USD and 2995 million USD, respectively.

In the four quarters of 2020, the first quarter recorded the heaviest deficit with only a surplus of 1 million USD in assets but a deficit of 1333 million USD in liabilities. This was in stark contrast to the same period last year with a specific surplus of 483 million USD in the first quarter of 2019.

After the first quarter, the second quarter recorded a surplus of 542 million USD in net indirect investment, but this surplus did not last long as the third and fourth quarters both saw deficits of more than 200 million USD.

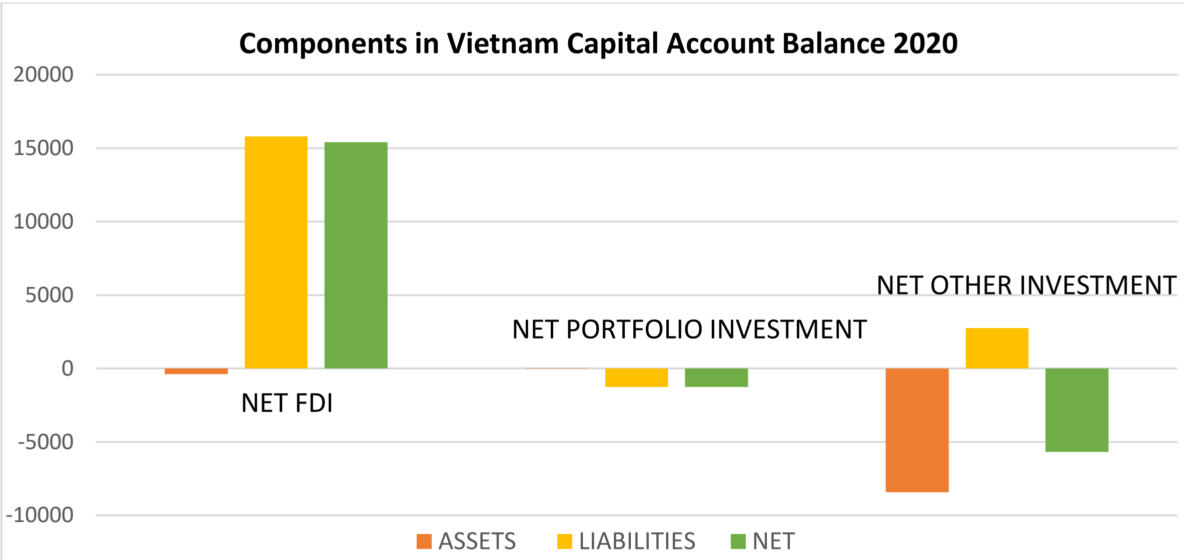
1.2.3. Other Investment

In 2020, Vietnam witnessed a deficit of USD 8436 million in other investments: assets due to a deficit in cash and deposits amounted to USD 8447 million. In the deficit of money and deposits, the deficit came from credit institutions accounting for 67.33%, the rest was from the population with a deficit of 2760 million USD. However, in other investments: assets, there was a surplus in other receivables/ payables of up to 11 million USD for the whole of 2020. In this item, there was a contrast. While the first two quarters recorded a large deficit of 260 million USD and 111 million USD, respectively, the last two quarters recorded a strong surplus up to 224 million USD in the third quarter and 158 million USD in the fourth quarter.

Contrary to other investment: liabilities, there was a surplus of $2.7 billion due to a surplus in both subsections: Cash and deposits and Borrowing and repaying foreign debt. The cash and deposit subsection had a surplus of 397 million USD, with 64.48% coming from the population and 35.52% coming from credit institutions. In the subsection of borrowing and paying foreign debts, short-term capital only had a surplus of USD 4 million while long-term capital had a surplus of USD 2355 million, accounting for 99.9% of the surplus of USD 2358 million of this whole subsection.

Thus, even though there was a surplus in liabilities because it recorded a deficit of 4 times in assets, Vietnam's net other investment in 2020 still had a deficit of up to 5 billion USD. A large deficit compared to the $303 million surplus in 2019.

1.2.4. Capital Account Balance



Thanks to a large surplus in the net FDI account, despite recording a deficit in the net indirect investment account and net other investment account, Vietnam's capital account in 2020 still recorded a surplus of more than 8.4 billion USD with no quarter recorded a deficit. However, this figure were still 2.24 times lower than the surplus recorded in 2019.

