

Management of Monetary Policy Implementation Macroeconomic Goals in Vietnam Now

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Abstract: In recent years and most recently in 2018-2019 and the first 6 months of 2020, operating the monetary policy of the State Bank of Vietnam continues to achieve important successes, realizing the main macroeconomic goals of the economy: promoting high economic growth, controlling inflation at a low level, stabilizing the exchange rate, combating the dollarization of the economy, contributing to the surplus of trade balance, increasing the national foreign exchange reserve fund. Through the secondary data of 2018-2019 and the first 6 months of 2020, the article focuses on analyzing, evaluating and clarifying the results of monetary policy management in the past time, recommending solutions in the coming time.

Key words: management; monetary policy; macroeconomic goals

JEL code: D

1. Theoretical Basis of the Study

Monetary policy is one of the leading macroeconomic policies governed by the Central Bank. Depending on each country, the Central Bank has different names, such as: FED in the US, MAS (Singapore Monetary Authority), PoBC (People's Bank of China), BOJ (Bank of Japan), State Bank (SBV in Vietnam).

Monetary policy is operated in close coordination with other policies, especially fiscal policies, investment policies, trade policies, etc. to successfully implement the common goals of the economy. sacrifice. Through the management of monetary policy instruments: interest rates, exchange rates, compulsory reserves, open markets (OMO), refinancing loans, credit lines, etc. The Central Bank does the work. controlling total payment facilities, implementing intermediate goals: controlling money blocks: M1, M2 and M3, ... in circulation, in order to achieve the highest objectives of monetary policy, that is control inflation, boosting economic growth, creating new jobs, contributing to reducing unemployment. The total means of payment, the annual increase in the amount of money in circulation depend on the expected economic growth, the level of inflation, the cash flow, the proportion of non-cash payments in the economy.

Depending on the level of development of the economy, the level of integration of the financial system, which the instruments of monetary policy are directed or indirectly, or combined indirectly and directly. The process of international economic integration today, especially for emerging economies like Vietnam, the volatility of the world financial market has a great impact on operating monetary policy, especially on exchange rates.

2. Research Objectives and Research Framework

Due to the characteristics of the Vietnamese economy and the development level of Vietnam's credit institution system, currently in the management of monetary policy, the State Bank of Vietnam (SBV) combines both direct management and indirectly operating monetary policy instruments. The State Bank of Vietnam announced various types of operating interest rates, lending interest rate ceiling for priority subjects, announced central exchange rates, announced credit limits, and required reserve ratios. In recent years, practice has recorded great success in operating monetary policy (monetary policy) of the State Bank of Vietnam, controlling inflation, supporting sustainable economic growth, contribute to solving other social security issues according to the Resolution of the National Assembly and the Government's objectives. The most recent results are 2018-2019 and the first 6 months of 2020, creating a premise for the SBV to draw lessons learned and continue to operate monetary policy successfully in 2021 and subsequent years.

3. Study Overview

3.1 Overview of Theoretical Research

So far there are many research projects both at home and abroad on the theory of monetary policy management of the Central Bank, including the scientific research topic of the State Bank of Vietnam, the research topic. School level and doctoral thesis at Banking Academy, Academy of Finance, National Economics University Posts in specialized journals and economic magazines, some monographs. Studies often focus on the following 7 main areas: i) The role of the central bank in operating monetary policy; ii) Operating monetary policy to implement inflation targeting, or inflation targeting; iii) Central Bank directly or indirectly operates monetary policy instruments; iv) In-depth study of a specific monetary policy tool; v) Coordinate operating monetary policy instruments; vi) Coordinate operating monetary policies and fiscal policies; vi) Monetary policy transmission mechanism vii) Experience of operating monetary policies of emerging economies. There are also a number of other studies of IMF experts on operating monetary policy to implement the macroeconomic goals of some card-specific economies and economies in transition.

Within a workshop discussion, the author cannot give a complete and detailed overview of theoretical studies and essays that do not study theory.

3.2 Overview of Practical Research

The published studies of operating monetary policy in Vietnam have also been focused and focused on the seven areas mentioned above, studying different stages of the process of economic renewal and operational innovation. However, in particular, studying and operating monetary policy associated with the international and domestic macroeconomic environment of 2018-2019 and the first 6 months of 2020, the author has not seen any work so far: the article on the Journal of Banks and Magazines Finance, Journal of Currency Finance, Journal of Banking Technology, Journal of Banking Science and Training ... or scientific conferences. It can be affirmed, this is the first study of the author on monetary policy management of the State Bank of Vietnam in 2018-2019 and the first 6 months of 2020.

