

Economic Environment

Gross Domestic Product (GDP) Growth

Economy and society development in the recent years took place in the context of global market turmoil, the world economy still faces a big risk with unpredictable factors. In such a context, Vietnam registered quite a high growth, with 2009 at 5.32%, 2010 at 6.78%, 2011 at 5.89%, 2012 at 5.25%, 2013 at 5.42%, 2014 at 5.98%, 2015 at 6.68%, and 2016 at 6.21%. Due to the impact of a prolonged global economic crisis combined with the difficulties and inherent inadequacies of Vietnam's economy, the growth rate of Vietnam sometimes decreased. However, in the last years, Vietnam's economy is undergoing stronger restoration and development. Growth rate of 2016 although being lower than that of 2015 and not achieving the set target of 6.7%, is still higher than those of years from 2011 to 2014 in the context of unfavourable world economy, prices and global trade falling, the country coping with many difficulties due to complicated weather and sea environment, the achievement of such growth rate is a success, affirming the rightness, timeliness and efficiency of the measures and solutions enacted and directed by the Government to be drastically implemented in all branches and localities at different levels; and simultaneously reveals clear recovery of our country's economy.

Year	2009	2010	2011	2012	2013	2014	2015	2016
GDP Growth	5.32 %	6.78 %	5.89 %	5.25 %	5.42 %	5.98 %	6.68 %	6.21 %

Sectorial Growth

The structure of the Vietnam's economy, which is basically made up of three sectors: agriculture, industry and

construction, and services, has been undergoing a considerable transformation over the last few years, with the agriculture sector declining its contribution while the industrial and service sectors increasing their shares.

Year	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture, Forestry & Fishery	1.82 %	2.78%	3.08%	2.67%	2.63%	3.44%	2.41 %	1.36 %
Industry & Construction	5.52 %	7.7 %	6.49 %	5.43 %	5.08 %	6.42 %	9.64 %	7.57 %
Services	6.63 %	7.52%	6.12 %	6.56 %	6.72 %	6.16 %	6.33 %	6.98 %

Foreign Direct Investment (FDI) Flow

Up to 20 March 2017, as many as 23,071 foreign-invested projects from 116 countries and territories with a total registered capital of over US\$300.074 billion, had been licensed in Vietnam. In the first three months of 2017, there were 493 new foreign-invested projects with a total capital registered of US\$2.917 billion were issued with Investment Registration Certificates (IRCs), or 6.5% compared to the same period of 2016. In addition, there are 223 projects adjusted their investment capital with a total increased capital registered of over US\$3.94 billion, up 206.4% compared to the same period in 2016; 1,077 capital contributions and equity acquisitions by foreign investors with the total value of US\$ 852,86 million, increasing by 171,5% compared to the same period of 2016. For the whole of new & additional funds and capital contribution & equity acquisition, in the first three months of 2017, investors have registered to invest US\$7.71 billion in Vietnam, equivalent to 171.5% compared to the same period in 2016. Total capital disbursed in the first three months in 2017 has reached US\$3.62 billion, increasing by 3.4% compared to the same period of 2016. This confirms Vietnam's FDI is recovering steadily after years affected by the global and domestic economic downturns.

By sectors, the Processing and Manufacturing sector absorbs the largest quantity of foreign capital into Vietnam, with registered capital of over US\$178.574 billion and 11,903 projects. The Property & Construction sector stands behind with the registered capital of over US\$63.509 billion and 2,008 projects; the Electricity, Gas & Water Production and Distribution with the registered capital of over US\$12.908 billion and 108 projects; the Accommodation & Food services with the registered capital of around US\$11.539 billion and 562 projects; and the Wholesale, Retail and Automobile & Motorcycles repair sector with the registered capital of around US\$5.6 billion and 2,357 projects.

By localities, all 63 cities and provinces of Vietnam have been fully covered by foreign investment. Nation-wide, foreign investment most focuses on the South, especially Ho Chi Minh City, Binh Duong, Ba Ria-Vung Tau, Hanoi and Dong Nai. Among the principal cities and provinces, HCMC and Binh Duong are the most attractive ones, which accounted for about 15.1% and 9.2% of the total registered capital in Vietnam. Ba Ria-Vung Tau, Hanoi and Dong Nai stand behind, with the registered capital accounted for 9%, 8.6% and 8.5% of the total registered capital respectively.