Total foreign investment capital into Vietnam as of December 20, 2020, including newly registered capital, adjusted registered capital, and value of capital contribution and share purchase by foreign investors reached 28.5 billion. USD, down 25% compared to 2019. Of which, 2,523 projects were newly licensed with the registered capital of 14.6 billion USD, down 35% in the number of projects and 12.5% in the registered capital. Compared with the last year; there were 1,140 projects licensed from previous years registered to adjust investment capital with the additional capital reaching 6.4 billion USD, up 10.6%; there were 6,141 times of capital contribution to buy shares from foreign investors with a total value of capital contribution of 7.5 billion USD, down 51.7%. Out of the total number of times of capital contribution and share purchase by foreign investors, there were 1,695 times of capital contribution and share purchase, increasing the charter capital of the enterprise with a capital contribution value of 3.2 billion USD and 4,446 turns of investors. Foreign investors buy back domestic shares without increasing charter capital with a value of USD 4.3 billion. Realized foreign direct investment capital in 2020 was estimated at nearly 20 billion USD, down 2% compared to the previous year.

In the period 2016-2020, the number of outward investment projects tended to be stable, increasing slightly over the years: in 2016 reached 139 projects, in 2017 reached 130 projects, in 2018 reached 155 projects, in 2019 reached 139 projects. 172 projects, in 2020 alone due to the negative impact of the Covid-19 epidemic, overseas investment activities were also affected, reaching only 119 projects. As of December 20, 2020, outward investment still focused on a few traditional markets such as Laos, Cambodia, Myanmar, the United States, and Singapore.

After nearly 30 years, Vietnam's outward direct investment activities had become more and more diversified, which was quite clearly demonstrated through the diversity of markets, investment industries, sizes, and forms of investment on economic sectors and types of enterprises participating in investment. It can be said that outward investment activities are increasingly affirming the growth of Vietnam's economy, contributing to maintaining and expanding foreign relations and cooperation with countries around the world.

1.3. Vietnam 's Balance of Payment in 2020.

BALANCE OF PAYMENT 2020					
USD million	The 1st Quarter	The 2nd Quarter	The 3rd Quarter	The 4th Quarter	Total of Year
A. Current Account	4198	-175	8784	2160	14967
Trade Balance	6255	4309	13661	6390	30615
Net Services	-366	-2927	-3511	-3483	-10287
Net Investment Income	-3625	-3496	-4000	-3696	-14817
Net Transfers	1934	1939	2634	2949	9456
B. Capital Account	1385	310	1393	5396	8484
Net FDI	2936	3615	4005	4864	15420
Portfolio Investment	-1332	542	-215	-251	-1256
Other Investment	-219	-3848	-2397	783	-5681
C. Errors and Omissions	-2467	1870	-4918	-1304	-6819
D. Official Transactions Account/BoP	3116	2005	5259	6252	16632

In 2020, despite the severe outbreak of the Covid-19 epidemic, thanks to the efforts of both the government and people to stamping out the epidemic, the economy was quickly reopened, creating a surplus of up to 16 billion USD for the balance of payments of Vietnam. However, 2020's surplus was still down nearly 30% compared to 2019.

In all four quarters of 2020, a surplus was recorded, but in the first quarter due to the new outbreak of Covid 19, only a surplus of 3 billion USD was recorded, down 2.3 times compared to the same period in 2019. By the second quarter of 2019, the surplus was recorded. This amount continued to decrease by more than 1 billion USD compared to the previous quarter but increased by 75 million USD compared to the same period last year. By the last two quarters of 2020, due to the well-controlled epidemic, it recorded an increased surplus compared to the previous quarters of 5.2 billion USD in the third quarter and 6.2 billion USD in the fourth.

2. General assessment about Vietnam ‘s Balance of Payments in 2020

Vietnam has a relatively strong balance of payments (BOP) position, and this is a good basis for the stability of the VND as well as the flexibility in the management of the state bank in preventing outside risks.

Like every country, Vietnam has faced growing economic challenges caused by the Covid-19 pandemic, and many forecasters say it could be much more serious than the global financial crisis in 2008-2009.

Recently published figures showed that the negative effects of the Covid-19 pandemic are becoming more and more obvious. Accordingly, exports in April dropped sharply, up to 13.9% over the same period, the main reason was a 26% decrease over the same period in textiles and apparel and footwear. This is not surprising, as data shows that some orders from the US and EU - which accounted for about 60% of Vietnam's garment exports - had been canceled or delayed. While there was conflicting data on electronics, as while phone exported fell 35% year-on-year, computer-related shipments grew 18% in April. This showed demand for non-telephone electronic products remains relatively stable.

