

**Vietcap Access Day
Conference**

Recent Economic Developments

*Special Focus:
Upgrading participation in
Global Value Chains*

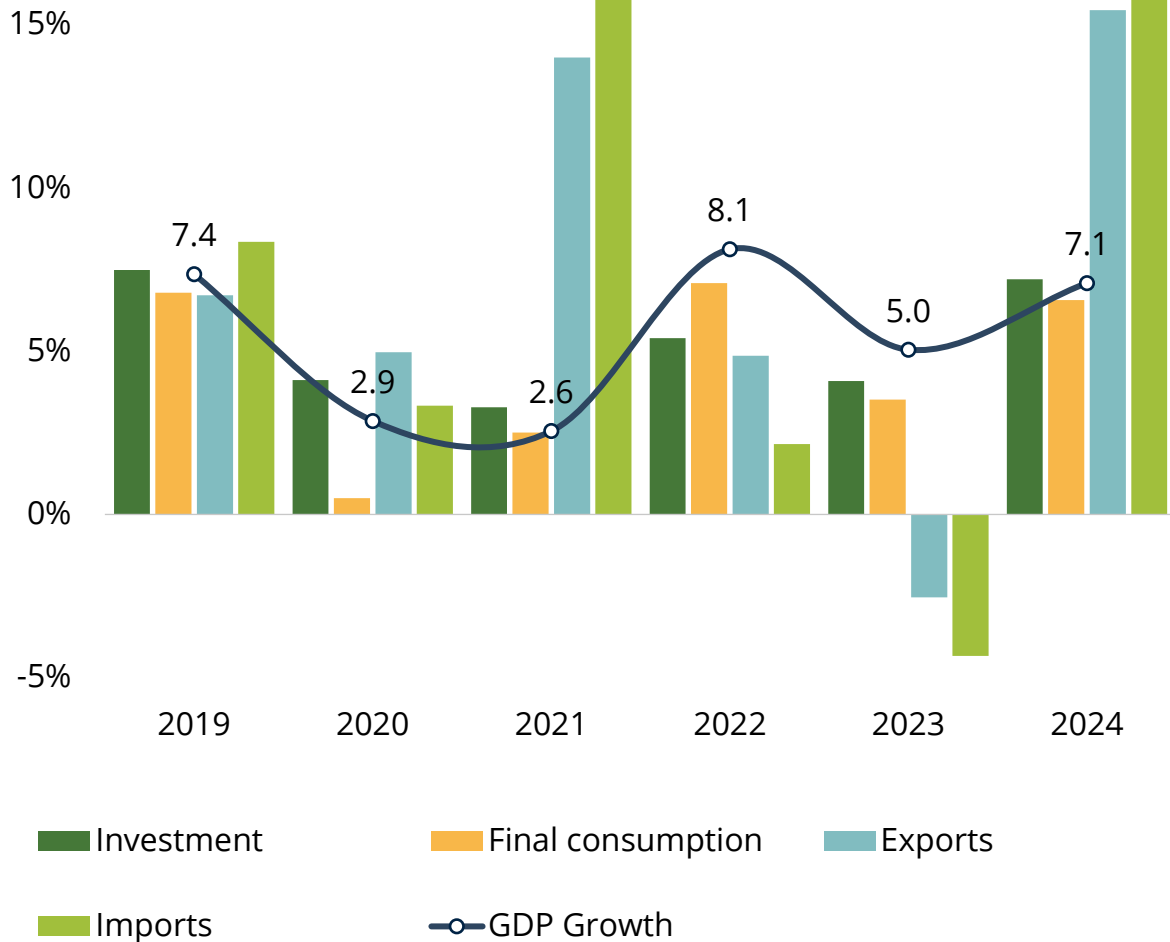
*Sacha Dray, Economist
World Bank, Hanoi*



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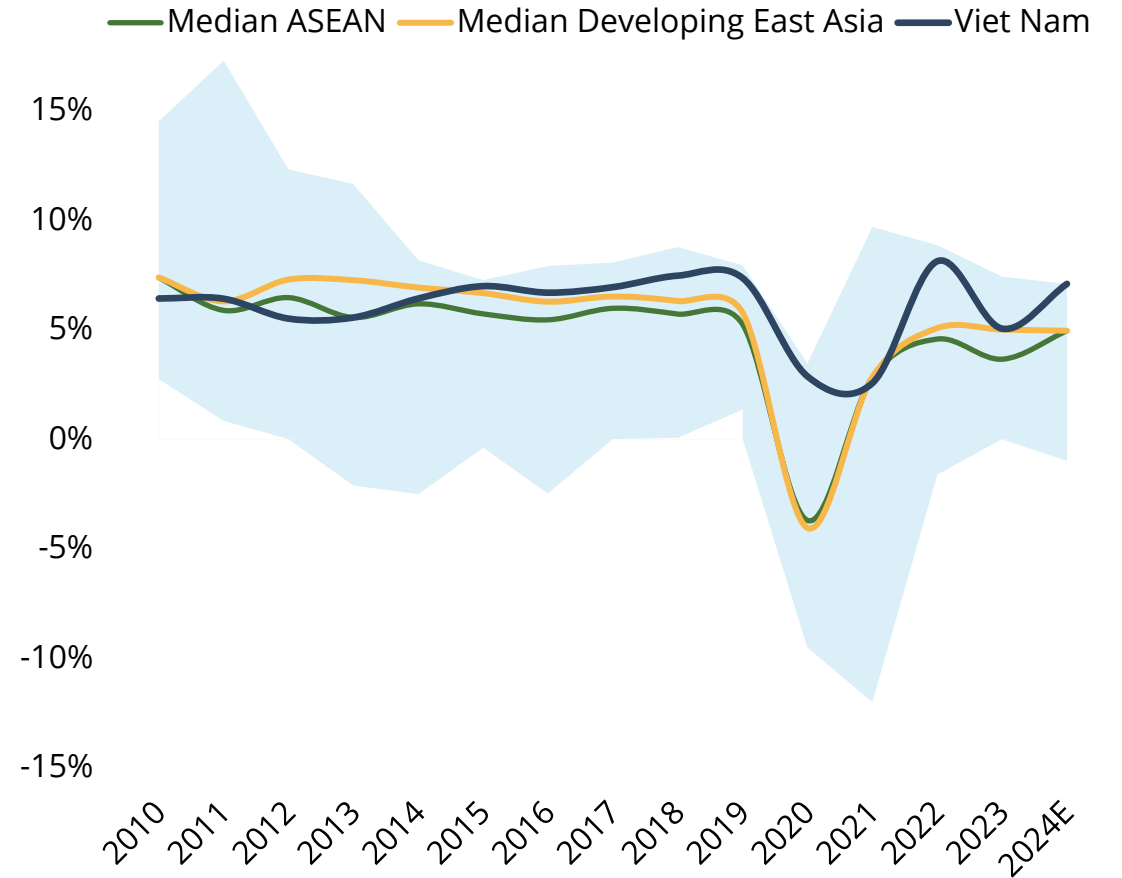
Viet Nam's economic growth accelerated in 2024 driven a trade rebound

Real GDP demand components growth, percent



Source: GSO and World Bank calculations.

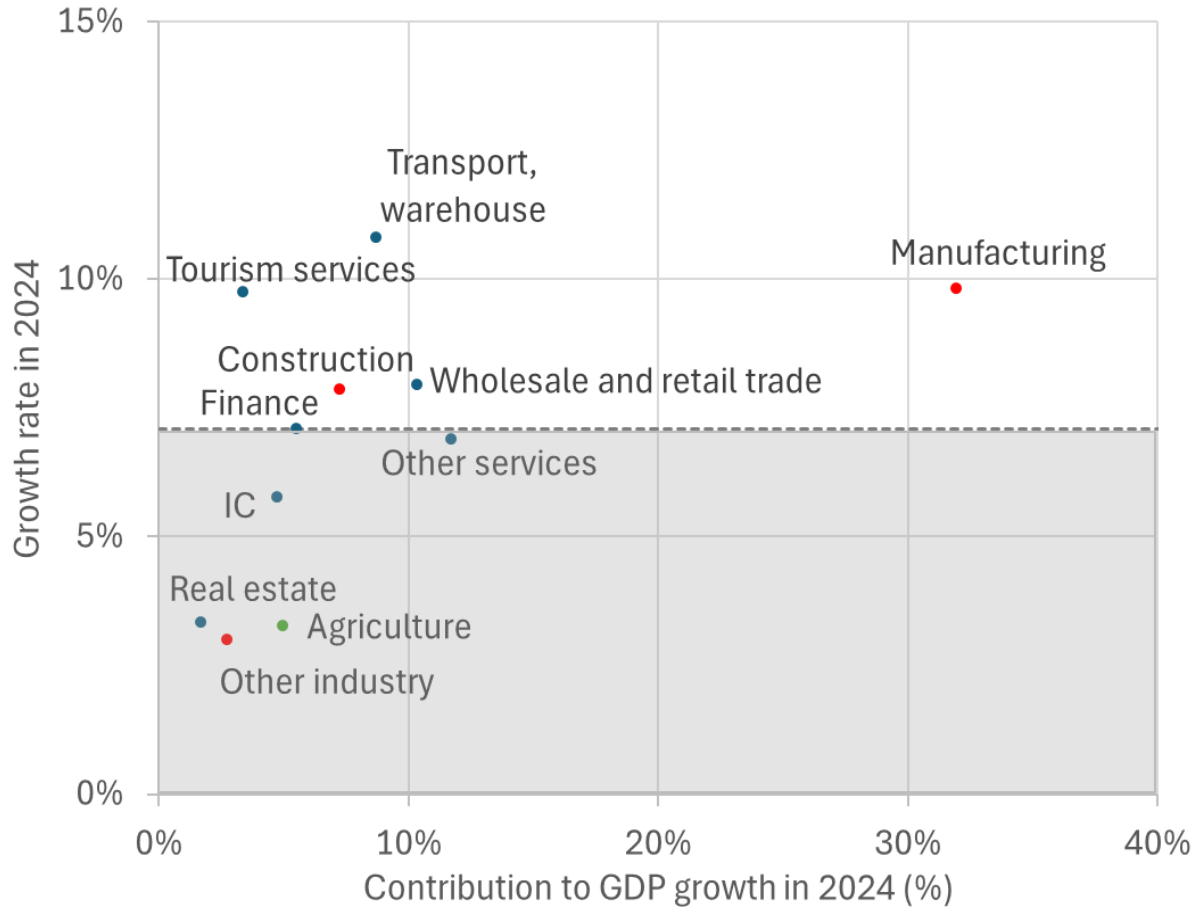
Real GDP growth, percent



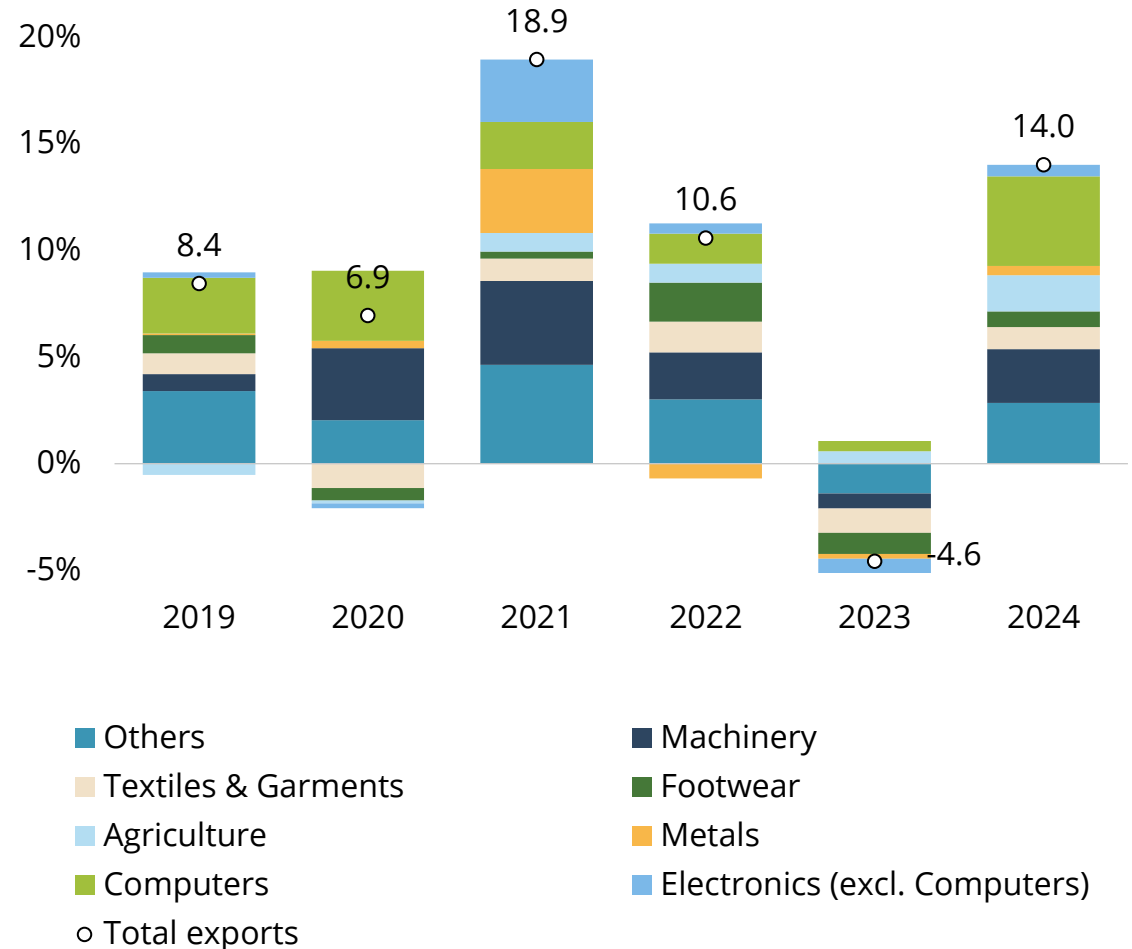
Source: GSO and World Bank calculations.

Exports and trade services grew significantly supported by a global tech upcycle

GDP supply component growth and contribution, percent



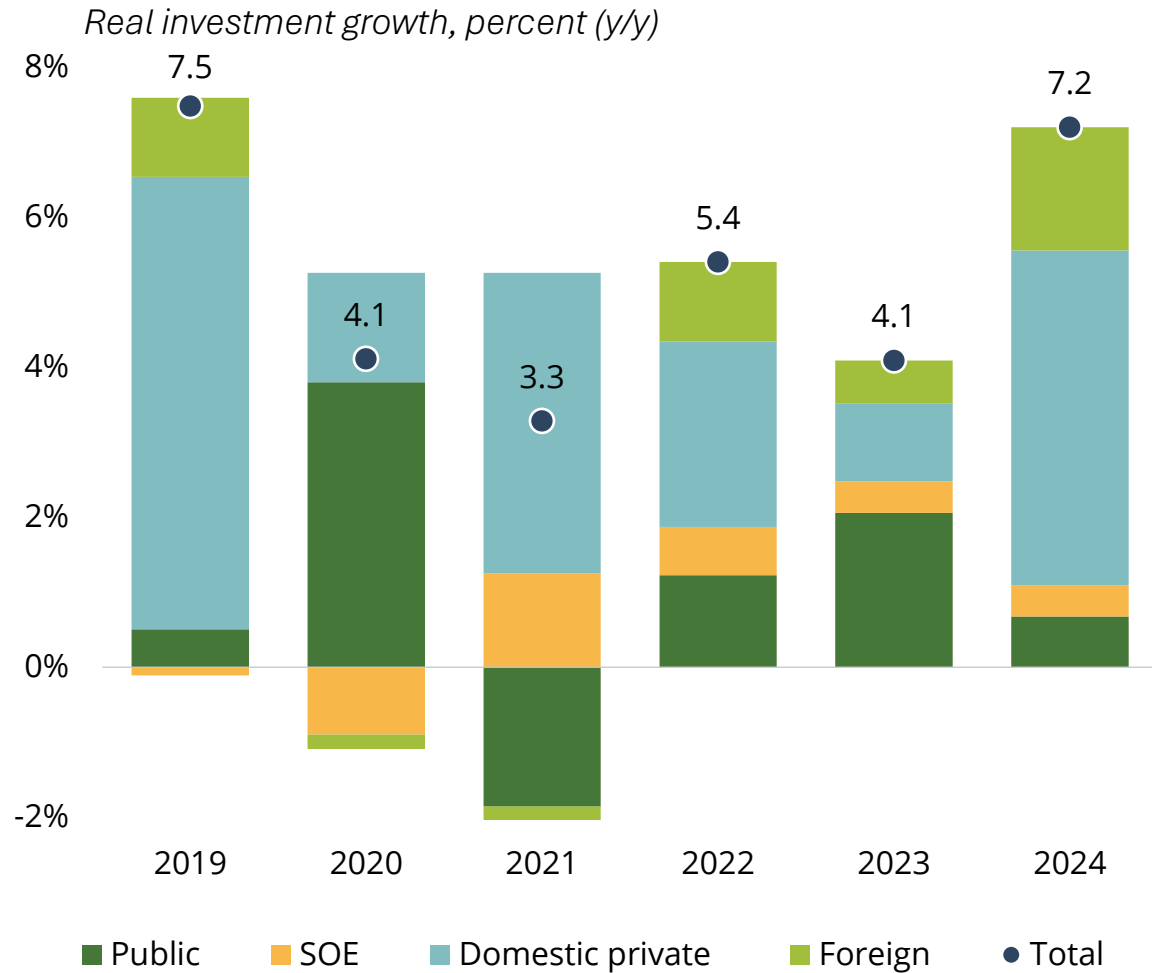
Export growth by product, percentage points, y/y