3.3 Research Methods and Research Limitations

The paper does not use quantitative methods, conduct surveys, investigate, interview, or build mathematical

models, determine the impact level of factors such as flavor, functions and variables. Through secondary data sources, official published sources of data, using qualitative research methods and articles focus on analyzing macroeconomic developments at home and abroad, affecting the monetary policy operation. In the current period of extensive international economic integration, the administration of monetary policy instruments to implement macroeconomic objectives, gives a number of recommendations and forecasts.

4. Research Content

4.1 Analysis of the Environment Affects the Control of Monetary Policy Management

4.1.1 Macroeconomic Developments in the World Affect Monetary Policy Management

Modern economic theory has shown that, in the context of current economic integration, operating monetary policy of open economies is greatly affected by macroeconomic developments in the world.

Therefore, when developing monetary policy and in the process of operating monetary policy, it is necessary to analyze, forecast and take the initiative, flexible before the fluctuations of the international financial market. In 2018-2019 and the first 6 months of 2020, operating monetary policy of the State Bank of Vietnam continues to be influenced by macroeconomic changes at home and abroad. The biggest event is the US and Chinese trade war, The covid-19 pandemic is causing the risk of global recession, Crude oil prices fell sharply and lasted long, affecting the global financial market as well as Vietnam's macroeconomics. Many large stock market (stock market) declined and fluctuated strongly. The Chinese stock index plunged to the highest level in the last 10 years, the US stock market witnessed 3 sell-offs in 2018, the key stock index plunged. The capital withdrawal trend of foreign indirect investors in the stock market of emerging economies is very strong. The exchange rate between the major foreign currencies fluctuated, the Yuan decreased by nearly 8%, the largest level in the last 4 years. Especially Brexit event from preparation, negotiation process to implement Brexit at the end of 2016 up to now. Crude oil prices in the world market were low in 2016 and the first nine months of 2017, slightly increased in the last months of 2017, rising quite high in the 10 months of 2018. Oil prices in the trading session on May 18, 2018 increased to over 80 USD/barrel, the highest level since November 2014.

In 2019, many key currencies fluctuated sharply. Yuan devalued sharply, to 4%. Some currencies depreciated by 8-11%, such as: KWR, SEK; In contrast, many currencies appreciated 5-7%, such as RUB, THB versus USD. China's stock market has the biggest decline in 14 years. Many other major stock markets in the world also fluctuated sharply. Gold prices skyrocketed, reaching 14% in 2019. Hong Kong's economy entered a recession due to protests lasting, with a negative growth of 1.3% in 2019.

The European Central Bank (ECB) also decided to cut its deposits from -0.4% to a new record low of -0.5%. The People's Bank of China (PBoC) and the Central Bank of many other countries in Southeast Asia such as Thailand, the Philippines, etc. have also taken interest rate cuts and loosened monetary policies. Overall, there are 29 central banks in the world reducing interest rates in 2019.

Crude oil prices in the first months of 2020 dropped the most in decades. At one point, oil prices fell below 15 USD/barrel, down to 14.47 USD/barrel, occurred on 20/20/2020. This is a record decline marking a series of days of dramatic oil price decline since the outbreak of the global COVID-19 pandemic, especially the time of the outbreak into European countries, causing both production and consumption. products are stagnant. This decline is the lowest recorded in more than two decades, since oil prices bottomed out in late 1999.

In the country, the most prominent development was the prolonged and widespread African swine disease. Besides, natural calamities occur in many places, which have a great impact on agricultural production and

people's life. Prices and consumption of agricultural products fluctuate abnormally, with many difficulties. Disbursement of public investment was low. The real estate market continues to grow strongly but is unsustainable and carries many potential risks. The corporate bond market has grown strongly, reducing the pressure on medium and long-term credit capital of commercial banks, but strongly affecting the interest rate level and the stable development of the financial market. The scale of government bond issuance increased but the winning interest rates decreased. Equitization of enterprises continued to take place very slowly compared to the set target. VN-Index on Vietnam stock market at many times also dropped sharply and fluctuated abnormally.

