

SU/22/76

June 6, 2022

**The Acting Chair's Summing Up
Vietnam—2022 Article IV Consultation
Executive Board Meeting 22/51
June 6, 2022**

Executive Directors agreed with the thrust of staff's appraisal. They commended the authorities for adopting policies to cushion the impact of the pandemic while successfully maintaining fiscal, external, and financial stability, as well as for the impressive vaccination rollout. Directors observed that while a strong economic recovery is underway, it remains uneven, with the labor market lagging, rising financial sector vulnerabilities, and longstanding structural challenges. Noting that risks are to the downside, they called for agile policymaking, proactively adjusted to the pace of the recovery and evolution of risks.

Directors underscored the need for fiscal policy to take the lead and be flexibly adjusted to evolving economic conditions. They welcomed the Program for Recovery and Development and emphasized the importance of targeting, spending efficiency, and steadfast implementation. They encouraged a gradual fiscal adjustment when the recovery becomes more entrenched, with the focus on revenue mobilization to create space for spending on social, climate, and other development objectives.

Directors stressed the need for monetary policy to be nimble and vigilant of inflationary risks. They also emphasized the importance of addressing problem loans, normalizing regulatory forbearance in a timely fashion, and closely monitoring real estate sector risks. Directors noted that over the medium term, bank capital positions need to be strengthened, and the macroprudential and private debt restructuring frameworks enhanced.

Directors remarked that Vietnam's external position is stronger than warranted by fundamentals and desirable policies. In this regard, they called for continued efforts to boost domestic private investment and enhance social safety nets. Directors welcomed recent steps towards greater exchange rate flexibility and monetary policy modernization and encouraged continued efforts in this direction.

Directors stressed the importance of structural reforms to improve the business environment, enhance productivity, and boost potential growth. They concurred that priority should be given to reducing labor skill-mismatches, promoting digital transformation, and ensuring a level playing field, particularly for SMEs. Directors also praised Vietnam's ambitious environmental agenda and urged the translation of targets into concrete policy actions. They welcomed continued efforts to improve economic institutions and strengthen

governance, including the AML-CFT framework, and underscored the importance of strengthening data frameworks.

The next Article IV consultation with Vietnam is expected to be held on the standard 12-month cycle.