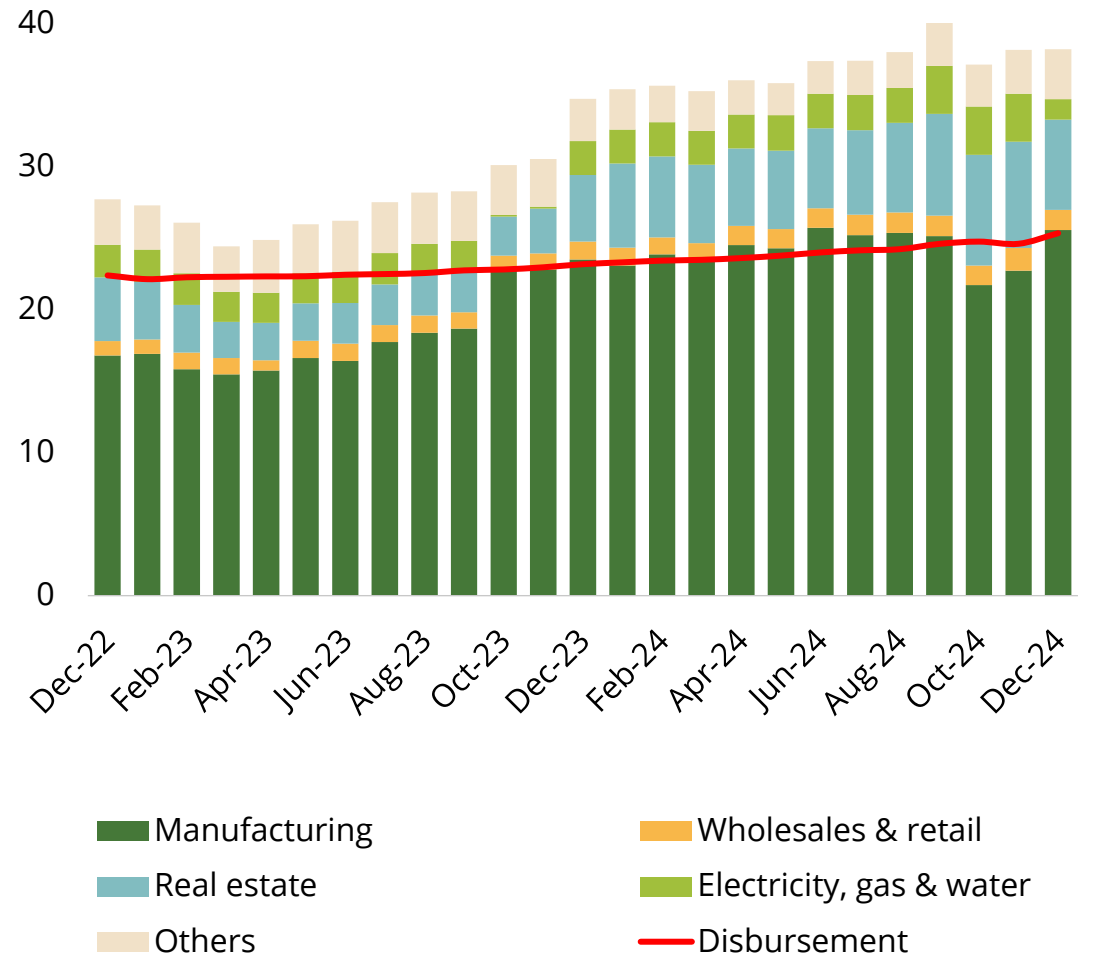
Source: GSO and World Bank calculations.

Source: GSO and World Bank calculations

Private- and FDI-led investments recovered, nearing pre-pandemic levels



FDI commitments and disbursement, 12-month cumulative, US\$ billion

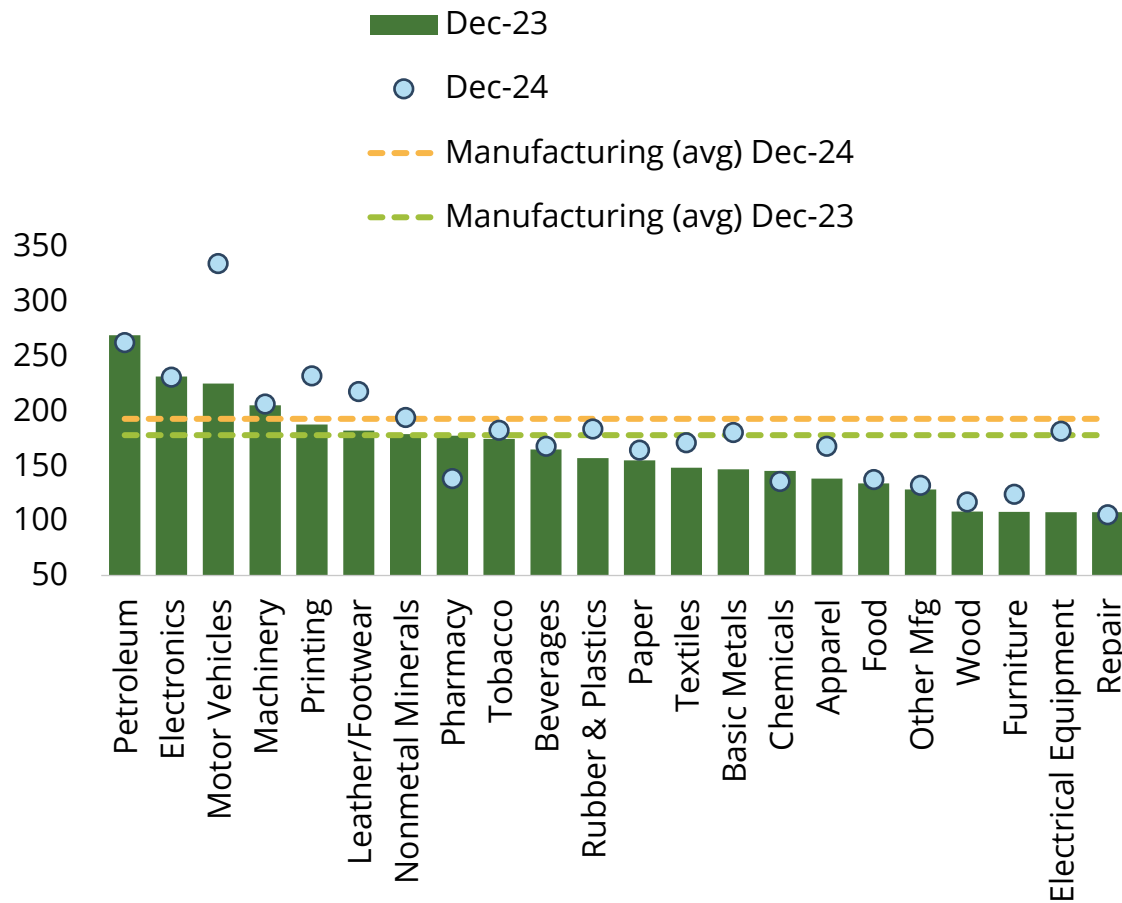


Source: GSO and World Bank calculations.

Source: GSO and World Bank calculations

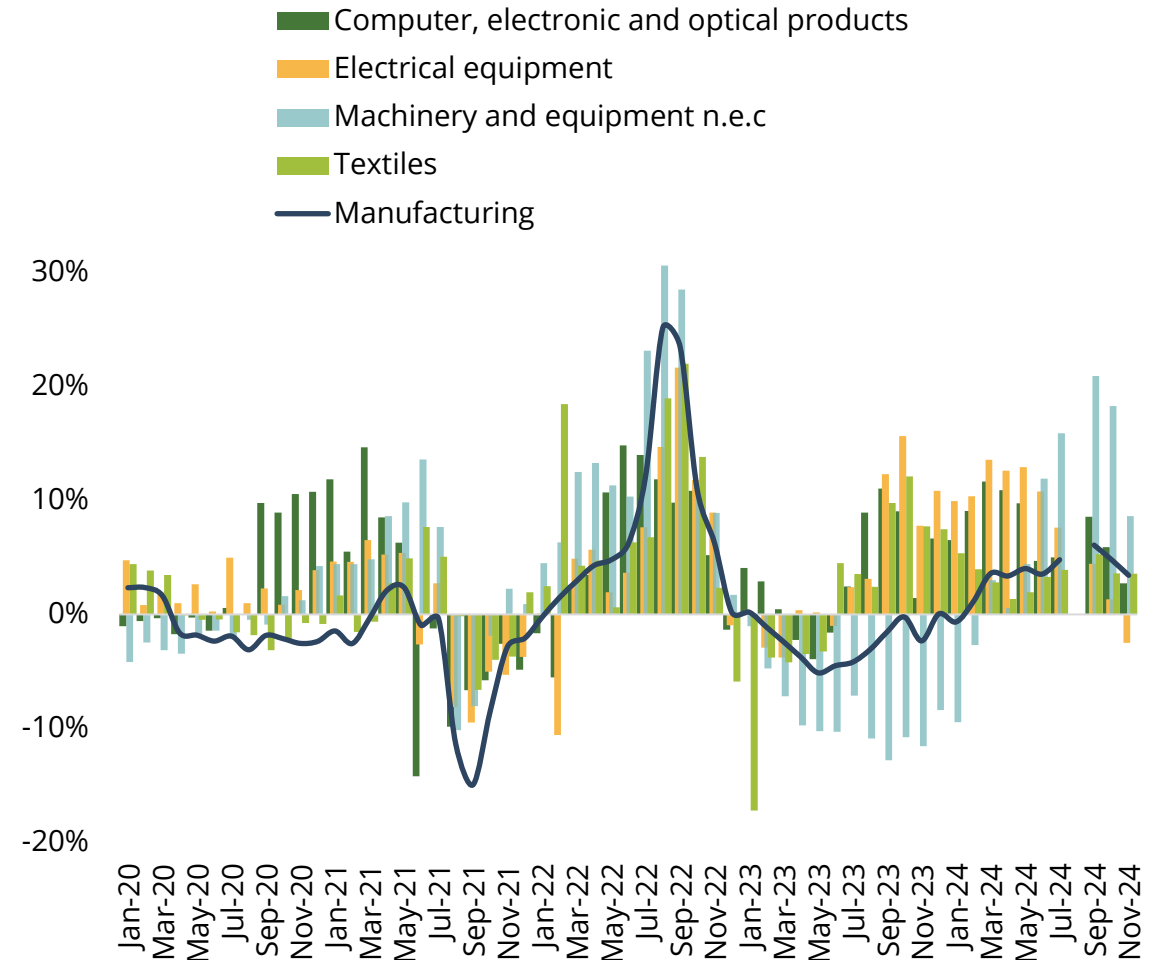
Manufacturing led the recovery in output, investments and jobs

Manufacturing sub-sector growth, index 2015=100



Source: GSO and World Bank calculations.

Sectoral manufacturing employment growth, percent (y/y)



Source: GSO and World Bank calculations.

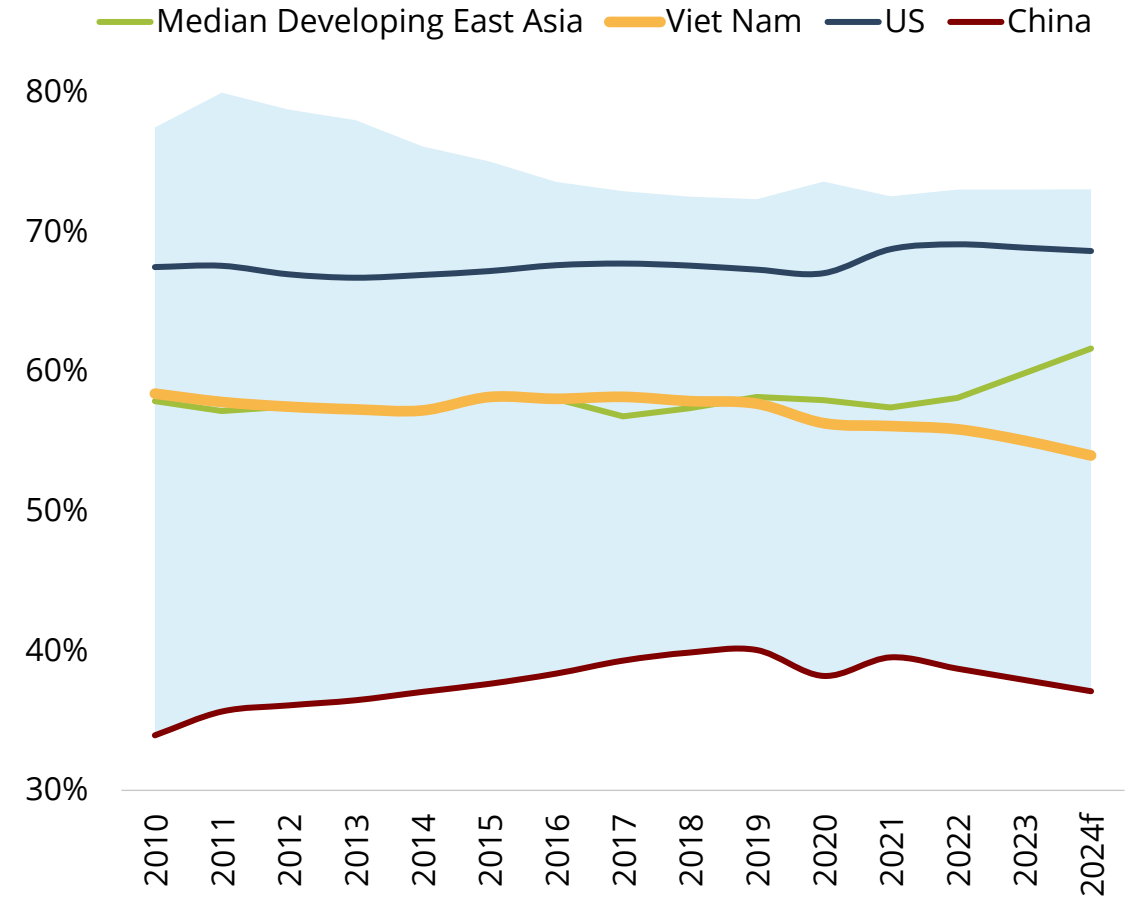
Household consumption remained stable, but a moderate driver of economic activity

Retail sales growth and contribution, percentage points



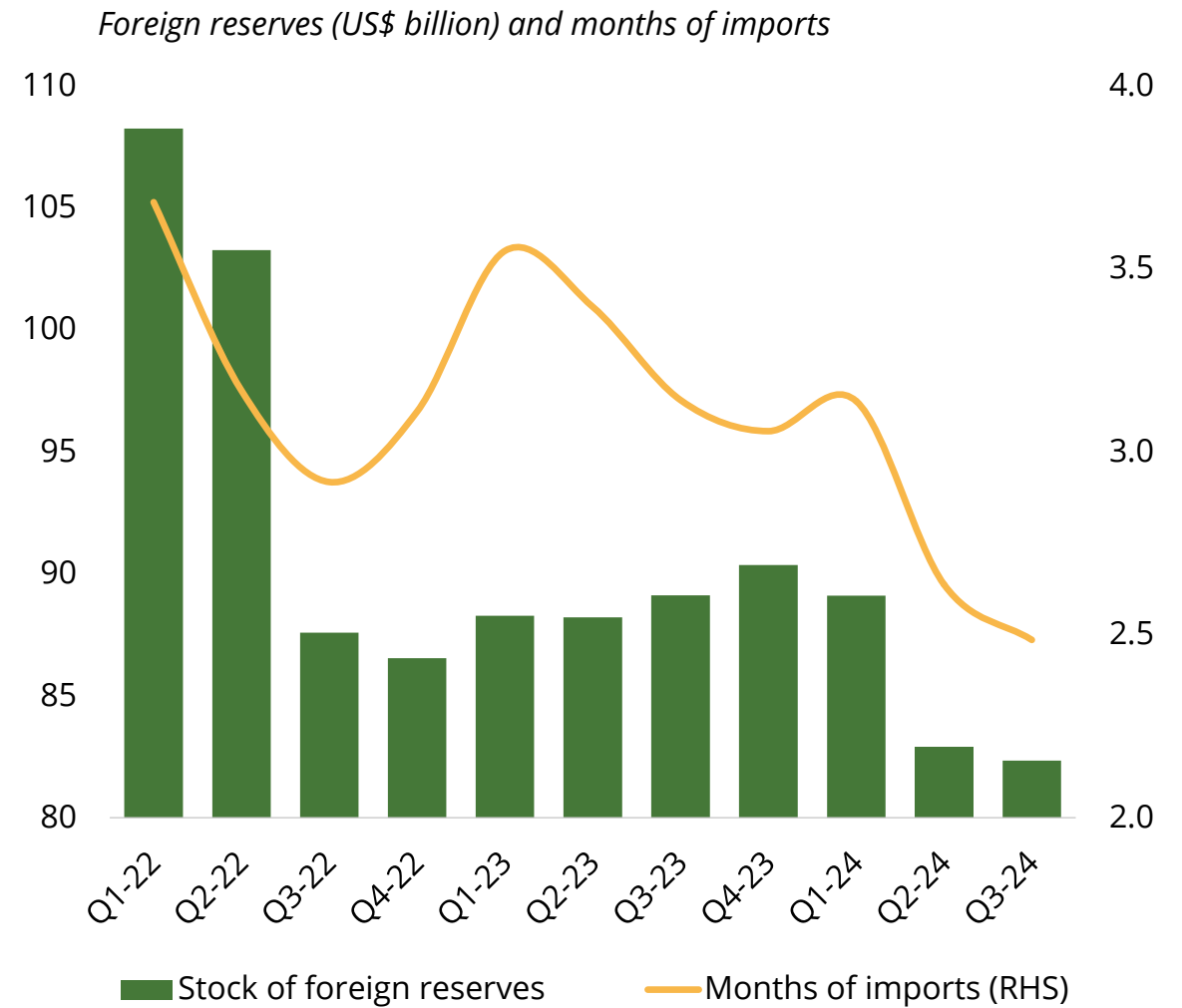
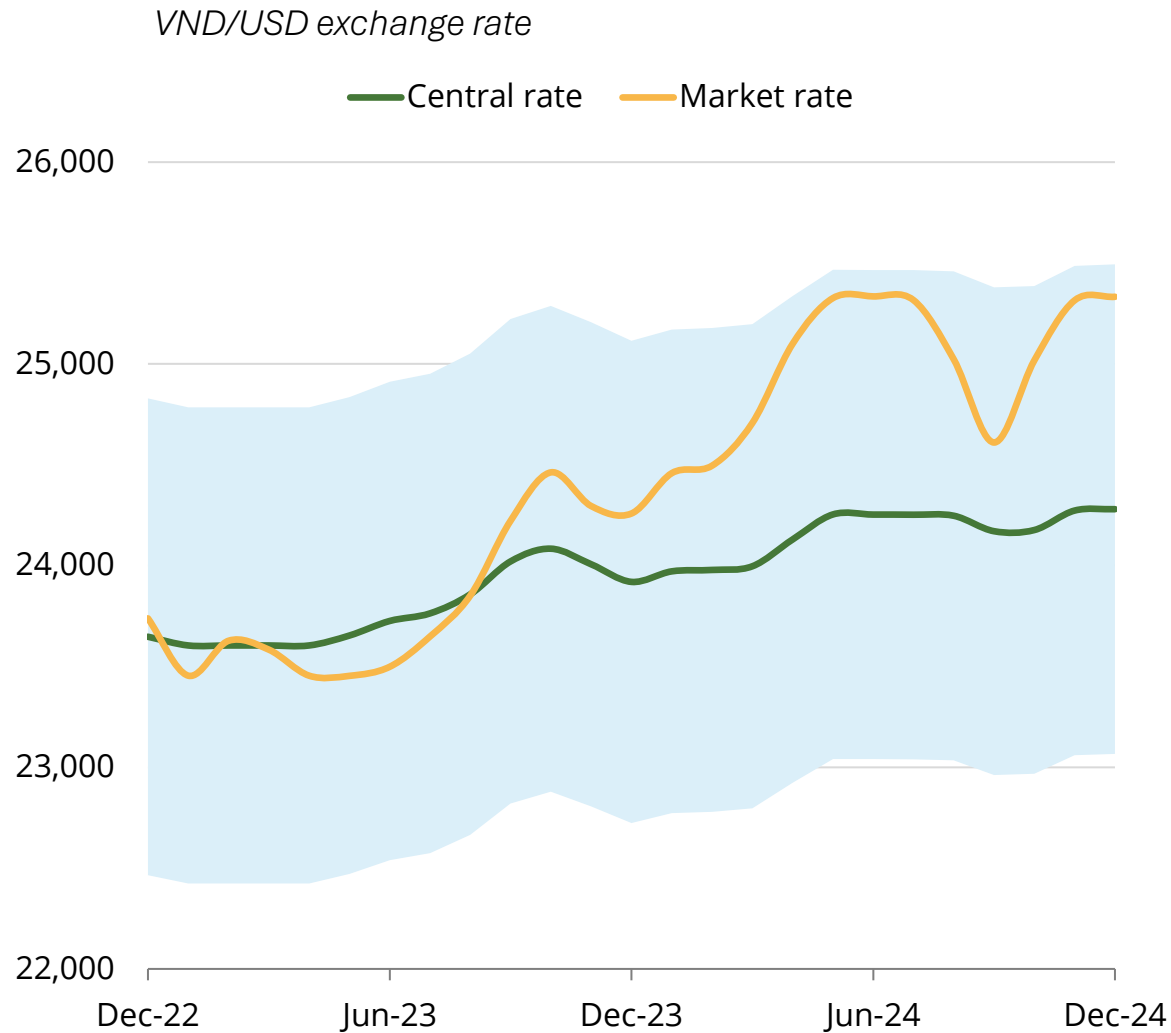
Source: GSO and World Bank calculations.