4.1.2 Domestic Macroeconomic Developments Affect the Management of Monetary Policy

In theory as well as in practice, domestic macroeconomic developments also have a great impact on the management of the Central Bank's monetary policy. The real estate market in 2018-2019 and the first 6 months of 2020 continued to grow but also continued to be controlled by many measures, including the important reason that is in the management of monetary policy, the State Bank restricted credit flowing into the field. Vietnam's stock market has the highest growth rate in the region, especially JSCBs shares have a very high increase in the first months of the year. On the morning of April 9, 2018, the VN-Index reached 1,204 points at the end of the session thanks to real estate, banking and securities stocks. After that, the stock market was strongly adjusted, many times at the end of August 2018, still below 900 points, by the end of December 2018, it was reduced to around 880 points. Stock prices of commercial banks and securities companies were strongly adjusted, down by 20-30% compared to the peak time. By the end of June 2020, the VN-Index index only fluctuated around 730-750 points.

Natural disasters occur in many places and at different times, causing serious damage to agricultural production and people's lives. Prices of many key export agricultural products of Vietnam decreased and consumed erratically. The domestic retail price of petrol and oil increased highly in the first 10 months of 2018 and decreased quite significantly in December 2018 and during 2019 and the first 6 months of 2020. Health service prices are also adjusted to increase. Due to the strong influence of the Yuan devaluation, especially at the beginning of the third quarter and the beginning of the fourth quarter of 2018-2019 and the first 6 months of 2020, put pressure on Vietnam Dong.

Due to the impact of the COVID-19 epidemic taking place globally from early 2020 to the present, especially in major economies such as the US, Japan, EU, China, India and Barazi. This great idchj also takes place in Vietnam from early February 2020 and comes back to Vietnam from late July 2020. The Covid-19 pandemic caused many difficulties and challenges to the Vietnamese economy in general and to operate monetary policy, exchange rate policy, and foreign exchange management in particular. Therefore, Vietnam's macro economy still has many potential risks. In addition, crude oil prices fluctuated sharply in the direction of deep and prolonged decline. Pork prices are still high; Disbursement of public investment has not met the requirements, especially ODA disbursement is very low. Production and business in many sectors and fields are very difficult; service sector is greatly affected, especially by aviation and tourism; the number of enterprises dissolved, ceased operations and the number of unemployed workers increased ...

By the beginning of August 2020, in the world, the COVID-19 pandemic has been unpredictable and continues to spread at high speed. The global economy and trade in the near future are not very optimistic, fall into recession, continue to have a great influence on the macro economy, to the administration of financial and monetary policies of Vietnam. However, international organizations and large financial institutions have fairly optimistic assessments about Vietnam.

The World Bank said that although Vietnam's economy was seriously affected by COVID-19, it still suffered

well. Vietnam will be the fifth-largest growth country in the world in 2020 with an increase of 2.8% and 6.8% in 2021. The Economist magazine identified Vietnam as a preferred “shelter”. Like many international investors, it is becoming an important link in the global technology supply chain.

Due to the impact of the regional stock market and the Vietnamese stock market, the sources of foreign currency capital withdrawn and transferred into our country are also abnormal, affecting the supply and demand of foreign currencies and exchange rates in some countries. The plan of divesting and selling bad debts of many Vietnamese commercial banks is affected.

4.2 Analyze the Management of Monetary Policy to Implement Key Macroeconomic Objectives

In the general context of the above mentioned domestic and international economic developments, implementing the Resolution of the National Assembly and the Government on socio-economic development solutions in 2018-2019 and 2020, the State Bank has implemented synchronous solutions, legal management, continue to actively manage flexible monetary policy. In the process of operating monetary policy, the State Bank has promptly met the liquidity of credit institutions providing credit capital effectively for the economy.

In 2018-2019 and the first 6 months of 2020, the monetary policy was actively and flexibly operated by the State Bank of Vietnam, coordinating well with fiscal policies and other macroeconomic policies, implementing macroeconomic objectives according to the Resolution of National Assembly and Government. Curbed inflation, stable currency, the purchasing power of Vietnam Dong continues to be strengthened, the result of anti-dollarization of the economy is maintained; promote sustainable economic growth at higher levels in recent years, create more new jobs for workers, reduce poverty in multidimensional households, and contribute to solving some other social security issues.

In order to achieve the above results, the SBV governed the monetary policy towards slightly reducing the local currency lending interest rate, with an average decrease of about 0.5% compared to 2017 for priority areas. support businesses to reduce production and business costs, especially those that need encouragement under the direction of the Government, such as agriculture — rural areas, high-tech agriculture, clean agriculture, and export export, small and medium enterprises, supporting industries, ...