By nationality, 116 different countries and territories have so far invested in Vietnam. The Republic of Korea now is the biggest foreign investor with 5,932 projects and registered capital of over US\$54.01 billion, followed by Japan, Singapore, Taiwan, British Virgin Islands, etc. These top five economies have invested in 14,396 projects (over 62.18% of the total licensed projects) with total registered capital of over US\$188.768 billion (around 62.77% of the total registered capital). Other countries and territories like Hong Kong, Malaysia, China, the United States and Thailand, which have given impetus to get a steady foothold in Vietnam, and are now among the top ten. The "top ten" investors account over 82.29% of the total licensed projects and over 82.3% of the total

registered capital in Vietnam.

Official Development Aid (ODA) and Preferential Loan Commitments

Vietnam first received US\$1.8 billion of ODA from international donors in 1993. The figure has been increased year by year and during the period from 1993 to 2014, the total value of ODA commitments to Vietnam amounted to US\$89.5 billion, total capital of signed commitments reaching US\$73.68 billion, US\$3.5 billion/ year on average, has been provided by the community of 51 global donors (28 bilateral donors and 23 multilateral donors). Thanks to the positive economic development and the political stability, the ODA commitments by the international donor community to Vietnam although still being quite high follow the trend of being decreased from year to year. Particularly, US\$6.144 billion was agreed for 2009, US\$8.063 billion for 2010, US\$7.88 billion for 2011, almost US\$7.4 billion for 2012, over US\$7 billion for 2013, about US\$5.6 billion for 2014, more than US\$2.75 billion for 2015, and around US\$5.38 billion for 2016 due to many countries stop or reduce provision of ODA to Vietnam when Vietnam became a lower middle-income country since 2010 in going line with the country's policy on mobilization of ODA and preferential loans focusing on the quality and efficiency of ODA capital and preferential loans to ensure public debt sustainability. In practice, thanks to Vietnam's capacity and experience on receiving funds, capital from this source was being disbursed progressively better from US\$3 billion in 2009, US\$3.5 billion in 2010, US\$3.65 billion in 2011, US\$3.9 billion in 2012, US\$5.1 billion in 2013, around US\$5.65 in 2014, US\$3.7 billion in 2015, and approximately US\$3.7 billion in 2016 increasing the total ODAs which have been disbursed so far to about US\$65.1 billion.

Global Integration

Thanks to the excellent preparations, Vietnam officially

became the 150th member of the WTO from November 2007, and at the same time, achieved the Permanent Normal Trade Relations (PNTR) with the US in the same year. In addition to an ASEAN – China Free Trade Agreement as of 2004 and a Framework Agreement on Comprehensive Economic Cooperation among the ASEAN countries and the Republic of Korea of 2005, the coming into full effect of a Comprehensive Economic Partnership Agreement between ASEAN countries and Japan as well as the signing of another separated one between Vietnam and Japan in 2008 and the coming into force of an ASEAN-Australia-New Zealand FTA in 2010, added by the initial negotiations for a future FTA between Vietnam and the EU in June 2012, and in 2015 Vietnam ended basically negotiating a FTA with the European Union (officially signed at the end of 2015) to create conditions for Vietnam's products to penetrate more easily into five of the largest economy in the world, with much lower tax rates. Concurrently, on 4 February 2016, 12 countries contracting the Trans-Pacific Partnership Agreement (TPP), including Vietnam, attended the signing ceremony for authentication of TPP wordings in Auckland, New Zealand. With the authorization of the Prime Minister, the Minister of Industry and Trade Vu Huy Hoang Vietnam on behalf of the Government signed authenticity of wordings of TPP and 35 bilateral agreements in domains related to financial services, textiles and garment, agriculture, intellectual property, etc. that Vietnam has agreed with the TPP countries. These bilateral agreements will take effect at the same time with TPP.