Private consumption, percent of GDP

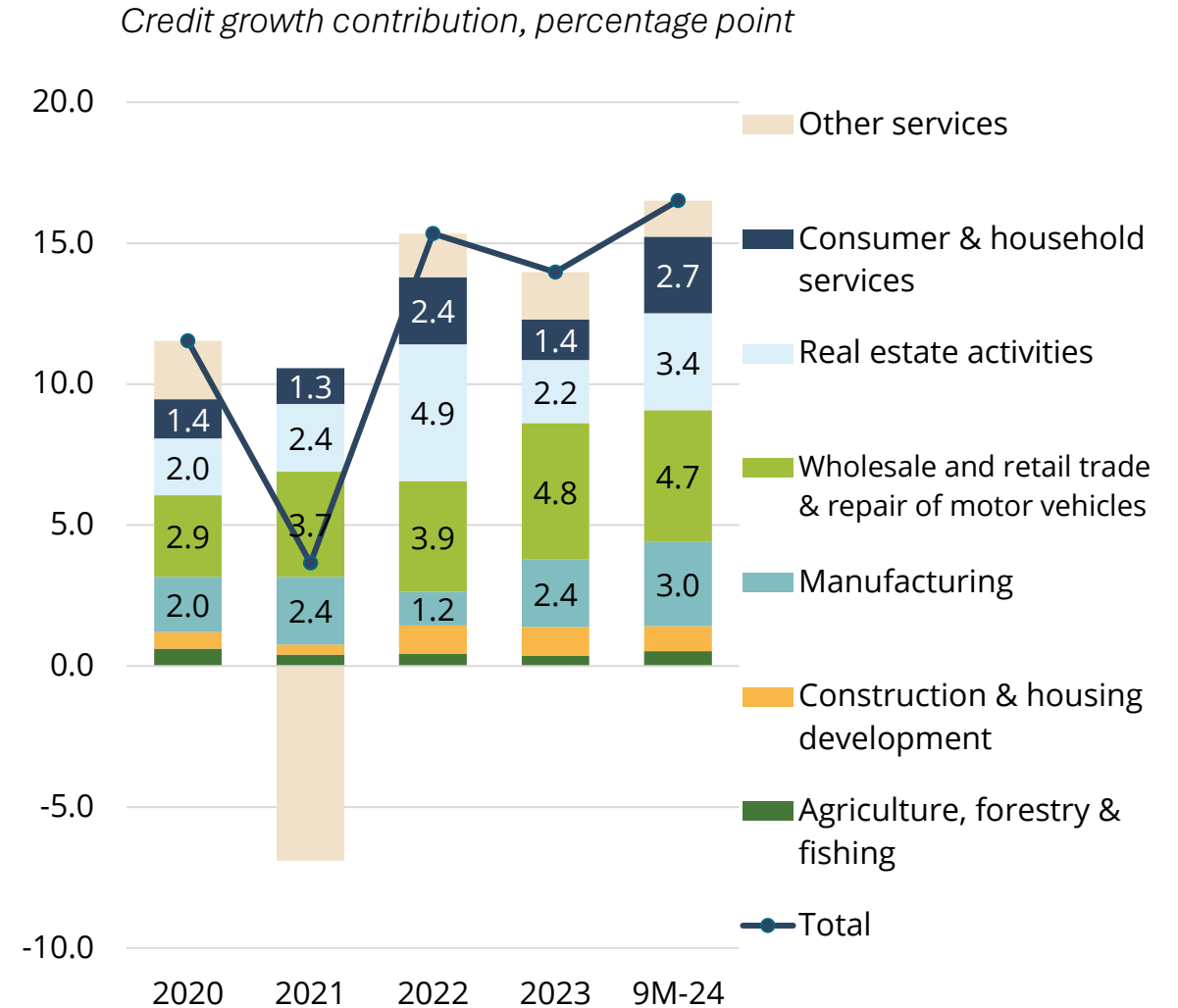
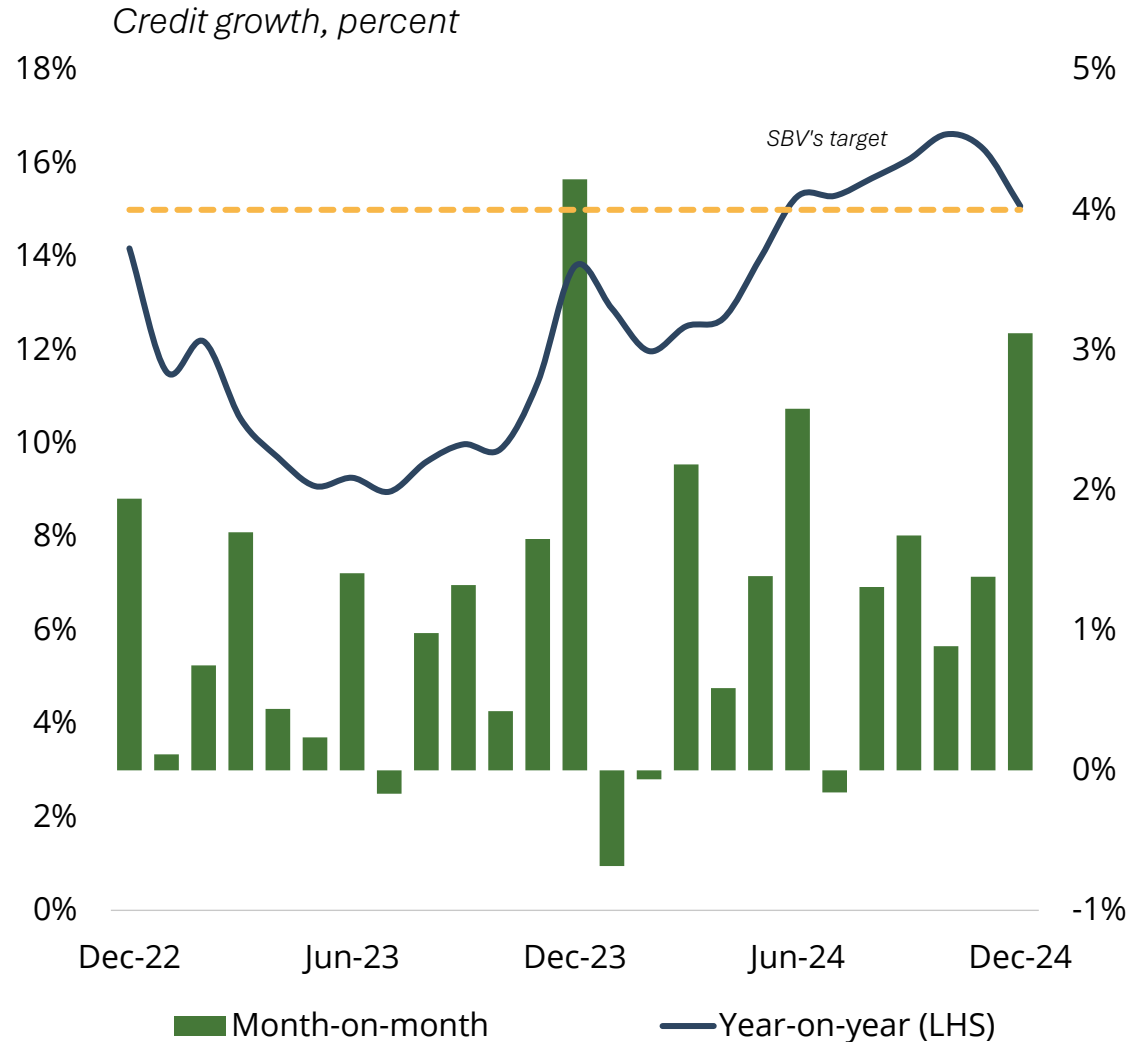


Source: Haver Analytics, GSO and World Bank calculations.
 Note: 2024 values based on GSO for Viet Nam, forecast for all other series.

The SBV intervened to support the currency via sales of foreign reserves and open market operations