In the context of devaluation of Yuan, USD appreciation, some other major currencies fluctuated, but the State Bank still actively, flexibly operated, stabilized the exchange rate and foreign currency market, in line with the orientation Since the beginning of the year, encouraging exports and restricting imports, contributing to achieving the highest trade surplus, ever. Especially with active and flexible buying and selling foreign currencies, meeting the demand for foreign currency liquidity for the market, the need to withdraw capital and transfer capital into Vietnam of indirect investors, investors The local currency of commercial banks, the State Bank still ensured to maintain the highest foreign currency fund ever.

4.3 Implement the Highest Objectives in Operating Monetary Policy

4.3.1 Implementing The Target of Inflation Control

Operating monetary policy, with increasing total payment facilities according to economic development needs, credit growth for customers, ... associated with operating interest rates, exchange rates, open market, ... has a direct impact on inflation. But steadfastly according to the set objectives and closely and effectively coordinating the monetary policy management tools, in 2018, Vietnam’s inflation is controlled at a low level. According to the General Statistics Office, the average CPI in 2018 increased by 3.54% compared to the average of 2017, under the target of the National Assembly. CPI in December 2018 increased 2.98% compared to

December 2017, the average monthly increase of 0.25%. Basic inflation in December 2018 increased 0.09% over the previous month and increased 1.7% compared to the same period last year. The average basic inflation in 2018 increased by 1.48% compared to the average of 2017.

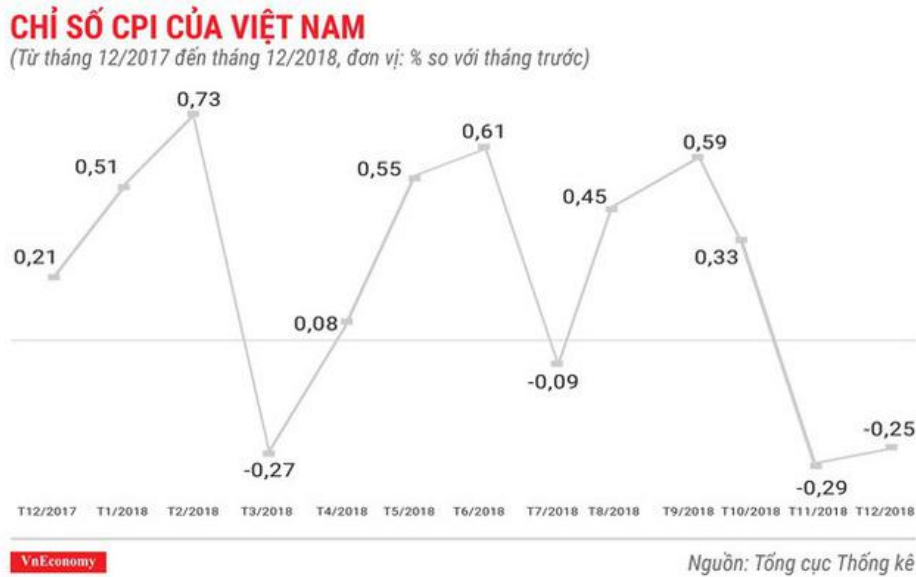


Figure 1 Vietnam's CPI 2017-2018 (%/monh per monh)

Source: GSO

Gold price index in December 2018 increased 0.41% compared to the previous month; decreased 0.41% compared to the same period in 2017; the average of 2018 increased by 2.36% compared to 2017. The US dollar price index in December 2018 decreased by 0.07% over the previous month and increased by 2.69% over the same period in 2017; The average of 2018 increased by 1.29% compared to 2017.

Inflation is under control; Consumer price index tends to decrease. The average CPI in 2018 increased by 3.54% over 2017. The average CPI in 2019 increased by 2.79% compared to 2018 and the average CPI in the first 7 months of 2020 increased by 4.07% over the same period; basic inflation in 7 months increased by 2.74% over the same period); interest rate ground decreased; exchange rate, foreign exchange market was stable.

4.3.2 Implementing the Goal of Promoting Economic Growth

Currently in Vietnam, bank credit capital invested for economic development accounts for the largest proportion. In 2018, operating monetary policy of the State Bank supported sustainable economic development, high and relatively comprehensive. In 2018, Vietnam completed all 12 proposed targets, of which the economic growth reached 7.08%, the highest level in nearly a decade, exceeding the 6.7% target set out at the beginning. This is the highest increase in the past 8 years, from 2011 onwards and is the year marking economic growth not thanks to credit growth, thanks to the main motivation is manufacturing and processing industry and service industry; and service industry; Agricultural, forestry and aquatic products grew well.

