

# COVID 19 ECONOMIC RELIEF PLAN

## SOCIALIST REPUBLIC OF VIET NAM

### KEY TAKEAWAYS

#### GENERAL

Government has introduced a fiscal support package valued VND 266 trillion (approx. US\$ 11.2 billion) to support the economy.

##### (Taxation)

- Payment of VAT and CIT tax obligations and of land rental fees is deferred by 5 months, and payment of PIT tax obligations is deferred to year-end.

##### (Banking)

- Central Bank has reduced policy rates by 0.25-1 percentage point.
- SVB has asked commercial banks in the country to lower interest rates and they offered VND293 trillion (US\$12.4 billion) in preferential credit to affected businesses.

##### (Labour)

- the Resolution institutes a cash transfer package worth VND 36 trillion (US\$1.5 billion) from the state budget to the affected entities (more than 10% of population is estimated to benefit from the program).

Affected firms are eligible to access concessional loans from Vietnam Social Policy Bank (VSPB) with no interest for making salary payment to their workers who temporarily stop working

#### IN PROGRESS

Minister of Planning and Investment has submitted the draft resolution to reduce difficulties for businesses and accelerate disbursement of public investment. The measures include -

1. Extending to 12 months the deferral of payments of VAT, CIT, PIT and land rental fee obligations for affected firms and households,
2. Pushing forward adjustment of PIT deduction,
3. Cutting 50 percent of CIT rate for SMEs and micro firms,
4. Extending exemptions and reductions of environmental protection tax on gasoline,
5. Cutting VAT by 50 percent on pandemic-hit goods and services and inputs,
6. Cutting 50 percent the registration tax on domestically-produced cars,
7. Continuing the exemptions for agricultural land tax for rural households till 2025
8. Deferring payment of some export tariff for up to 5 months;
9. Cutting various fees and charges (water resources, construction project evaluations, road tolls, seaport charges, aviation service charges, road maintenance fees, etc.)
10. Establishing preferential tariffs on key items
11. Tax exemptions for medical equipment; lower business registration fee effective from February 25; streamline tax and custom audit and inspection at firms.

# Economic outlook/2021

source: ADB-Asia Development Outlook

## GDP

GROWTH IN VIET NAM HAS STUCK CLOSE TO AN ANNUAL PACE OF 7.0% IN RECENT YEARS BUT WILL DECELERATE TO 4.8% IN 2020 BEFORE RECOVERING TO 6.8% IN 2021

**Table 3.32.1 Selected economic indicators (%)**

	2018	2019	2020	2021
GDP growth	7.1	7.0	4.8	6.8
Inflation	3.5	2.8	3.3	3.5
Current acct. bal. (share of GDP)	2.4	5.0	-0.2	1.0

Sources: General Statistics Office of Viet Nam; ADB estimates.

## Despite the large impact of COVID-19,

VIET NAM'S ECONOMIC FUNDAMENTALS REMAIN RESILIENT. IF THE OUTBREAK IS CONTAINED WITHIN THE FIRST HALF OF 2020, GROWTH SHOULD REBOUND TO **6.8%** AS ESTIMATED IN 2021 AND REMAIN STRONG OVER THE MEDIUM AND LONG TERM.

MOREOVER, IN THE FIRST TWO MONTHS, EXPORTS HAVE EXPANDED BY 8.0 PERCENT, FDI INFLOWS AMOUNTED TO \$2.5 BILLION AND RETAIL SALES WERE UP BY 5.4 PERCENT.

	2019e	2020f	2021f	2022f
<b>Real GDP growth, at constant market prices</b>	7.0	4.9	7.5	6.5
Private consumption	7.4	6.7	7.3	7.3
Government consumption	4.2	6.0	5.3	6.4
Gross fixed capital investment	7.9	7.0	7.1	7.1
Exports, goods, and services	7.6	2.6	8.8	9.1
Imports, goods, and services	8.3	2.8	8.5	9.4
<b>Real GDP growth, at constant factor prices</b>	7.0	4.9	7.5	6.5
Agriculture	2.0	1.9	2.0	2.0
Industry	8.9	7.6	8.6	8.4
Services	7.2	3.3	8.2	6.2
<b>Inflation (consumer price index)</b>	2.8	3.5	3.7	3.6
<b>Current account balance (% of GDP)</b>	2.4	-1.5	1.0	1.2
<b>Fiscal balance (% of GDP)</b>	-4.0	-4.4	-3.8	-3.6
<b>Debt (% of GDP)</b>	54.1	53.3	52.0	51.3
<b>Primary balance (% of GDP)</b>	-1.9	-2.4	-1.8	-1.6
<b>International poverty rate (US\$1.90 in 2011 PPP)<sup>a,b,c</sup></b>	1.8	1.7	1.6	1.5
<b>Lower-middle-income poverty rate (US\$3.20 in 2011 PPP)<sup>a,b,c</sup></b>	6.4	6.0	5.4	5.0
<b>Upper-middle-income poverty rate (US\$5.50 in 2011 PPP)<sup>a,b,c</sup></b>	21.8	20.8	19.1	17.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Note: e = estimate, f = forecast.

(a) Calculations based on EAPPOV harmonization, using 2014-VHLSS and 2018-VHLSS. Actual data: 2018. Nowcast: 2019. Forecasts are from 2020 to 2022.

(b) Projection using annualized elasticity (2014–2018) with pass-through = 0.7 based on GDP per capita in constant LCU.

US WILL GIVE VIETNAM AN AID PACKAGE WORTH **US\$9.5 MILLION** TO COMBAT THE COVID-19 PANDEMIC.