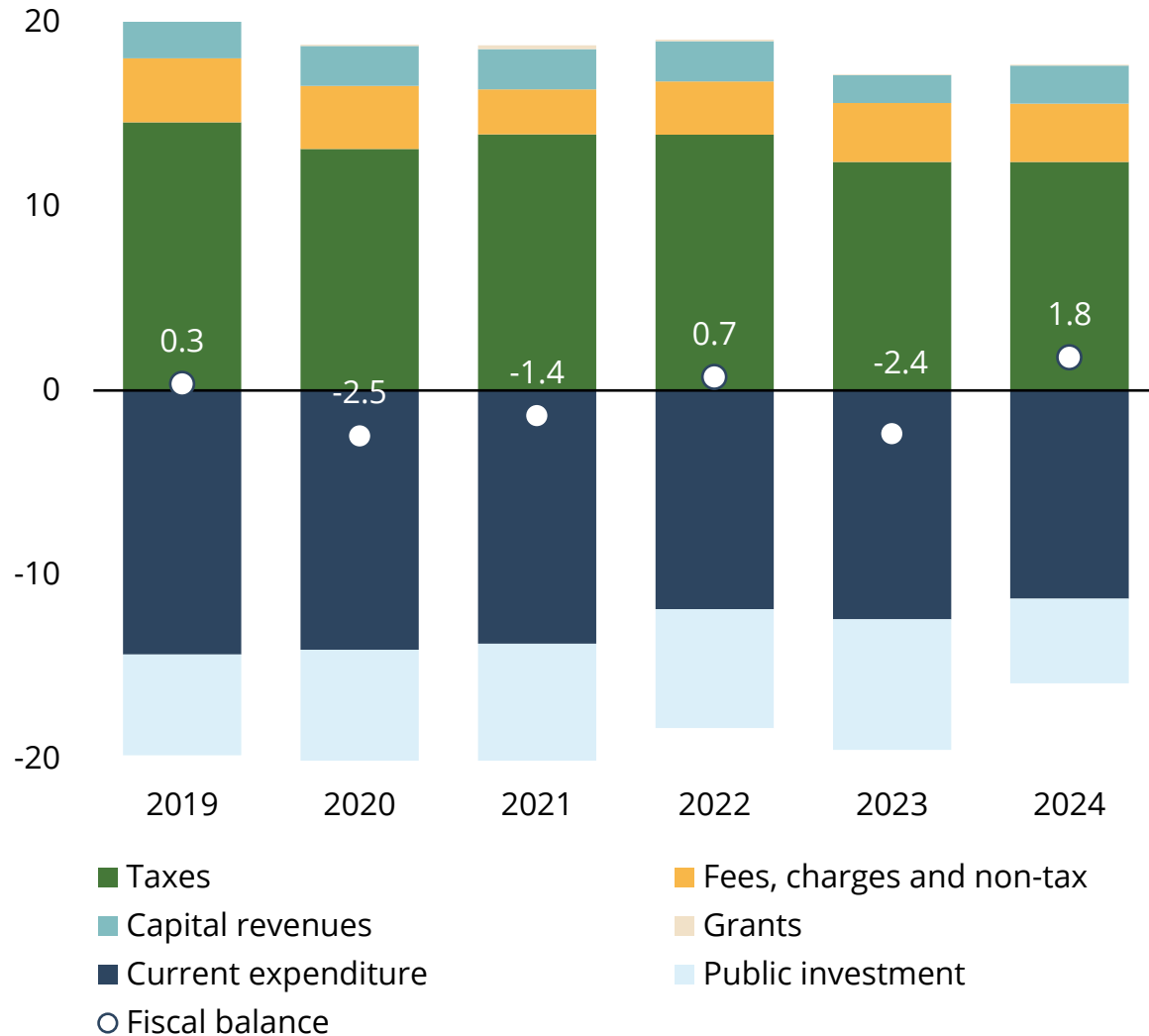


Credit growth picked up in 2024 driven by trade, real estate and manufacturing

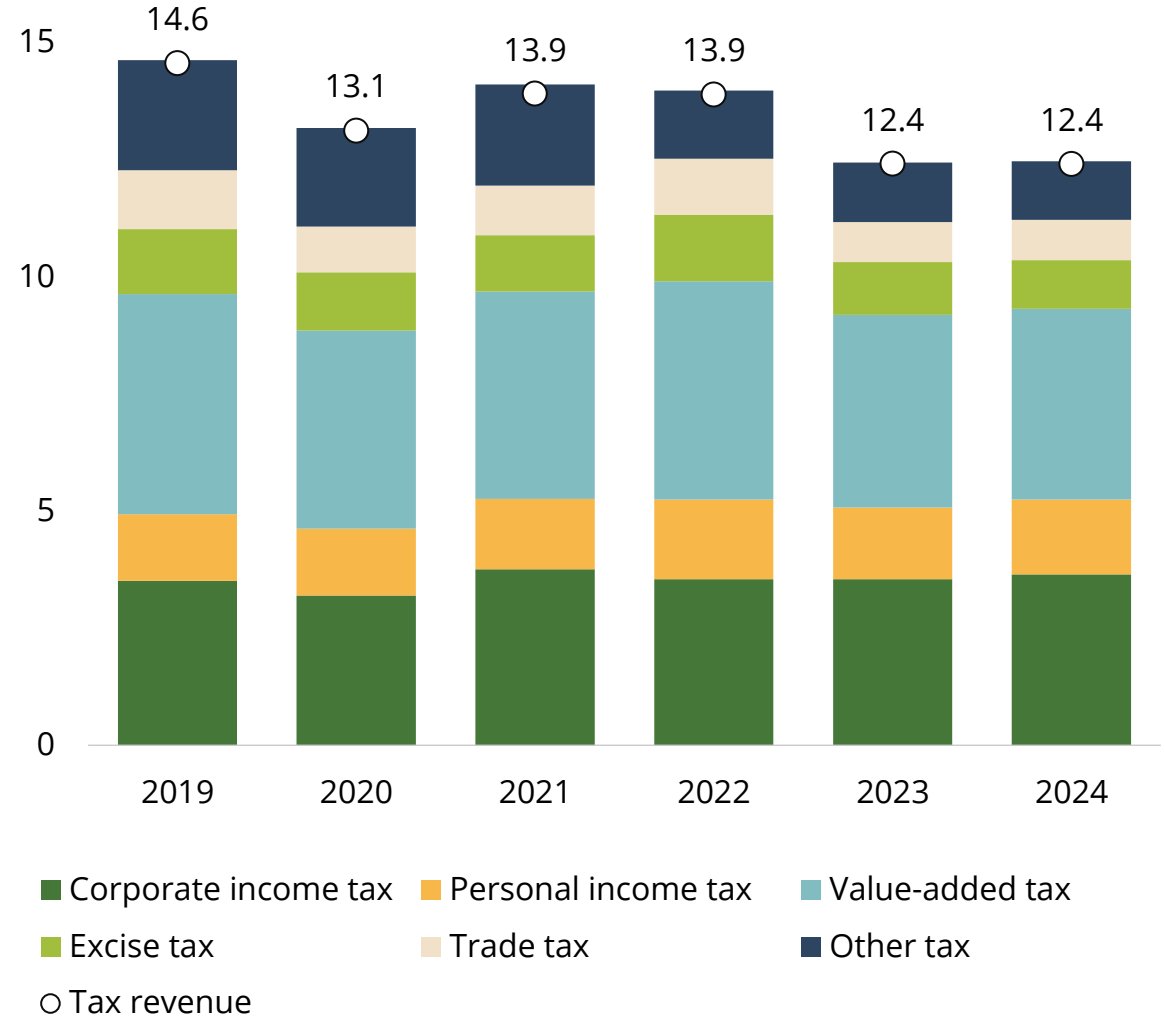


Under-disbursement of public investments led to fiscal consolidation

Fiscal revenues and expenditure, percent of GDP

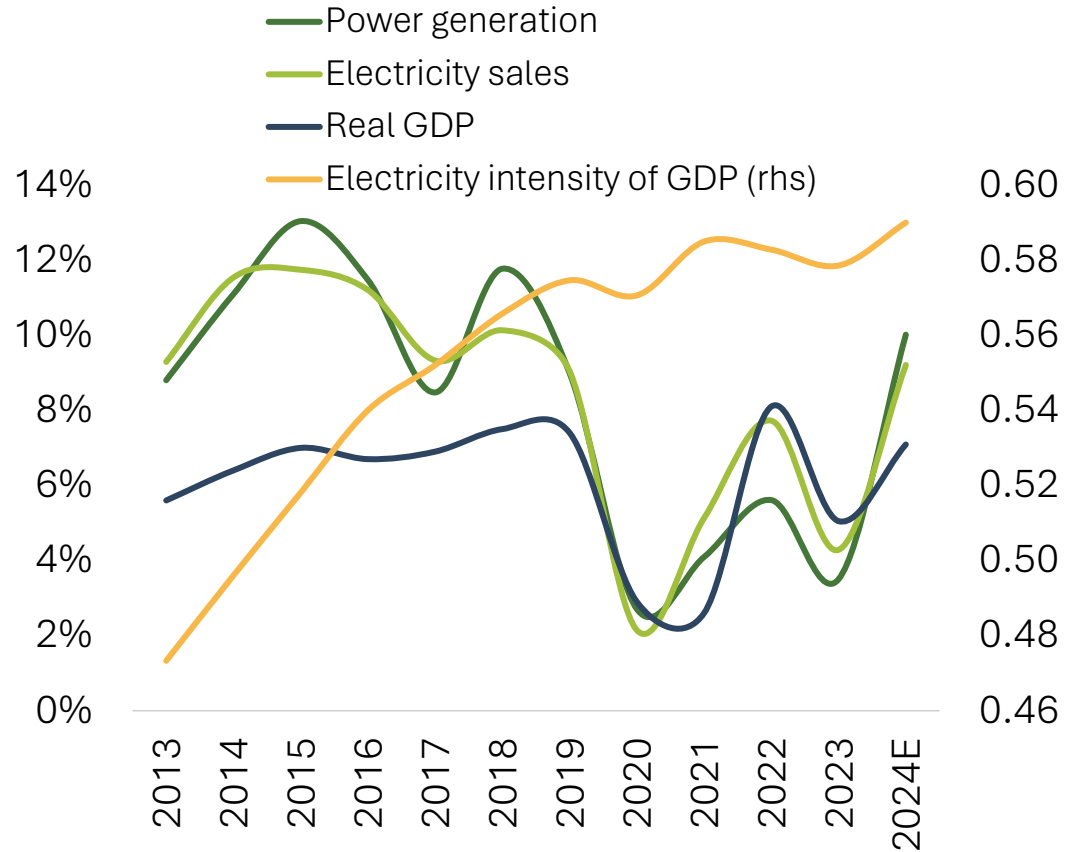


Tax revenue decomposition, percent of GDP

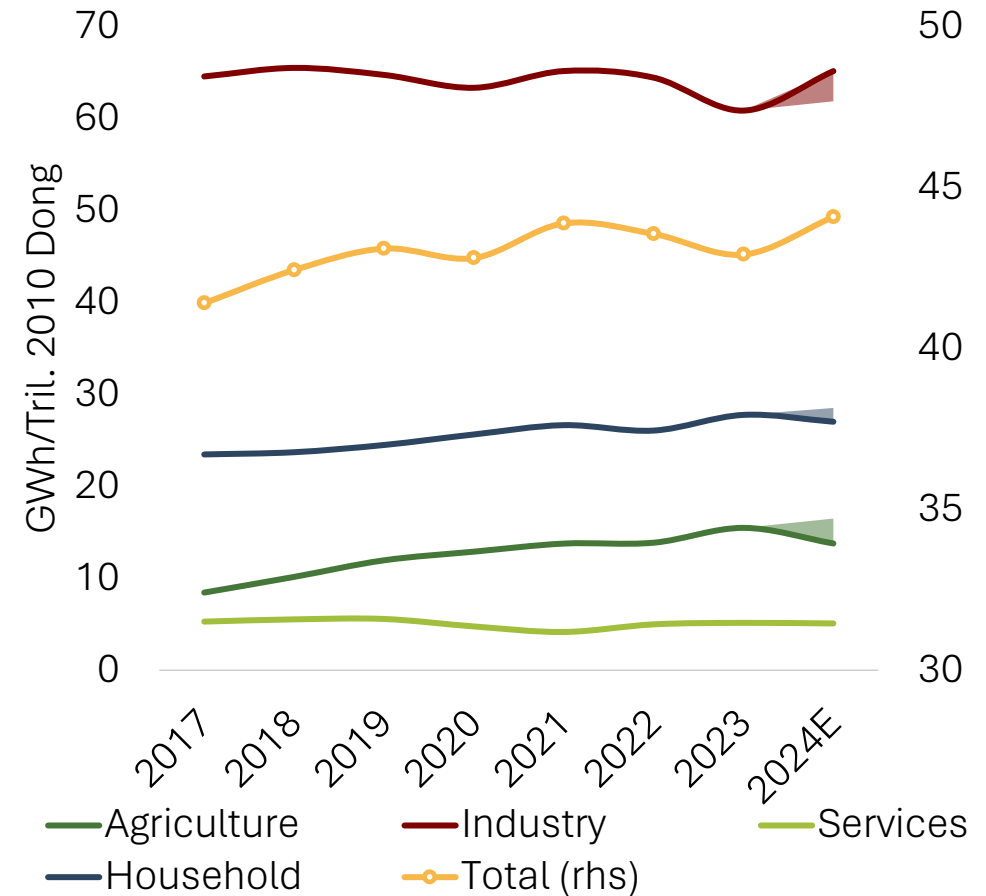


Electricity intensity of GDP increased, driven by industrial usage, but within planned power generation

Growth rate (percent) and electricity intensity of GDP (kWh per constant US\$)



Electricity intensity of GDP by sector

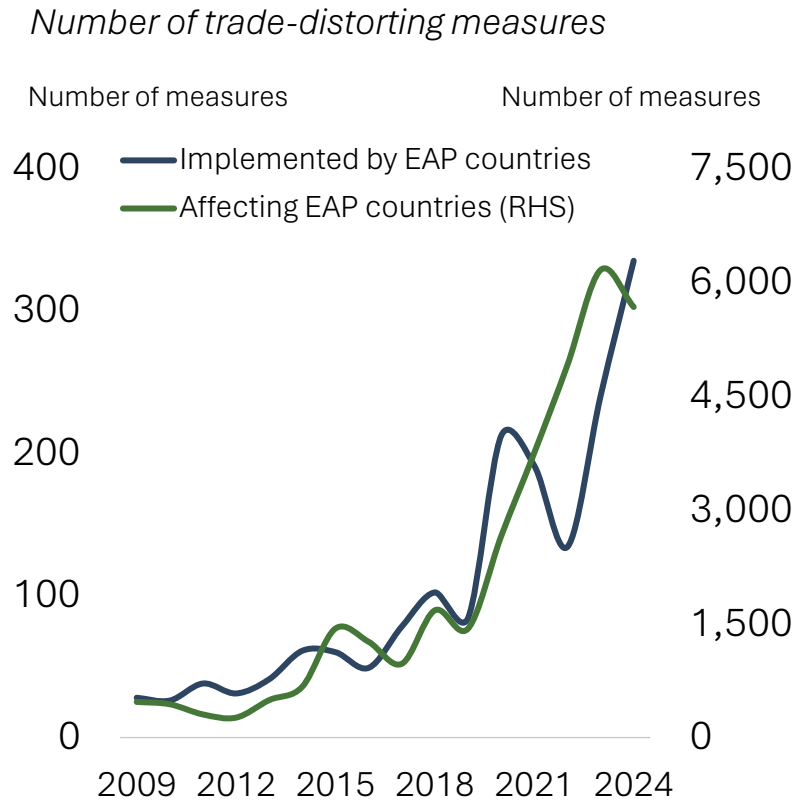


Source: GSO, EVN and World Bank calculations

Source: GSO and World Bank calculations. Notes: Energy-intensive sectors highlighted, based on ECB and IEA classification. Non-ferrous metals include aluminum. Basic metals include steel. Nonmetal Minerals include cement. Dotted lines show the average IP growth in 2023 and 2024.

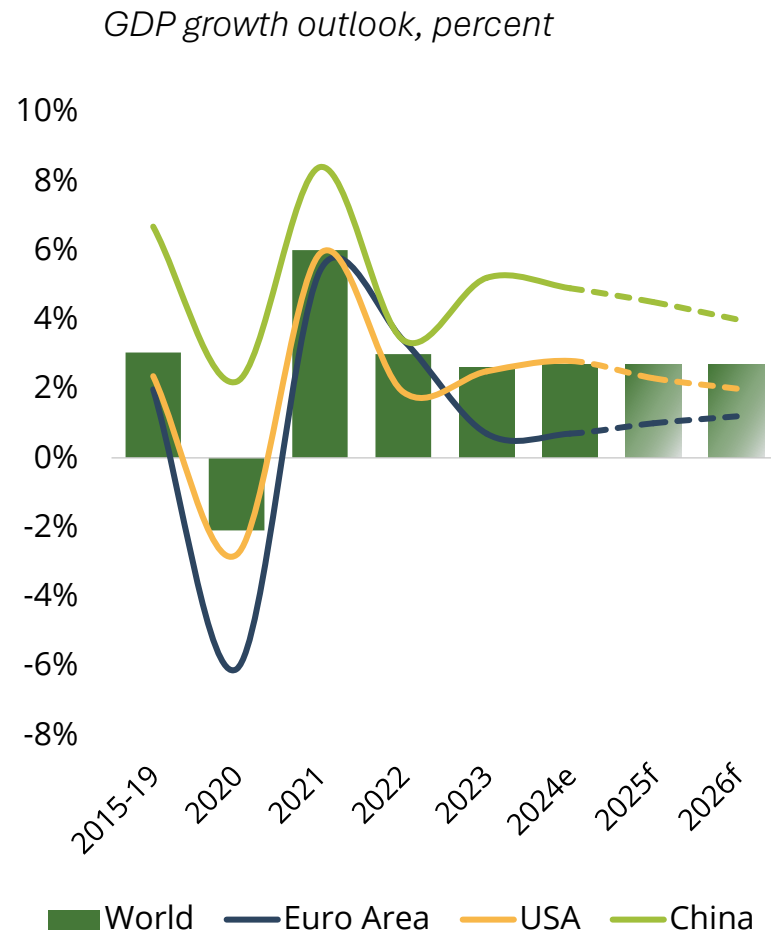
Growth outlook faces heightened uncertainty

Trade-distorting policy



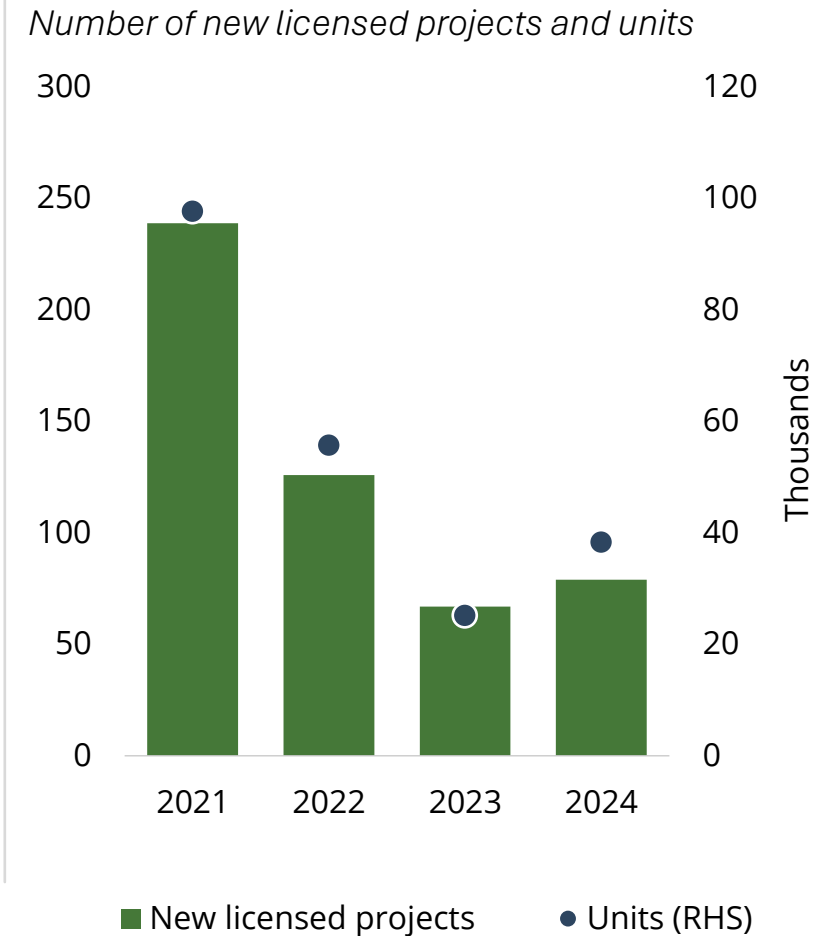
Source: Global Economic Prospects, January 2025, World Bank

Global growth slowdown



Source: Global Economic Prospects, 2025, World Bank

Slow domestic and real estate recovery



Source: Ministry of Construction

Policies should support resilience and medium-term growth



Fiscal policy to support medium-term growth

- Address under-disbursement of public investments
- Increase counter-cyclicality of fiscal policy (support to private consumption and stabilizers during downturns)



Strengthen banking supervision and financial risk mitigation

- Prudential supervision
- Early detection and interventions
- Strengthen the institutional framework and SBV mandate



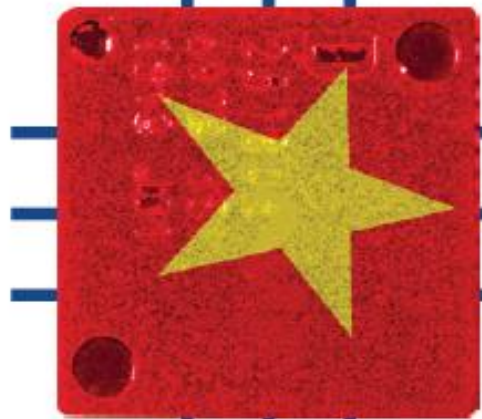
Greater energy resilience

- Deployment of renewable energy
- Operationalization of improved energy efficiency plan (VNEEP 3)
- Improving pricing and procurement framework for renewable generation



Structural reforms

- Address infrastructure gaps
- Improve business environment
- Deeper and resilient trade integration
- Greater integration of domestic and FDI firms
- Upskilling the workforce



Upgrading participation to Global Value Chains



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VIET NAM 2045 TRADING UP IN A CHANGING WORLD REPORT



PROJECTIONS

- Towards high income in 2045
- Productivity and investments needs



DIAGNOSIS

- Limits of export miracle
- Global trade shifts

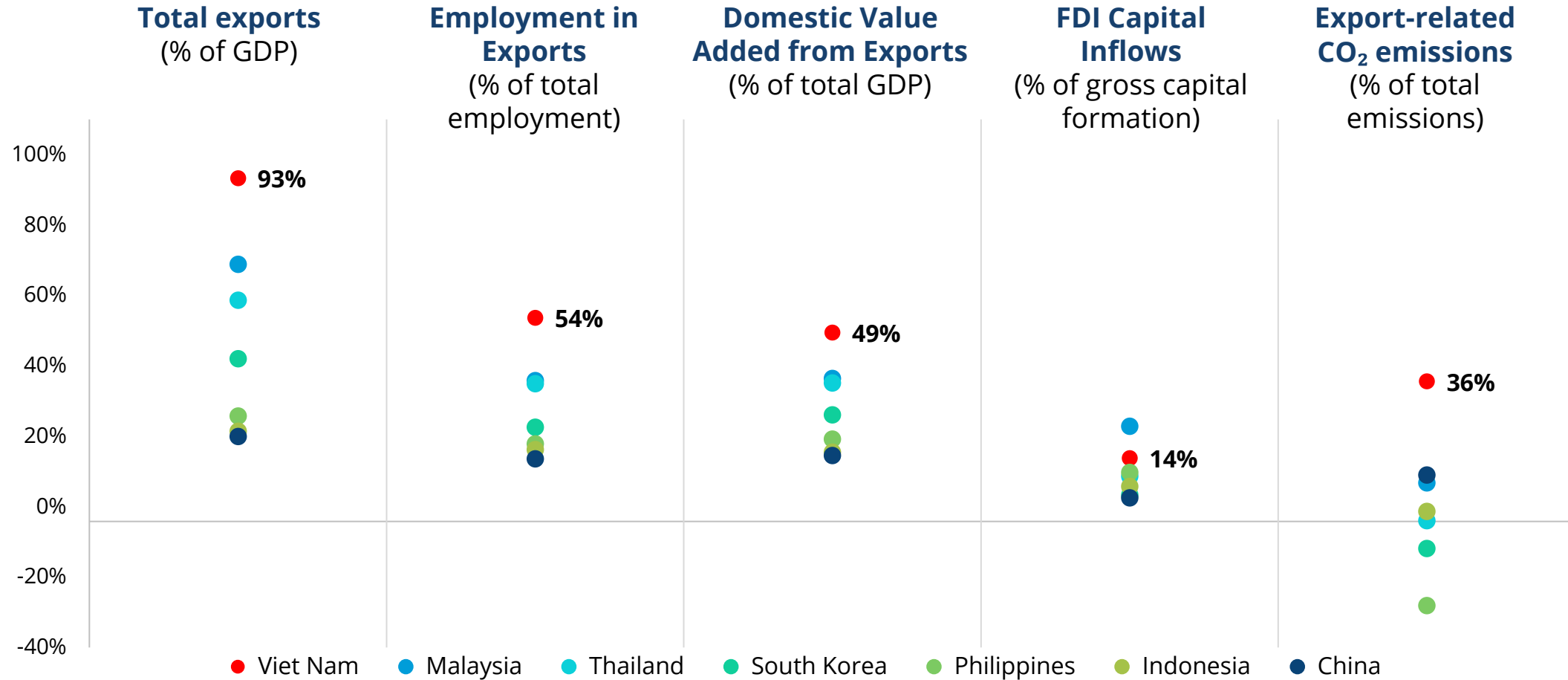


POLICY OPTIONS

- Five policy packages
- Making growth benefit all

GLOBAL VALUE CHAIN PARTICIPATION HAS BEEN A KEY DRIVER OF VIET NAM'S ECONOMIC SUCCESS

Viet Nam has been one of the greatest trade beneficiaries globally, even within South-East Asia