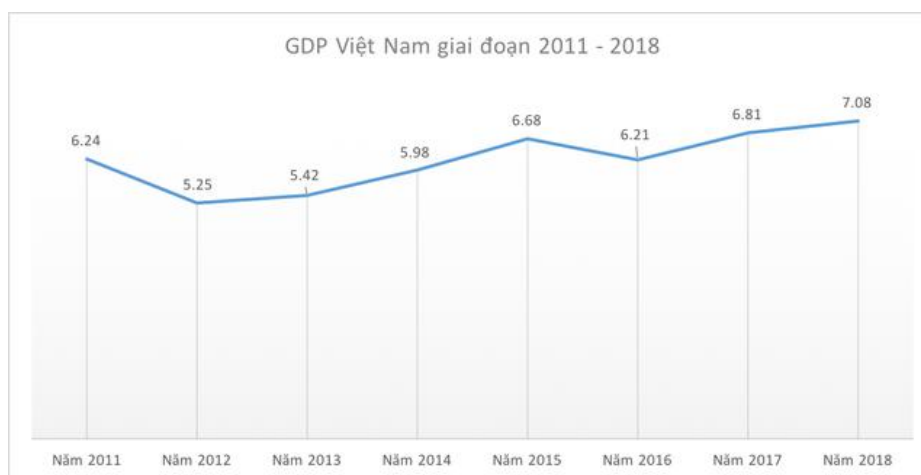


Figure 2 Vietnam's GDP 2011-2018

Source: GSO

Specific analysis of the impact of monetary policy operating on the specific development of sectors and regions in the economy can be seen, in the general growth of the whole economy of 2018, the agricultural and forestry sector, seafood increased by 3.76%, contributing 8.7% to the overall growth; industry and construction sector increased by 8.85%, contributing 48.6%; service sector increased 7.03%, contributing 42.7%. The agriculture, forestry and fishery sector achieved the highest growth rate in the period of 2012-2018, confirming the trend of changing the economic structure of the economy, which has brought into full play.

In 2018, GDP growth reached the highest level in 11 years with an increase of 7.08%. GDP growth in 2019 reached 7.02%. However, due to the impact of the Covid-19 pandemic, the gross domestic product (GDP) of the first 6 months of 2020 saw a record low growth rate, reaching only 1.81%, the lowest in decades.

4.3.3 Implementing Some Other Macroeconomic Targets

Successful administration of the monetary policy in 2018-2019-2020 of the State Bank also contributed to the implementation of some other macroeconomic indicators of the country. Many other records have been established, such as foreign exchange reserves, export turnover, trade surplus, international tourist attraction, labor export and overseas remittance, etc. Notably, despite high GDP growth in the context of many unusual developments, Vietnam still maintained macroeconomic stability with the retention of CPI target, reduced budget deficit, stable stock market, tightly controlled public debt.

The ratio of public debt to GDP in 2018 decreased and reached 61.4% (2017: 62.6%; 2016: 63.6%) due to positive economic growth; in 2019: 60.9% and in the first 6 months of 2020: 60%.

In addition, the country's foreign debt/GDP increased from 48.9% in 2017 to 49.7% in the year, mainly due to the increase in self-borrowing and self-repayment of enterprises and credit institutions. The percentage of poor households with multi-dimensional approach in 2018 was 6.8%, down 1.1 percentage points compared to 2017. The majority of new jobs for employees were created with improved incomes. The country's foreign debt/GDP in 2019 continues to fall to 45.8% and about 45.2% to the end of June 2020.

4.3.4 Promote a Trade Balance Surplus to Reach a Record Level

According to the General Statistics Office, the trade balance of 2018 continued to trade surplus of 7.2 billion USD, of which the domestic economic sector saw a trade deficit of 25.6 billion USD; the foreign invested sector (including crude oil) saw a trade surplus of 32.8 billion USD. In 2018, the domestic economic sector changed

positively when reaching a higher growth rate of export turnover than the foreign-invested sector with the proportion of total export turnover increased compared to 2017.

According to the General Department of Customs, in 2019, the total value of exported goods was 264.19 billion USD, up 8.4%; The import value was 253.07 billion USD, up 6.8%. With this result, the trade balance of goods in 2019 had a surplus of US\$ 11.12 billion, the highest level ever and up 62.9% over the previous year. According to the General Statistics Office, in the first 6 months of 2020, trade surplus was over 4 billion USD.

