



31 March - 2 April 2009

Saigon Exhibition & Convention Centre (SECC) • Ho Chi Minh City, Vietnam

## INDUSTRY NEWS UPDATE

### 2008 under review: Industrial production registers fairly high growth despite great difficulties



Nhan Dan - 2008 was a challenging year for Vietnam's industrial sector due to the impacts of changes in prices in the domestic and world markets as well as the global economic recession. Having overcome all the difficulties, Vietnam's industrial production in 2008 registered fairly high growth compared to 2007, contributing to export growth, reducing trade deficit, ensuring supplies of essential products, contributing to curbing inflation, stabilising the macro-economy and maintaining social welfares.

#### ***Maintaining fairly high growth***

The domestic industrial production enjoyed quite high growth in the first months of the year. However, due to the negative impacts of the world economy, since July the growth rate in industrial production reduced and it was the same for the export work from August.

To cope with the situation, in implementation of the government's instructions, the industry and trade sector had taken measures to curb inflation, stabilise the macro-economy, and continue to push ahead production and circulation and accelerate export.

As a result, industrial production in 2008 increased by an estimated 14.6% compared to 2007. Specifically, the State-owned sector grew by 4%, accounting for 21.4% of the total industrial value. The private sector, up 18.8%, accounting for 33.1% and the foreign invested sector, up 18.6% and accounts for 45.6%.

Production of many major industrial products enjoyed fairly high growths such as purified cooking oil, up 22.1%; electric engines, up 13.3%, tool machines, up 28.5%; diesel engines, up 18.3%; adult clothes, up 27.7%; washing machines, up 28.6%, powder milk, up 18.6%; television, up 11.3%.

Major industries continued to have great contribution to GDP growth. The oil and gas sector contributed 26% to the total State budget. The electricity sector generated nearly 74 billion kWh in 2008, up 10.8% compared to 2007. The coal sector produced 39.8 million tonnes of coal and earned US\$1.45 billion from exports. The steel sector's total export turnover in 2008 hit US\$1.61 billion and made contributions to stabilising domestic steel prices during months hit by inflation.

As for the engineering sector, a fairly high growth was seen in many main products such as diesel engines, 18.3%; rice milling machines, 75.5%; motorcycle accessories, 17.9% and so on.

Garments and textiles, due to various difficulties caused by the world economic crisis, failed to meet the target set for 2008. However, the sector earned US\$9.1 billion from exports, up 17.5% against 2007.

The leather and footwear sector, though suffering great difficulties, maintained quite high growth with export turnover of US\$4.7 billion, up 17.6% compared to the previous year.

In 2008, though industrial production growth failed to meet the targeted figure of 16.3%, the sector contributed to promoting exports, curbing trade deficit and inflation, stabilising the macro-economy,



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maintaining growth, ensuring social welfare, ensuring the regulation of supply-demand and stabilizing the domestic market in time.

In 2008, the business and investment environment continued to be improved, effective investment promotion and administrative procedures streamline contributed to the outstanding achievement in foreign direct investment attraction.

Of the total 1,171 projects licensed in 2008, more than 440 with a total registered capital of US\$32.16 billion are in industrial sector, accounting for over 55% of the country's total FDI attraction.



However, weaknesses have remained in industrial development in Vietnam. These include poor competitiveness of industrial products and supporting industries, particularly production of materials in service of the processing industry for import substitution. Domestic enterprises have yet to take full advantage of the opportunities when Vietnam has become a WTO member to expand markets and increase export turnover.

***Major tasks in 2009***

In 2009, the industrial and trade sector has set several targets such as industrial production value growth of 16%, total added value growth of 9%, total export turnover growth of 13%.



In order to materialize these targets, the sector has worked out major tasks. It is to speed up construction of key national works, ensure sufficient supply of energy for the economy; develop industries and products of high competitiveness, hi-tech value and high added-value; develop supporting industries to increase localization rate; reduce exports of material, unprocessed minerals, control trade deficit, limit imports of consumer goods and materials that have been produced domestically, ensure adequate supplies of essential commodities such as petrol, steel, fertilizer, promoting vocational training, streamline administrative procedures, issue policies and incentives for industrial and trade development and promote negotiations for bilateral agreements to help facilitate the export of goods.

(Source: Nhan Dan - Hanoi, Vietnam, Bui Xuan Khu Deputy Minister of Industry and Trade, Dated 6<sup>th</sup> January 2009.)