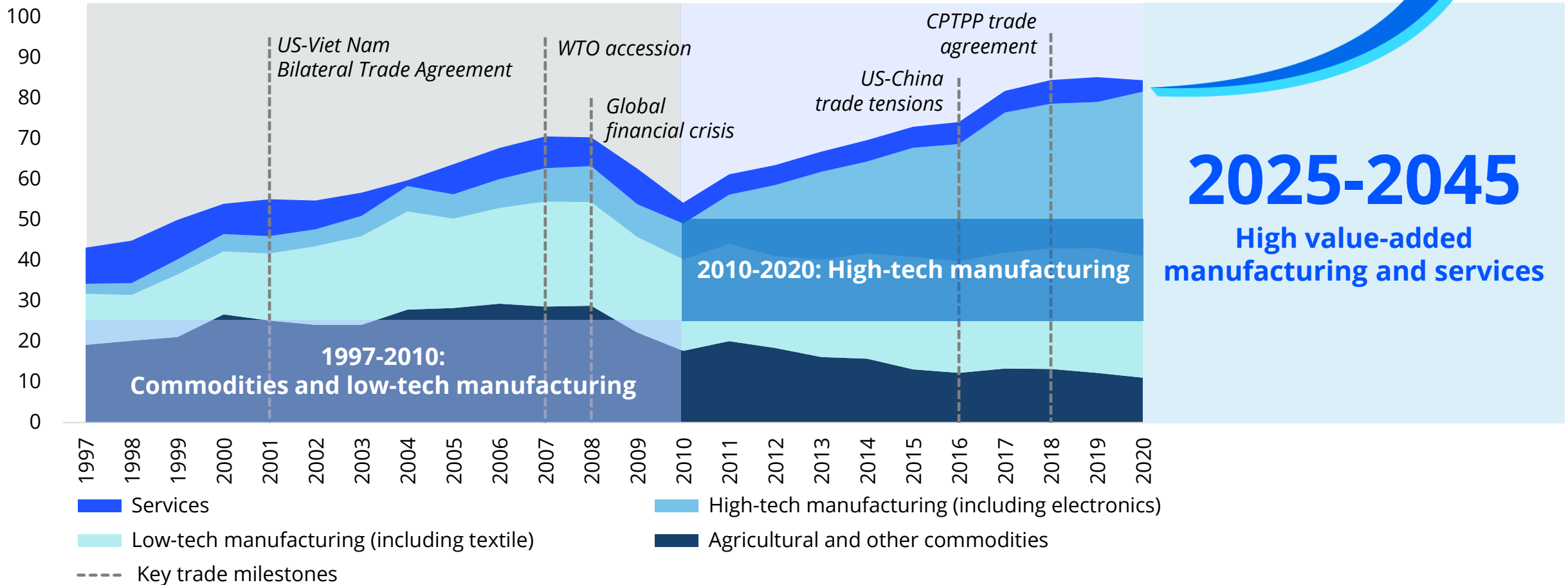


Source: World Bank staff calculations based on WDI, OECD, UNCTAD, Global Carbon Budget.

THE EVOLUTION OF THE EXPORT GROWTH MODEL

Viet Nam's ambition of becoming a high-income economy by 2045 will depend on its ability to transition its role in the global economy towards higher-value manufacturing and services

Exports (% of GDP)

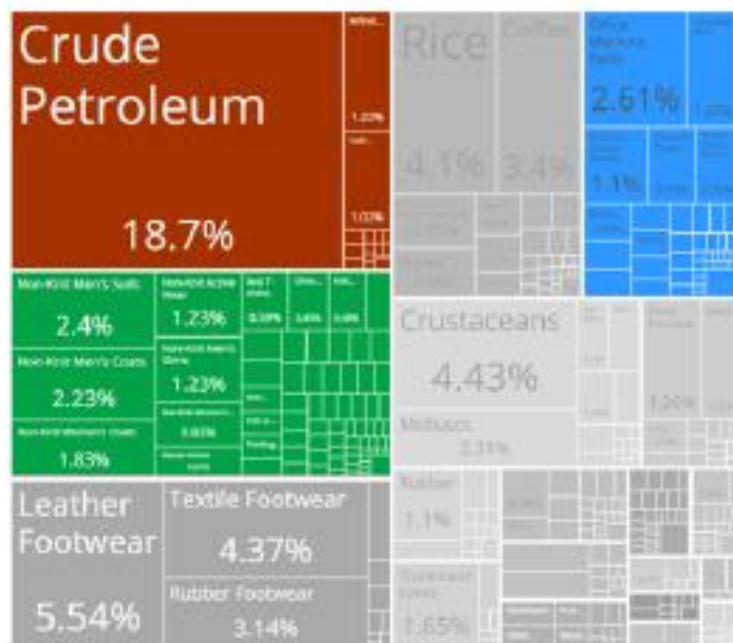


Source: World Bank calculation using WDI

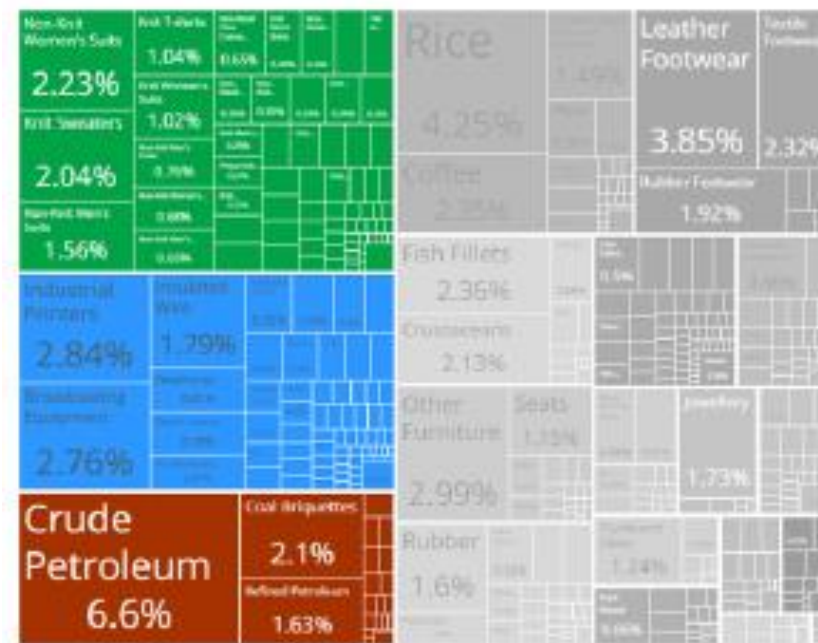
A FAST EVOLVING AND INCREASINGLY COMPLEX EXPORT BASKET

Today, close to 50 percent of the export basket is derived from electronics and machinery, and one in four exported products by traded value consists of telephones, semiconductors integrated circuits and broadcasting equipment such as cameras.

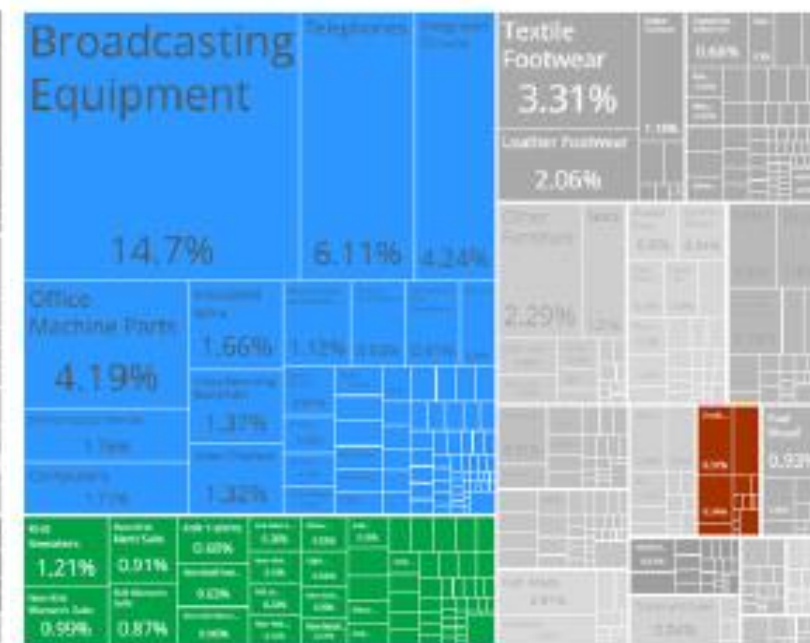
A. Export basket, 2000
(Total: US\$ 18 billion)



B. Export basket, 2010
(Total: US\$ 77 billion)



C. Export basket, 2022
(Total: US\$ 399 billion)

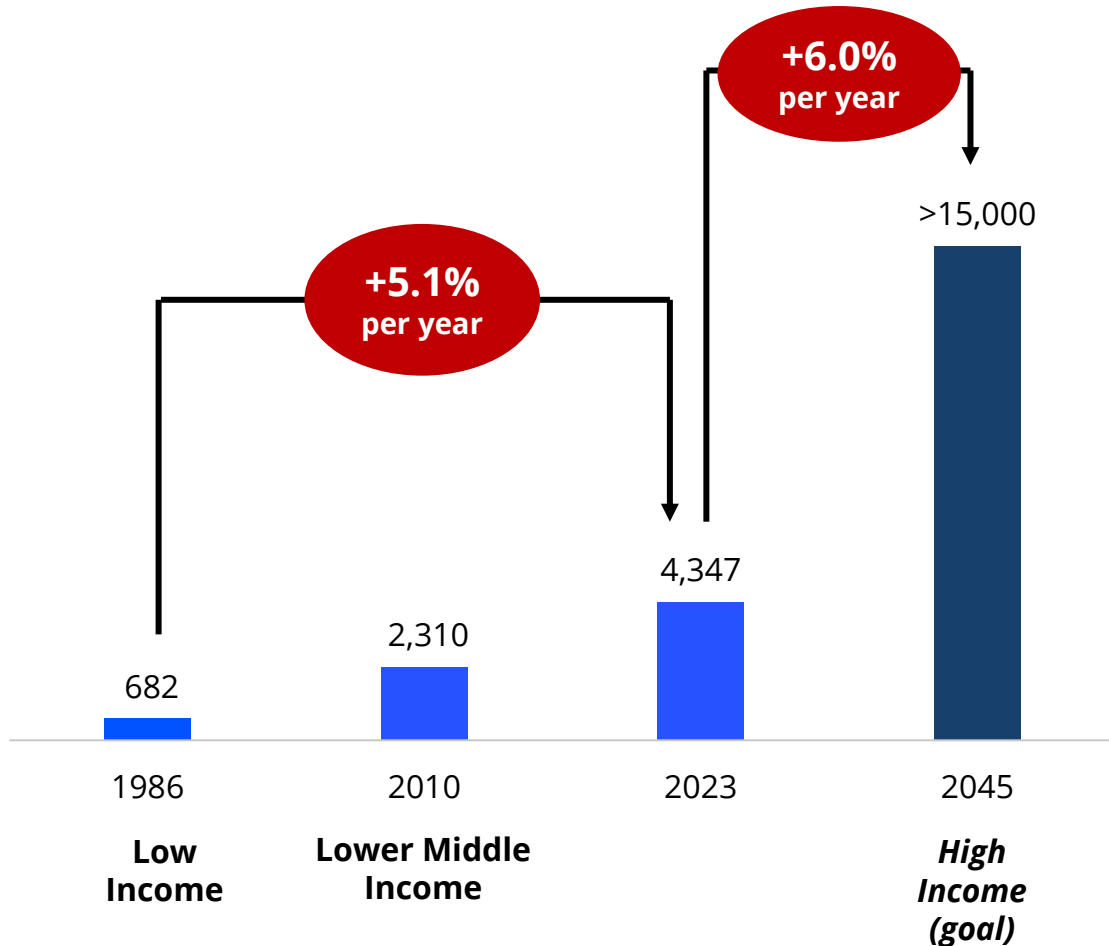


REACHING HIGH-INCOME STATUS BY 2045

An ambitious target which requires shifting gears

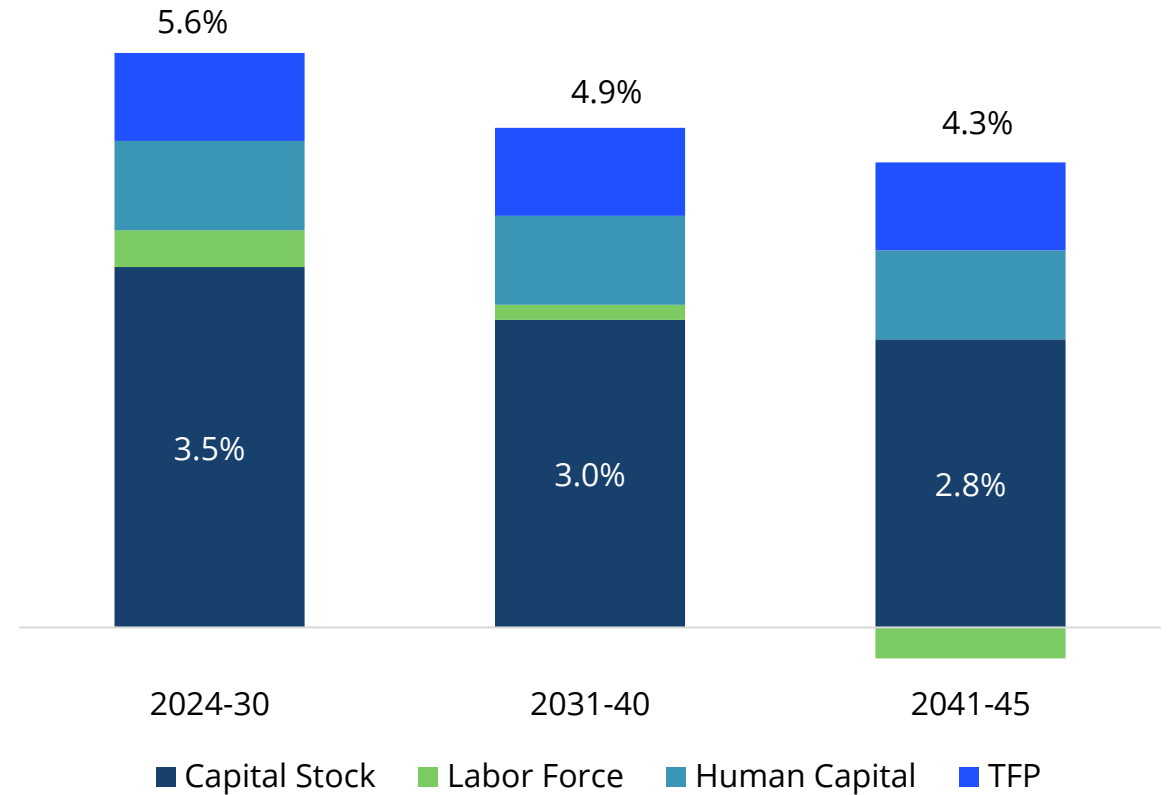
Viet Nam progress and goals

real GDP per capita (constant 2023 US\$)



Long-term growth projections

real GDP per capita growth (baseline)



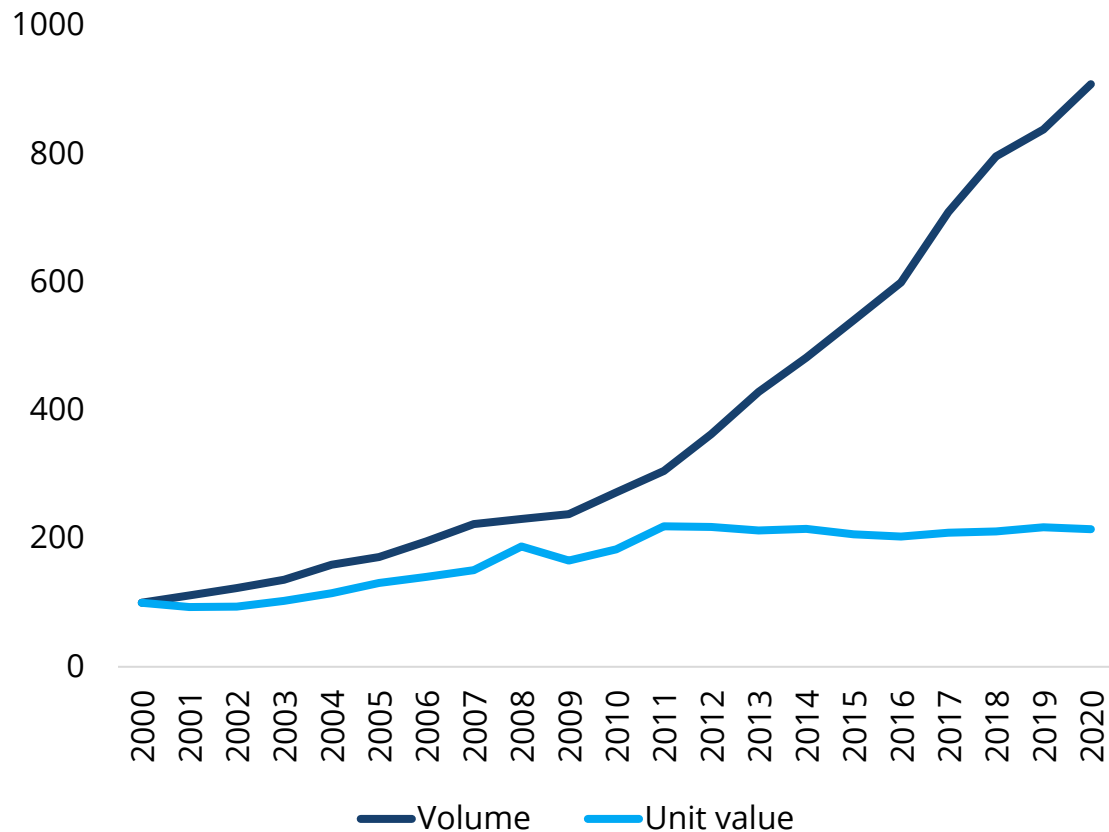
Source: World Bank staff calculation. High-income status estimates are indicative based on a historical GNI/GDP ratio for Viet Nam.