The manufacturing sector was facing increasing headwinds. This was evident in the fact that the PMI in April dropped at a faster rate, falling to a new record low of 32.7 points, signaling a gloomier outlook in the manufacturing sector and showing that the blow of Covid-19 into the manufacturing sector was getting stronger. Key indicators, such as employment, new orders, new export orders, etc, had fallen to their lowest levels since the PMI survey was conducted in 2011, reflecting weaker demand. Alarmingly, for the first time, manufacturing enterprises had had a pessimistic view of production prospects in the coming year. With external headwinds intensifying and signs of weakness in domestic demand, HSBC had revised its 2020 Vietnam GDP growth forecast lower than previously forecast. "However, Vietnam is the only economy in ASEAN that we forecast will continue to have positive growth in 2020," HSBC economist Yun Liu said.

However, Vietnam's BOP was in a relatively strong position, increasing its ability to protect against external risks. Thanks to sustained FDI inflows, the surplus capital account provided support to maintain the overall BOP surplus. Meanwhile, a rapidly growing trade surplus and rising remittances had also helped shift the current account from deficit to surplus.

Since 1996, Vietnam had maintained a BOP surplus for most of the year. Especially in 2019, Vietnam had a record-high BOP surplus of $23 billion, or about 9% of GDP. Looking at the increase of this BOP, the driving force behind the surplus BOP had changed somewhat. If in the period before 2011, a large capital balance surplus was the main contributor, in the period after 2011, the shift of the current account from deficit to surplus was the factor that helped move the BOP to a position with a surplus. large residual. After a few years of declining FDI, Vietnam has seen a resurgence in FDI since 2013. Efficient FDI inflows into export industries also helped move Vietnam's current account into a favorable position. thereby helping to change the situation of Vietnam's BOP in recent years.

Besides, with its emergence as an electronics assembly hub, Vietnam had seen a growing trade surplus. Vietnam's electronics exports had grown from $3 billion (4% of total exports) in 2008 to $87 billion (33% of total exports) in 2019. As a result, the level has helped. Vietnam's trade surplus hit a record high of $11 billion, pushing Vietnam's current account surplus to the equivalent of 5% of GDP last year. Furthermore, a growing secondary income surplus had also supported a favorable current account position. A large amount of that came from remittances that were constantly being remitted. Remittances had grown steadily over the past two decades, making Vietnam the fourth-largest recipient in Asia, with remittances worth $16.7 billion (6.4% of GDP) in 2019.

Vietnam's economy had a relatively high openness and relatively fast growth. This was the result of the process of integration with the world in the trend of globalization. The high openness showed that we can both promote the strengths of the domestic economy and exploit and take advantage of the opportunities of the world market. On the other hand, in the face of the rapid and unpredictable fluctuations of the world economy, it is necessary to have solutions to exploit and take advantage of the positive factors, and at the same time limit the negative impacts on our economy.

In 2016, the openness of our economy reached 184.7 percent; in 2017 reached 200.4%; in 2018 reached 208.3%; in 2019 reached 211.5% and in 2020 reached 209.3%. Compared with other countries in the ASEAN region, Vietnam belongs to the group of countries with high economic openness, only lower than that of

Singapore. The openness of the economy is quiet and rapidly growing, with a large contribution from the FDI sector. The proportion of commodity export turnover of this region in the total export turnover of goods of Vietnam in 2020 accounted for 72.3%. Thus, the openness shows that foreign investment has become an important part of the economy, the domestic economic sector needs to take advantage of opportunities to absorb the science, technology, and management skills of foreign investors. FDI sector to further improve competitiveness.

3. Vision for 2021

Vietnam maintained a strong external economic position in the first half of 2021, but the balance of trade in goods turned into a deficit in the second quarter.

Vietnam accumulated USD 6.0 billion in foreign exchange reserves from December 2020 to April 2021 because the current and financial balances were in surplus.

Comments were made in the latest report of the World Bank. At the same time, adding that the real effective exchange rate (REER) (as measured by the World Bank's methodology for a basket of major trading partners) remains relatively stable in the first half of 2021, after when reduced by 7.3% from May 2020 to January 2021

However, the current account is estimated to have turned into a deficit in the second quarter of 2021. The current account fell from a surplus of $0.6 billion in the first quarter of 2021 to a deficit of about $4.6 billion in second quarter. The above decrease was mainly due to a sharp increase in import of goods. Services import-export balance continues to have a negative impact on the current account due to the closure of borders to most international visitors.

On the contrary, the capital balance improved in the first quarter of 2021 thanks to the sustained foreign direct investment (FDI) inflow and the increase in short-term capital inflows into the economy, but the results of the second quarter have not been announced. published at the time of publication of this report.