Source: World Bank staff calculation using WDI

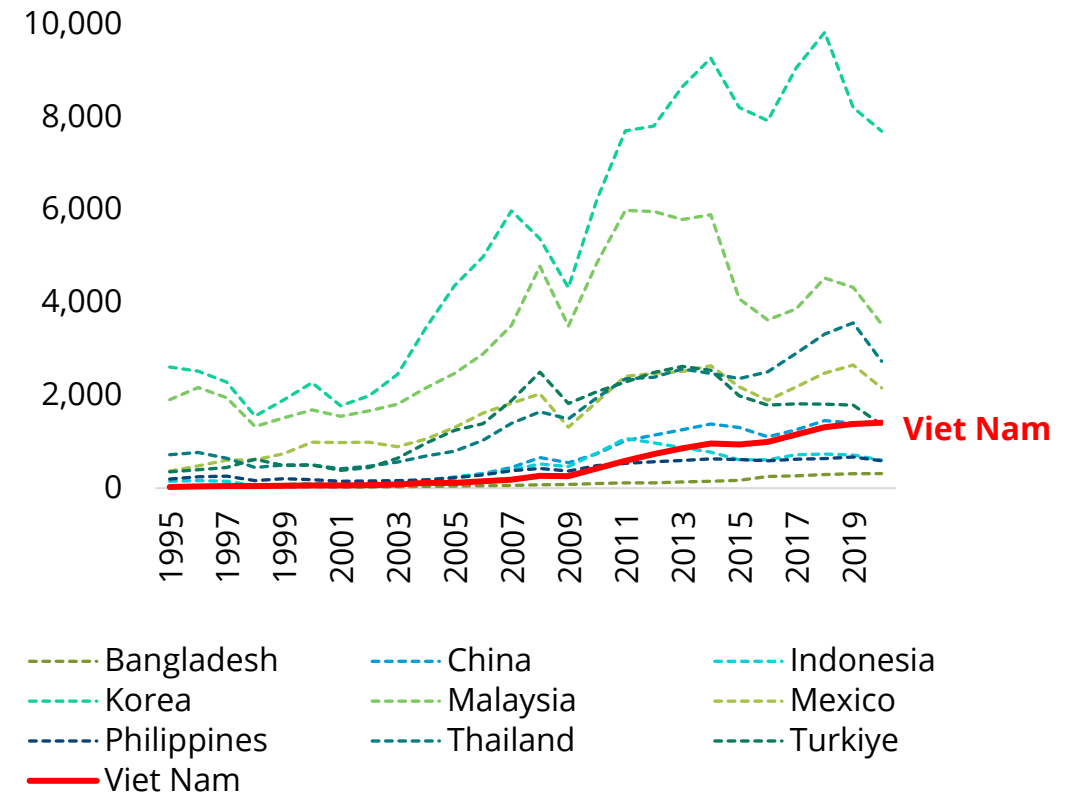
EXPORT MODEL BASED ON LARGE-SCALE FINAL ASSEMBLY

Rapid export growth driven by quantity not quality of exports reflecting Viet Nam's specialization in final assembly production.

Export Volume and Price, Index 2000=100



Domestic value added in exports per capita (USD), 1995-2020



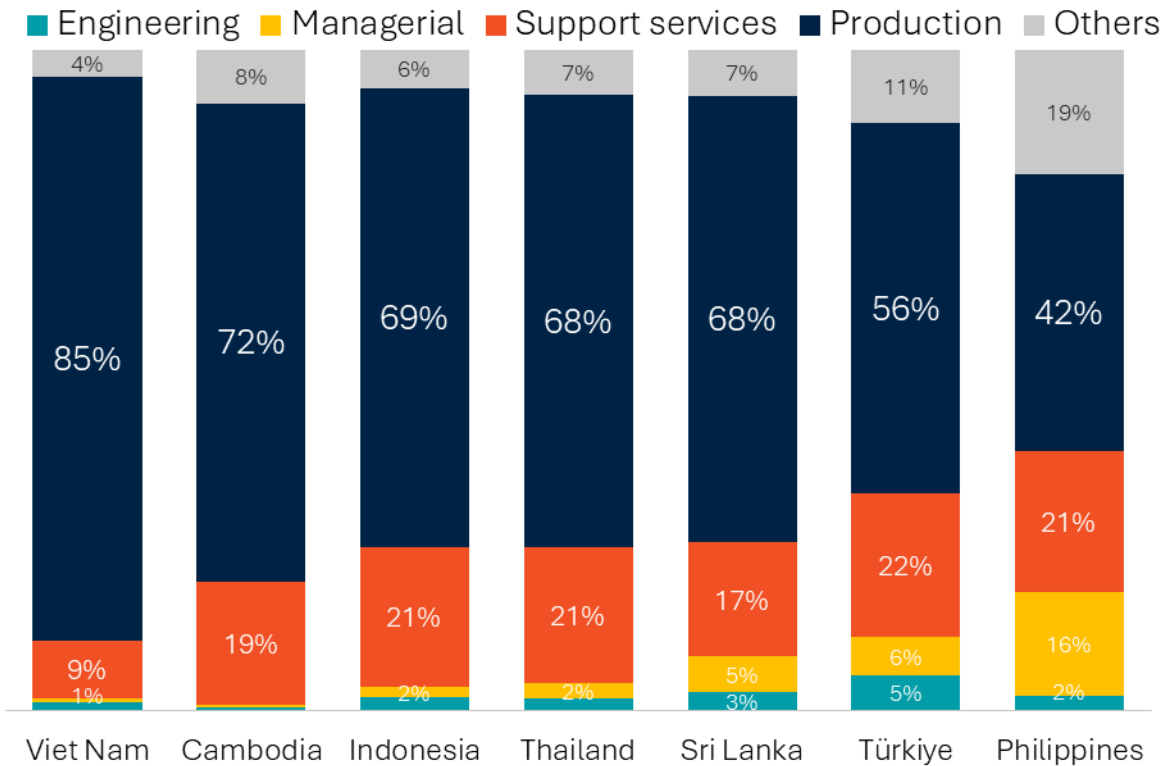
Source: World Bank staff calculations based on WDI and UNCTAD.

Source: World Bank staff calculations based on WDI.

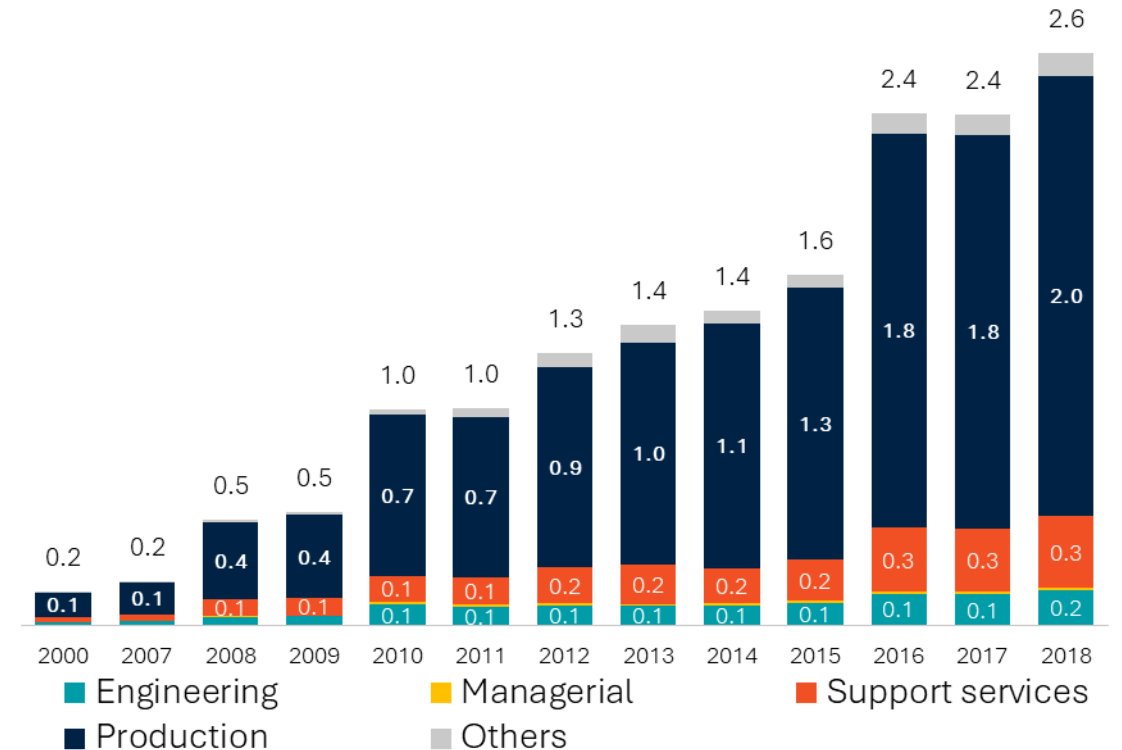
LIMITS OF THE CURRENT EXPORT-LED GROWTH MODEL

A specialization in production tasks for exports reflecting Viet Nam's GVC position in **final assembly**.

Job activities in exports



Job activities in exports, electrical and optical equipment, Viet Nam (% of total jobs in exports)



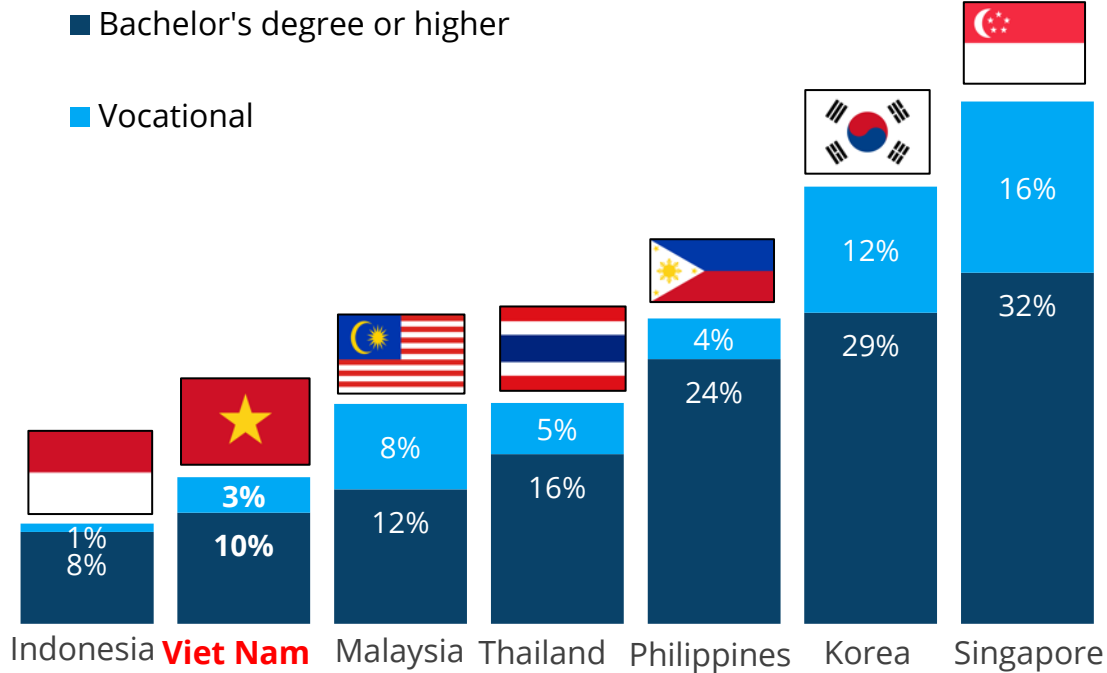
Source: World Bank staff calculations based on Kruse et al. (2023).

Source: World Bank staff calculations based on WDI.

LIMITED SUPPLY OF HIGH SKILLS IS AN INCREASINGLY BINDING CONSTRAINT

Supply for skilled labor remains limited...

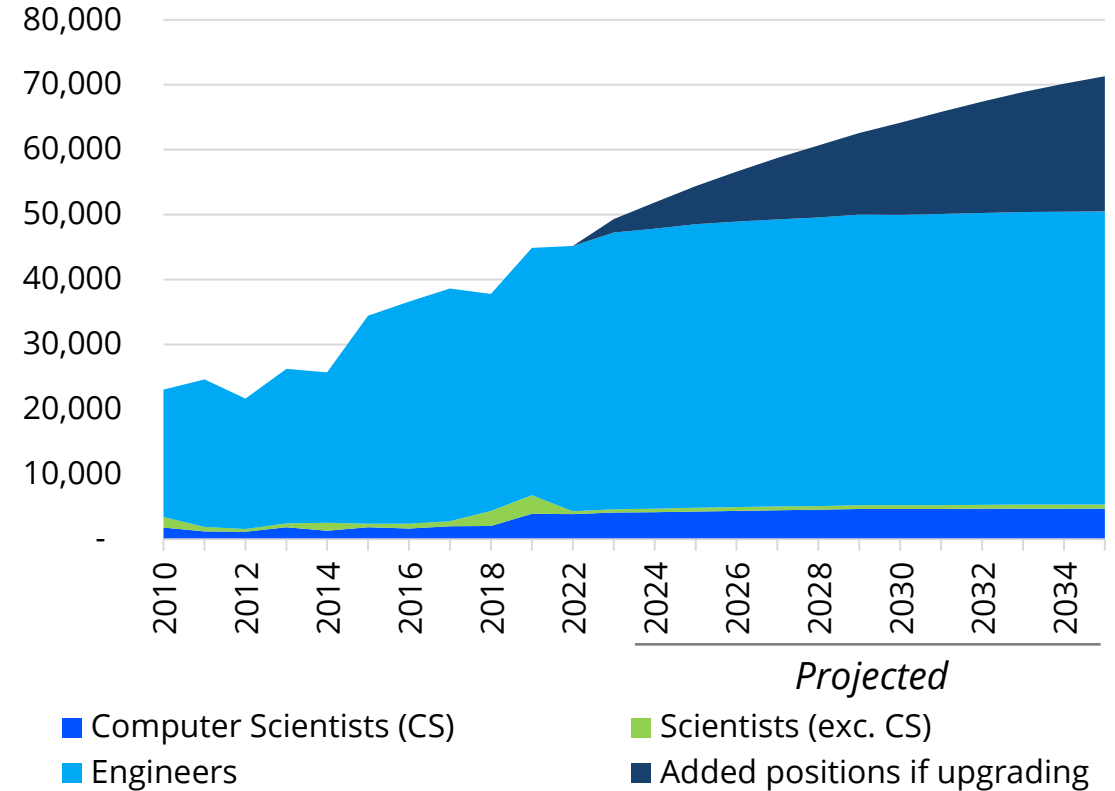
Tertiary Education Completion Rates, 2022



Source: World Bank staff calculations based on WDI and UIS

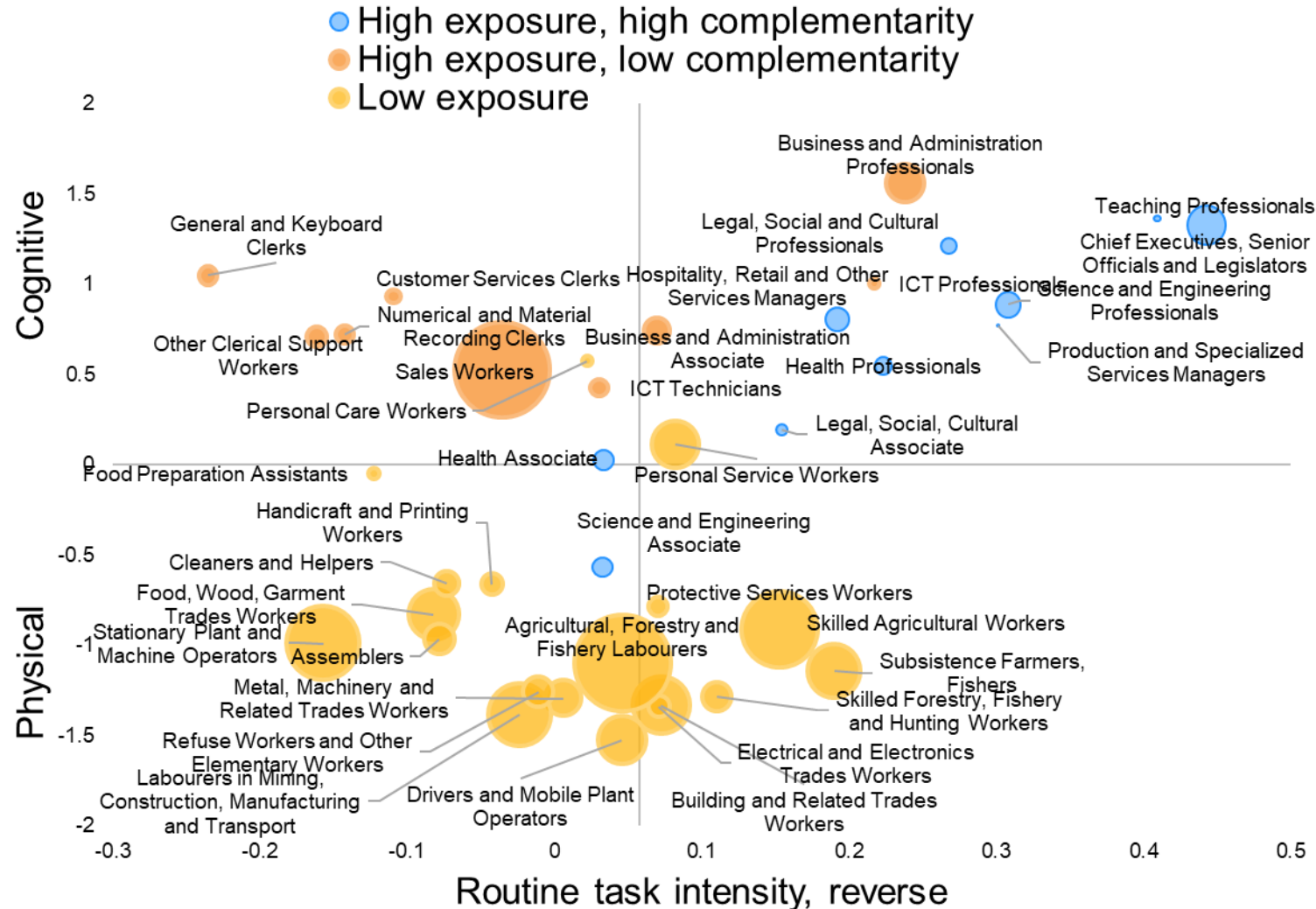
...and the projected demand for STEM workforce is rising leading to increasing gaps

Historical and Projected science & engineering workforce gaps



Source: World Bank staff calculations.

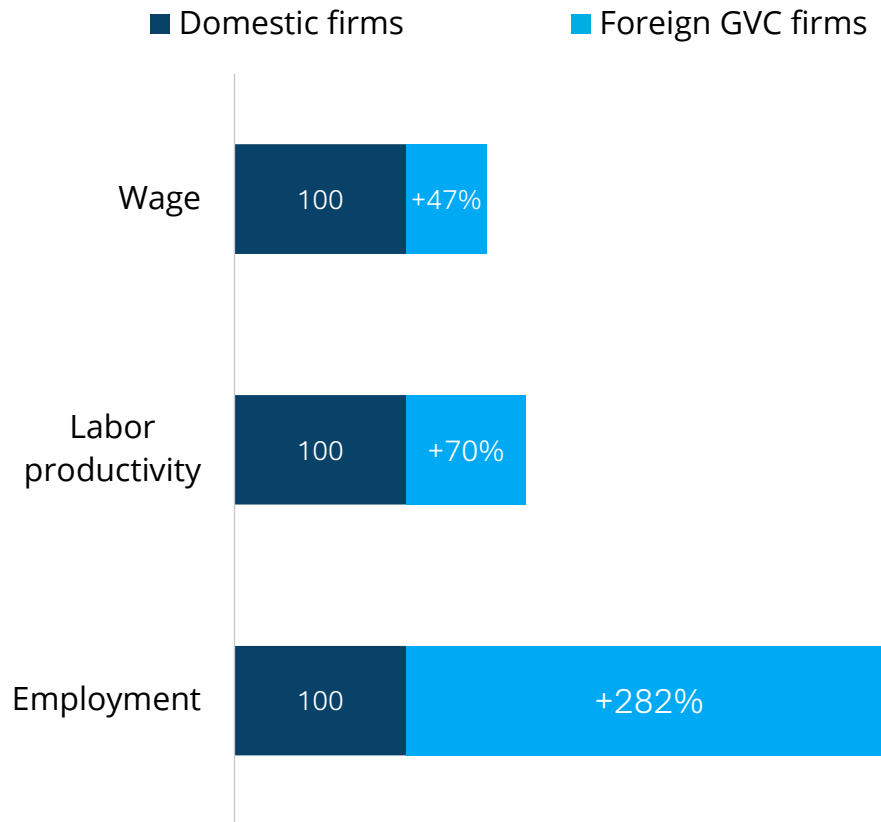
VIET NAM'S WORKFORCE IS LESS EXPOSED TO AI DUE TO ITS HIGH CONCENTRATION IN PHYSICAL TASKS



Source: World Bank (2024). Note: vertical axis measures routine manual content of tasks; horizontal axis measures routine task intensity following Autor and Dorn (2013). color code is based on median threshold of AI exposure measure (Felten, et. al. (2021) and AI complementarity measure (Pizzinelli et al. 2023). Bubble size denotes average worker share

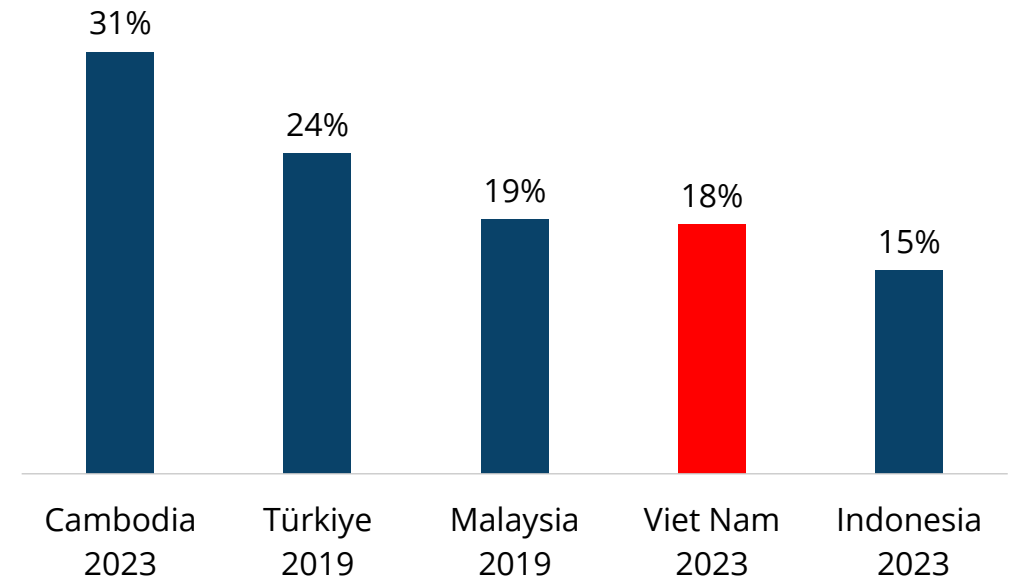
A DUAL ECONOMY WITH LIMITED LINKAGES BETWEEN FOREIGN AND DOMESTIC FIRMS

GVC firms engaged in trade are more productive, pay higher wages and employ more people



Source: World Bank staff calculations based on GSO Enterprise survey

The share of firms with GVC linkages is limited in Viet Nam

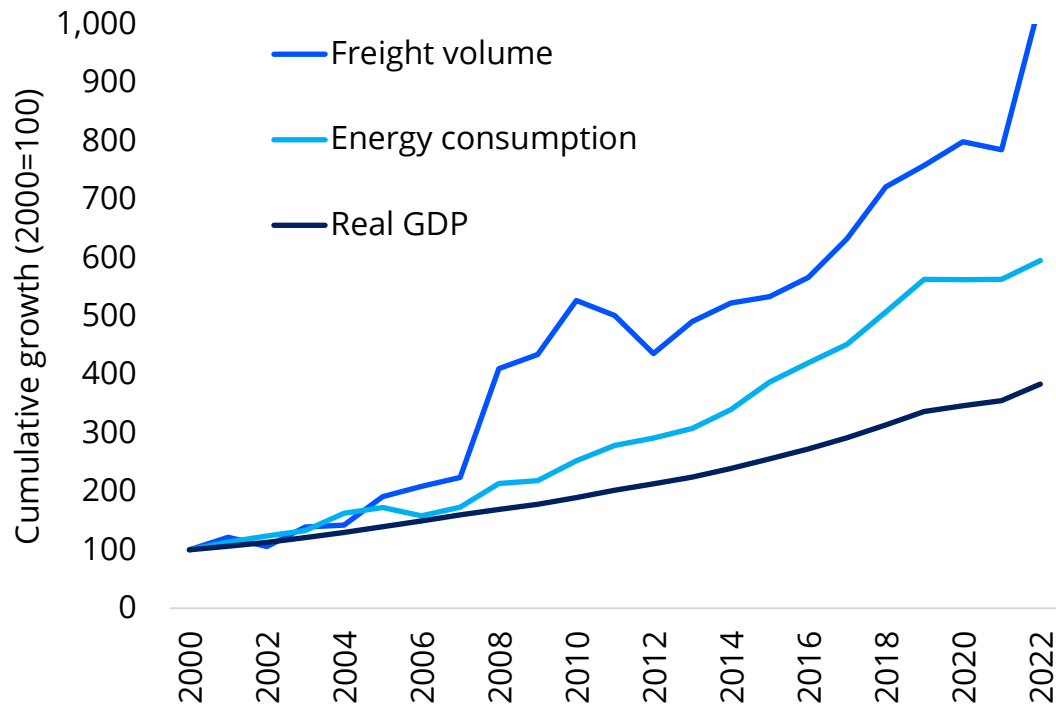


Source: World Bank staff calculations based on Enterprise Survey. A firm is considered to have GVC linkages if it has at least one of the following characteristics: more than 10% foreign equity, using foreign-licensed technology, involved in export (10% or more of sales), involved in imports. Imports are only defined for firms in the manufacturing sector. Firms size is defined following the definition used by the World Bank Enterprise Surveys (WBES) data, which is small (5-19 employees), medium (20-99 employees), and large (100+ employees).

GROWING INFRASTRUCTURE NEEDS AND CARBON INTENSIVE PRODUCTION THREATEN COMPETITIVENESS

Growing infrastructure needs have outpaced GDP growth

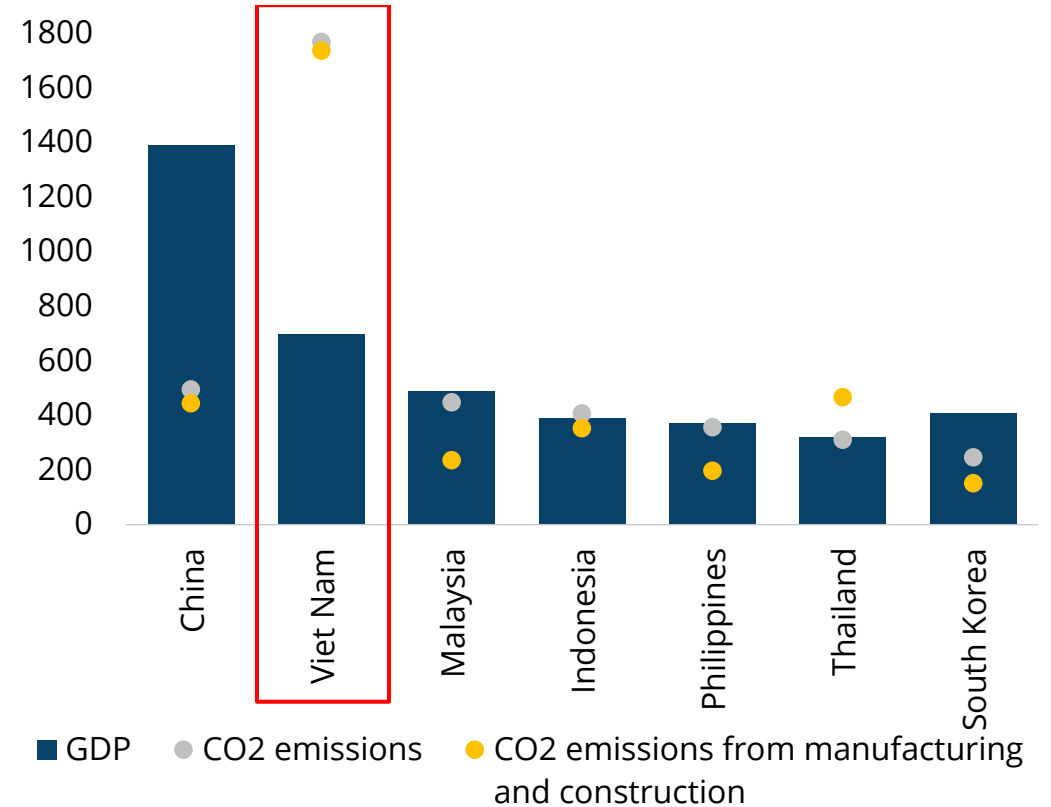
Cumulative growth in energy consumption, GDP and freight transport volume, 2004-2022



Source: World Bank staff calculations based on WDI, Statistical Review of World Energy, GSO.

Viet Nam's past economic growth has been carbon-intensive...

Cumulative growth in GDP and CO2 emissions (1990=100)



Source: World Bank staff calculations based on WDI.

GLOBAL TRADE SHIFTS PRESENT RISKS AND OPPORTUNITIES FOR VIET NAM

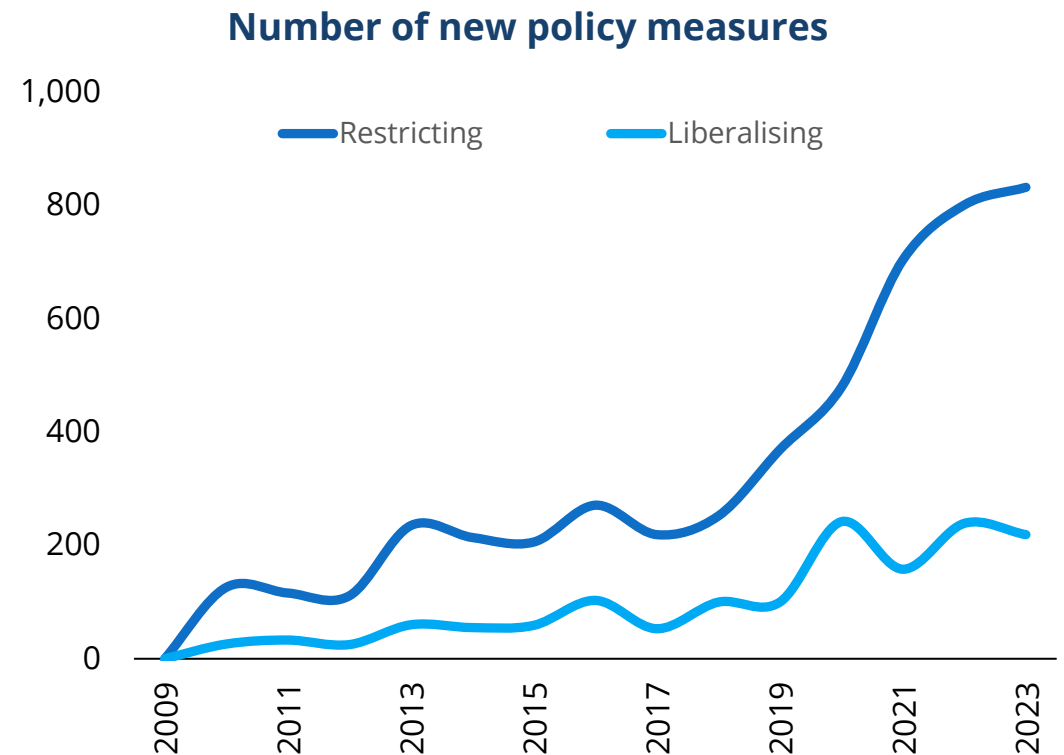
Geo-economic Fragmentation

Global trade has been declining over the last ten years



Source: World Bank staff calculations based on WDI and Global Trade Alert

Tensions are leading to the fragmentation of GVCs, especially in strategic sectors.



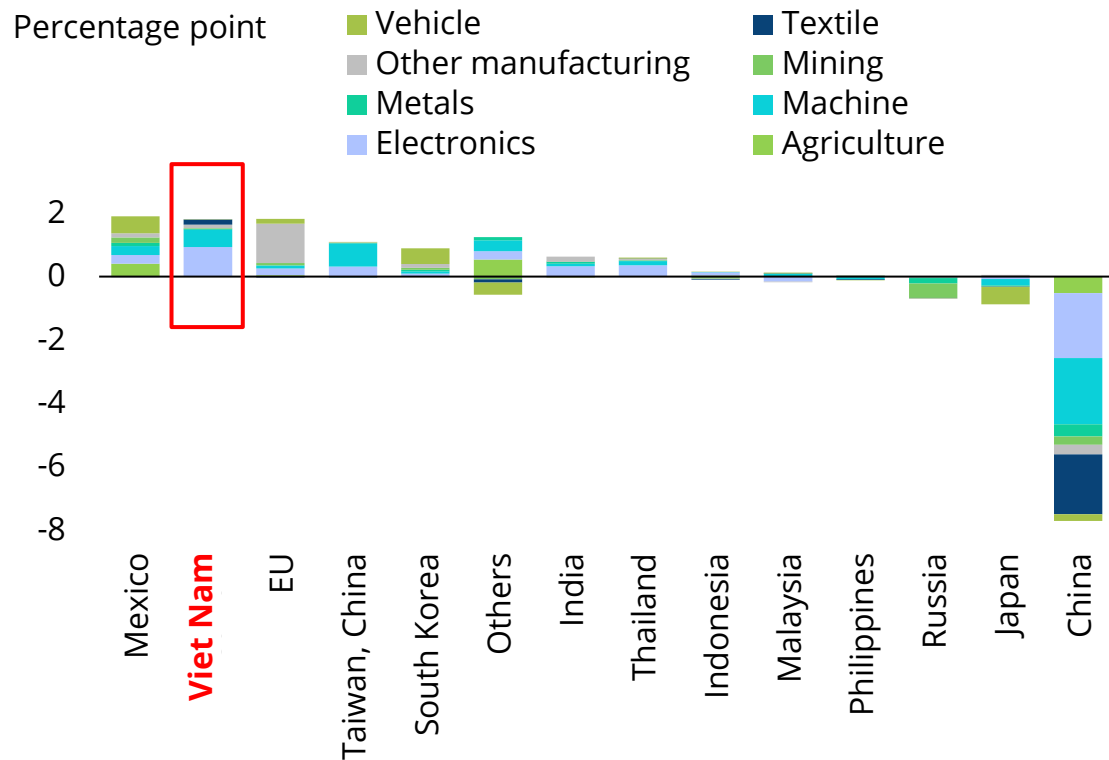
Source: World Bank staff calculations based on Global Trade Alert