After recording a record merchandise trade surplus in 2020, Vietnam's trade balance turned to a deficit in the first half of 2021 and worsened in July. Merchandise trade balance recorded a deficit of about approx. $1.0 billion in the first six months of 2021, then plummeted to $2.4 billion in July, compared with a $8.7 billion surplus achieved in the first seven months of 2020. In the first half of the year, this worsening trend reflects strong import growth (up 36.3% y/y), higher than export growth (29.0% y/y).

Import turnover of consumer goods increased by 28% (year-on-year), compared with a decrease of 7.2% (year-on-year) in the first half of 2020. Import turnover of raw materials and machinery and equipment The equipment also recovered strongly, mainly because the export industries depend heavily on imported inputs. The trade deficit is also related to a decline in the trade rate, about 1.0% in the first six months of 2021 compared to the same period last year.

Vietnam's goods export turnover in the first seven months of 2021 is 26.2% higher than the same period in 2020. However, after a boom in the second half of 2020, export turnover has slowed down since January. to July 2021. In fact, export growth decelerated from 20.6% (year-on-year) in June to only 12.5% (year-on-year) in July, while import turnover continued to increase strongly by 33.3% (compared to the same period last year).

Vietnam's flat export growth is somewhat surprising in that with its competitiveness in international markets, Vietnam should have taken advantage of a resurgence in global demand. One way to explain it is that growth is sideways reflecting seasonal factors. Another explanation is that when other countries return to the export market, they compete with Vietnamese products and regain some market share before COVID-19.

The outbreak since April also seems to have affected the export of electronic products as health measures and travel restrictions aimed at preventing the disease from spreading in the community have disrupted operations in many countries. factories in Bac Giang and Bac Ninh, affecting the supply chain of some electronic products. Export turnover of computers and electronic products only increased by 5.4% (year-on-year) in June (much lower than the double-digit growth rate recorded in 2020 and early 2021). and decreased by 9.1% (compared to the same period last year) in July 2021. On the other hand, the export turnover of telephones decreased by 9.6% (year-on-year) in June, but recovered in July 2021, increasing by 10.3% (year-on-year).

Vietnam's export structure has changed since the beginning of the COVID-19 crisis and remained almost the same in the first half of 2021 compared to 2020. The pandemic has accelerated the shift of exports from primary products. supply and use resources to high-tech products.

Social distancing and working from home measures also contribute to shifting export demand from traditional products with low technology content to products with more advanced technology. Demand for computers, electronic products, phones, and machinery has grown strongly, with exports of these items to the United States increasing by 57% in 2020 and 62% (year-on-year) in four months. in early 2021, accounting for over 40% of Vietnam's total export turnover to this market.

Foreign enterprises, which dominate exports of high-tech goods, have contributed to, and benefited from this export restructuring. Export turnover of foreign enterprises increased by 10.7% in 2020 and 33% (year-on-year) in the first half of 2021. The United States, China and the European Union are still export markets. Vietnam's main export, in which the United States accounts for an increasing proportion of Vietnam's exports.

Trade in services continues to be severely impacted by international travel restrictions, while remittance flows have proven resilient during the COVID-19 pandemic. The remittance flow to Vietnam is estimated at 17 billion USD in 2020, an increase of about 1.3% compared to 2019.

Although FDI inflows decreased due to the COVID-19 shock, it also proved to be stable compared to other countries in the world, showing confidence in Vietnam's economic potential. In the first half of 2021, total registered FDI decreased by 2.6% (year-on-year), reaching 15.3 billion USD. However, the registered capital decreased by 45% from April to June, which may indicate a more cautious sentiment of foreign investors amid the recent outbreak of COVID-19.

IV. CONCLUSION

Balance of payments is one of the important documents reflecting a country's position in the international arena. This status is the result of a combination of trade activities, services, and policies to withdraw capital from other countries. Through the balance of payments, it will help economic planners understand the economic situation of a country, to have appropriate development strategies. Accordingly, from the current state of balance, planners will have the decision to change or not to change the content of economic policy, thereby designing an appropriate socio-economic development strategy for each period.

We have seen an overview of Vietnam's balance of payments in 2020, a challenging year due to the covid 19 pandemic, and a vision for 2021. Above is my entire report on the issue “Vietnam’s Balance of Payments in 2020”. Because my level of awareness on this issue is still limited, so my article still has many limitations, which I will try to overcome in future studies. I sincerely thank you for guiding me to complete this assignment.

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