GLOBAL TRADE SHIFTS PRESENT RISKS AND OPPORTUNITIES FOR VIET NAM

Geo-economic Fragmentation

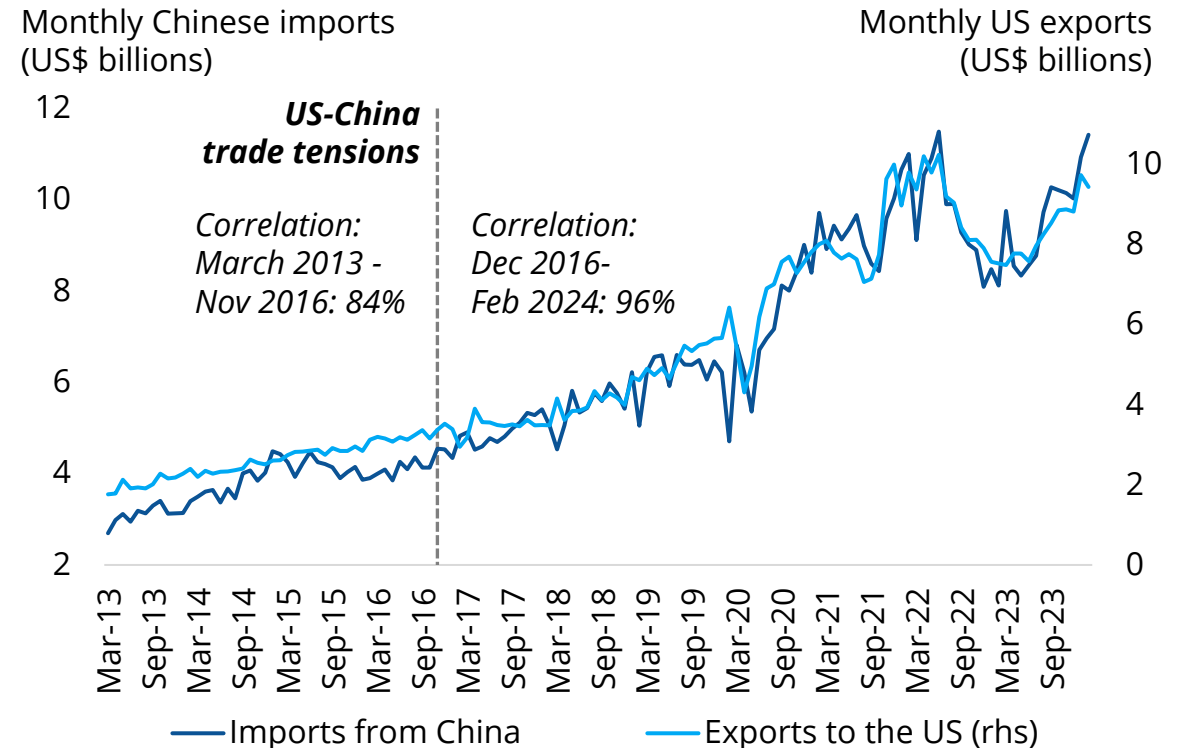
A changing trade landscape has offered opportunities to Viet Nam...

Changes in share of US imports, 2018-23



Source: World Bank staff calculations

... but also heightened risks



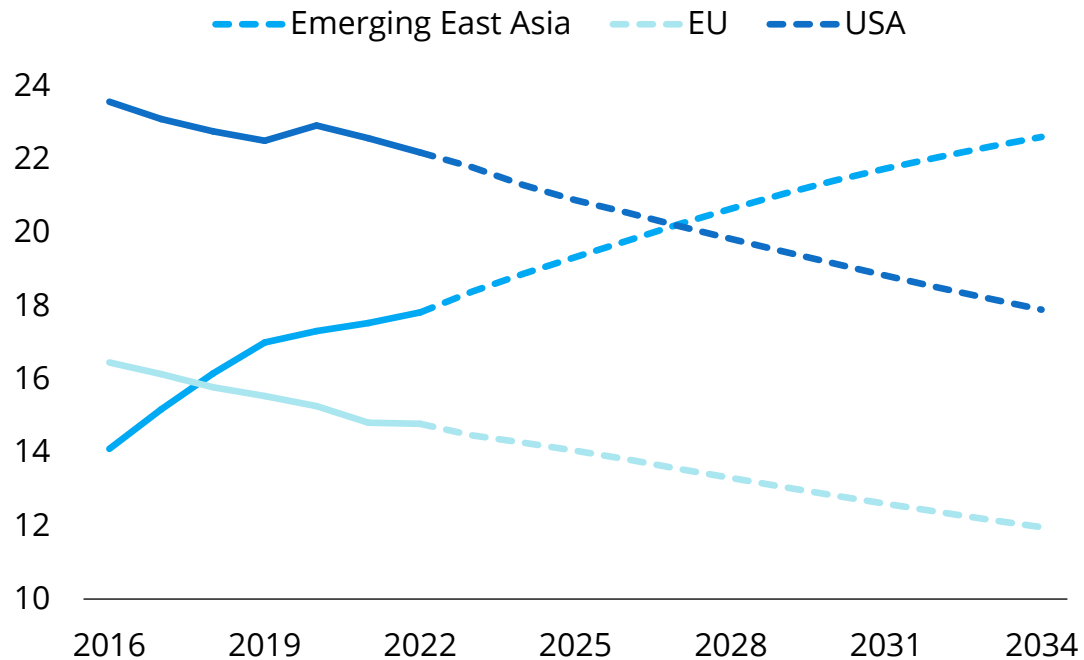
Source: World Bank staff calculations based on GSO and Haver

GLOBAL TRADE SHIFTS PRESENT RISKS AND OPPORTUNITIES FOR VIET NAM

Shifting global demand

Global demand is shifting towards Asia...

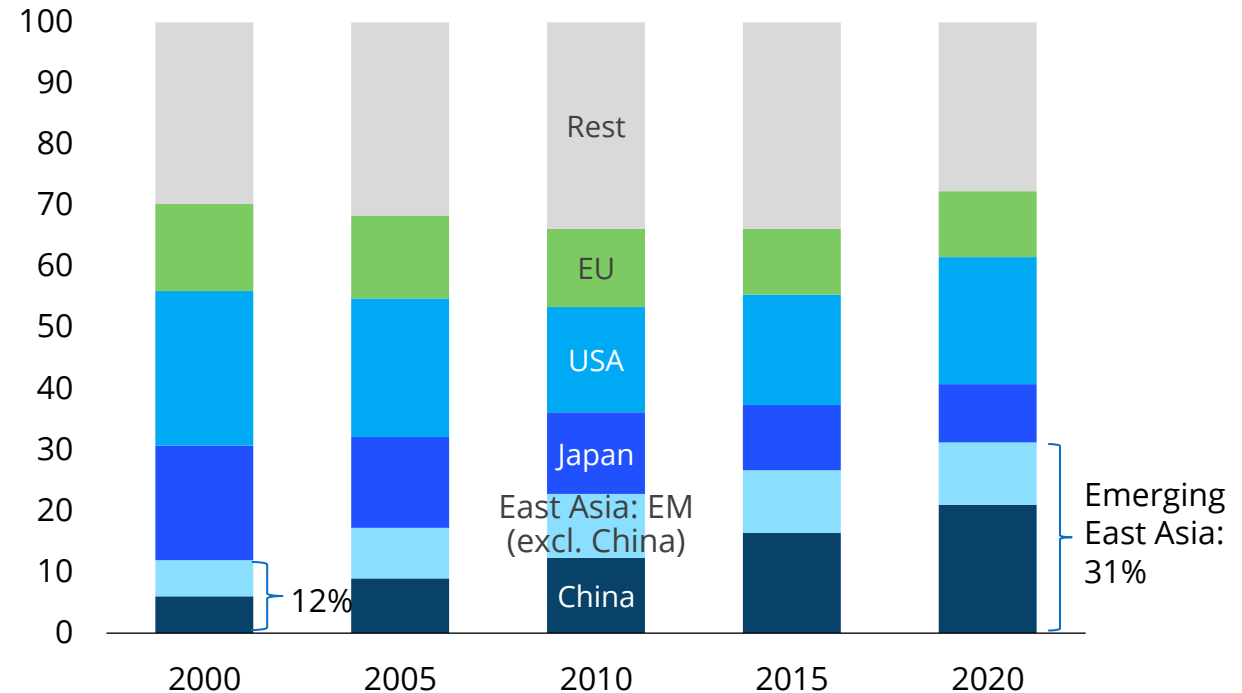
Consumer Class spending (Percent of global total)



Source: World Bank staff calculations based on World Data Pro

... creating opportunities for Viet Nam to diversify its export markets

Decomposition of final demand for Viet Nam's exports (Percent of total exports)

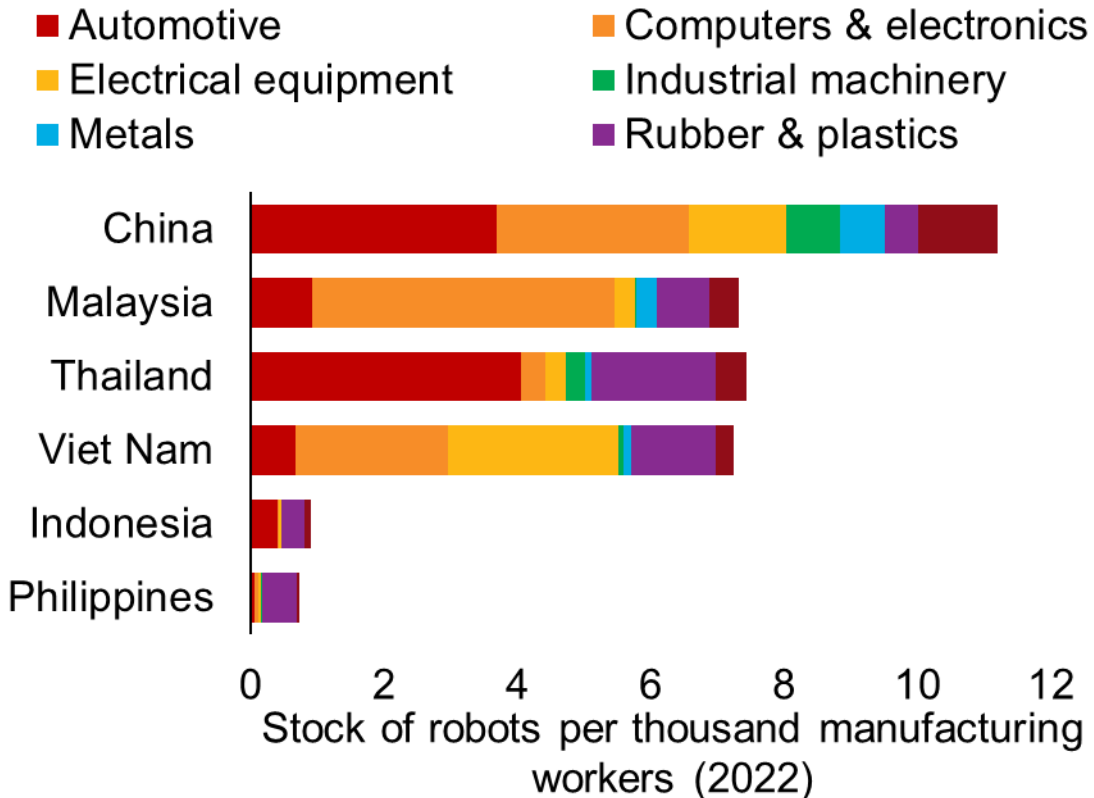


Source: World Bank staff calculations based on OECD ICIO

GLOBAL TRADE SHIFTS PRESENT RISKS AND OPPORTUNITIES FOR VIET NAM

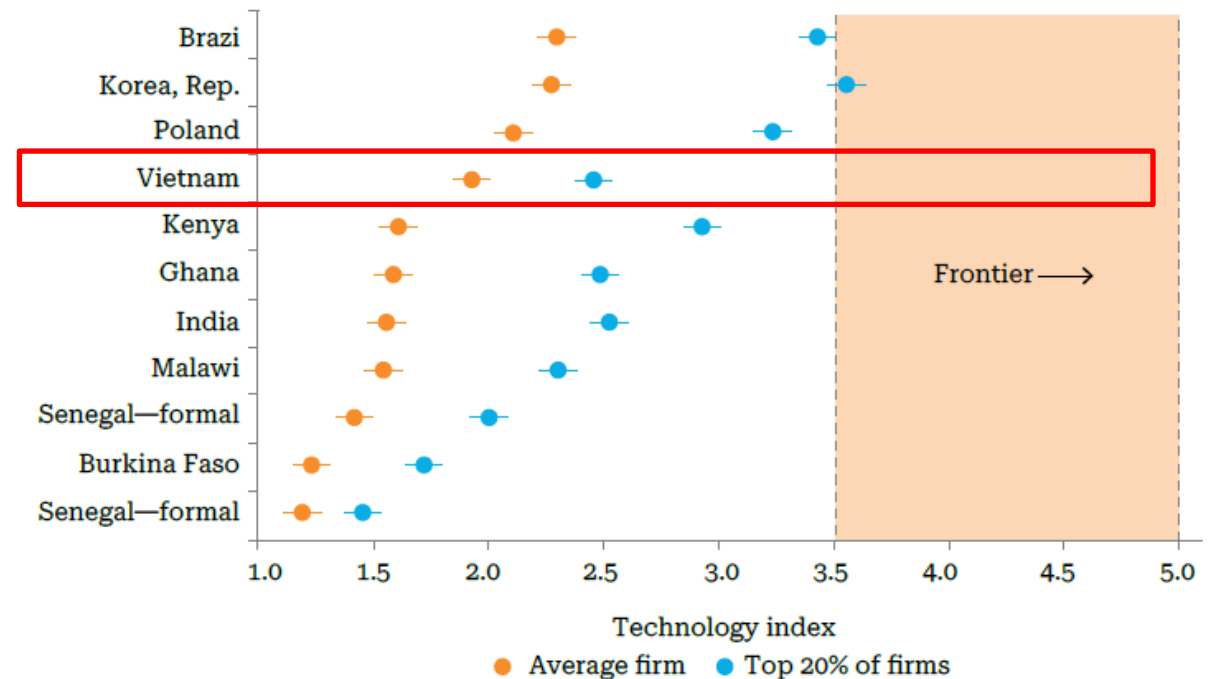
Disruptive technological change

Disruptive technological change has accelerated shifts to automation and digital service trade



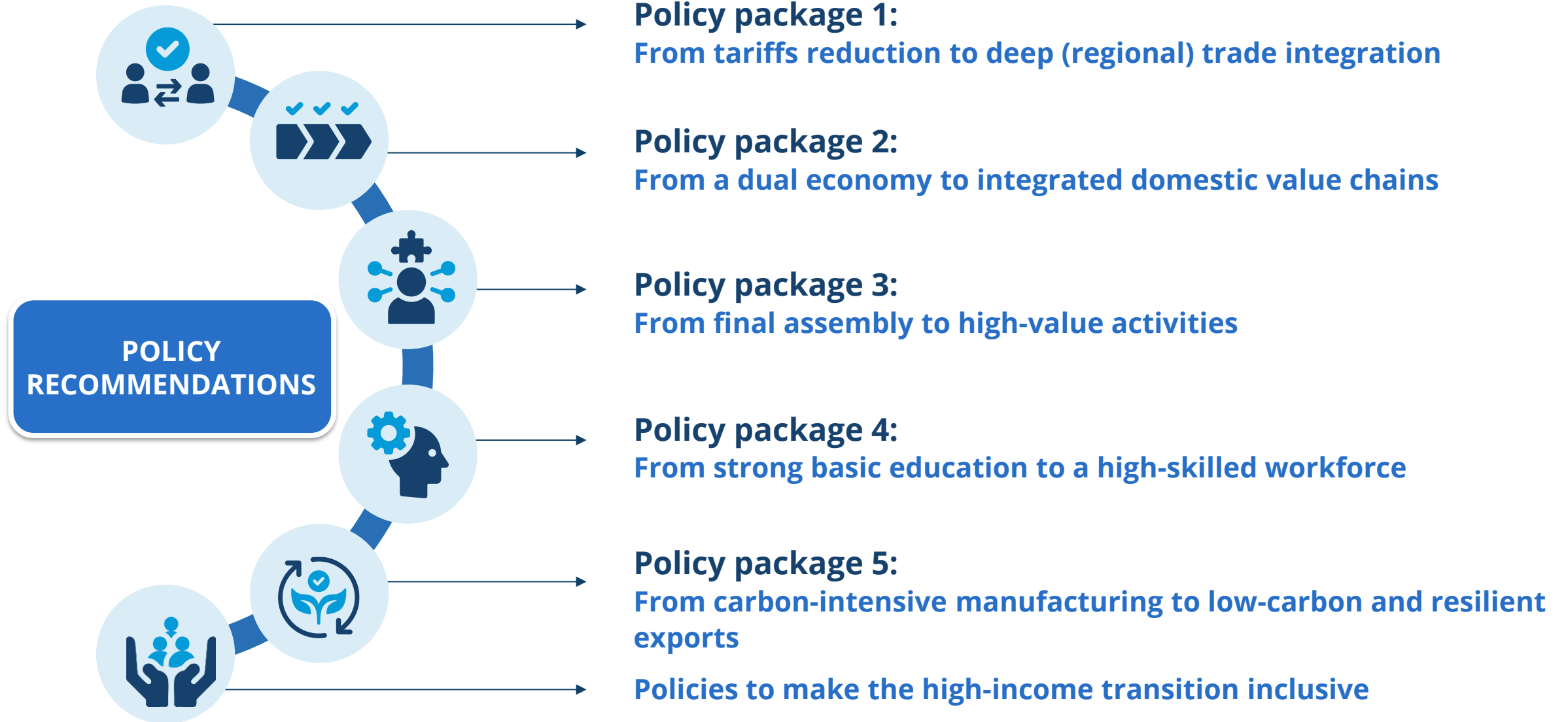
Source: World Bank (2024)

Adoption of sophisticated technologies by services firms is lagging in Vietnam, even for top performers



Source: Cirera, Comin & Cruz (2022), based on data from the firm-level adoption of technology (FAT) survey.

SUMMARY OF POLICY RECOMMENDATIONS





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