Personnel the overall balance of payments was at a high level thanks to: (i) the trade balance of trade surplus at a record high; (ii) Financial balance continued to be surplus due to continued disbursement of FDI, indirect investment capital. Capital flows of indirect investment (FII) through activities of capital contribution, share purchase in Vietnamese enterprises (DN) exploded again. Particularly, the value of capital contribution to purchase shares in 2018 reached US\$ 9.89 billion, in 2019 reached US\$ 11.24 billion, up 47.1% over the same period in 2018. In the first 6 months of 2020, indirect investment capital reached over 4 billion USD. (iii) The errors and errors are sharply reduced compared to 2017. As a result, the SBV has added foreign exchange reserves to a record high (about 12 weeks of imports). By the end of June 2020, it will reach nearly US\$ 85 billion

4.4 Implement Intermediate Goals in Operating Monetary Policy

4.4.1 Control Interest Rates on the Currency Market and Control Exchange Rates to Improve the Purchasing Power of Vietnam Dong

Interest rates remain low. The lending interest rate for domestic currency of state-owned commercial banks (commercial banks) for the priority sectors in 2018 decreased by 0.5% compared to 2017 and by June 2020, the number will continue to decrease by 0.5% compared to 2018. The State Bank has lowered the interest rate to buy OMO from 5%/year, down to 4.75%/year, by June 2020 continue to decrease to 3%/year, to contribute to reducing capital costs for credit institutions.



Figure 3 Movements of the OMO Interest Rate Adjustment for the Years 2014-2020 of the State Bank of Vietnam

Source: State Bank of Vietnam

The interest rate level of credit institutions in 2018-2019 and in the first 6 months of 2020 is basically stable, lending interest rates are about 6-9%/year for short, medium and long terms, about 9-11%/year. The central exchange rate of the central bank increased by 1.4% compared to the beginning of the year, in line with the orientation set at the beginning of the year, stabilizing the foreign currency market and preventing the

dollarization of the economy. The exchange rate of commercial banks with customers increased by 2.3% and the free market exchange rate increased by 2.8% compared to the beginning of the year. The main reason for the increase in the domestic exchange rate is: (i) considering the international factor, the USD index increased by about 5% compared to the beginning of the year, up 9% compared to the bottom in February 2018; (ii) Considering the domestic fundamentals, the exchange rate is still under pressure from inflation, but it is positively supported by the balance of supply and demand of foreign currency.

The flexibility of exchange rate management is evident through the decision of the State Bank to sell foreign currency term, but it is allowed to cancel the contract. This move The SBV wants to aim at reducing the risk of exchange rate fluctuations and speculation, while helping the market have a basis to predict exchange rates, interest rates as well as foreign currency supply and demand at the year-end. This is also an anchor for the SBV to plan macro balances, stabilize exchange rates and interest rates on the interbank market. Besides, other factors such as stable macroeconomy, controlled inflation helped investors, businesses, and people believe in VND, which also supported the stability of exchange rates.

4.4.2 Take Control of Monetary and Credit Goals

Credit growth of the economy reached 14% (same period last year increased by 16.96%). Commercial bank credit helps solve difficulties for business and production activities of enterprises, especially the private sector. Credit growth of the whole year 2018 was strictly controlled, reaching 14%, lower than the expected 17% from the beginning of the year and lower than the 17.18% of 2017. Of which agricultural credit , forestry and aquatic products increased 8.88%, proportion of 9.56%; industry and construction increased by 12.1%, proportion 31%; trade and service sector increased by 15.9%, proportion of 59.4%.

By the end of December 2019, credit growth reached 13.5%, in line with the orientation set from the beginning of the year. By the end of June 2020, credit growth of the whole banking industry was at 3.26%, equal to half of 2019.

Credit capital is prioritized to focus on sectors that need to be encouraged according to the Government's policy, such as production, processing and manufacturing, especially in agriculture and rural areas, and high-tech agriculture, clean agricultural production, exports, supporting industries, small and medium enterprises. Credit outstanding in the real estate sector accounts for about 16.6% of the total credit of the whole system. Outstanding loans for life service accounts for 18.8% of total outstanding loans of the credit system. This is a relatively appropriate rate, ensuring the healthy development and liquidity of the real estate market, meeting the demand of buying real houses of people, limiting speculation and limiting capital flows into areas of high risk.

The amount of foreign exchange reserves accumulated was at a record high, reaching over USD 63 billion in 2018, and by the end of June 2020 about 85 tỷ USD corresponding to about 12 weeks of imports, showing that the confidence of the Government and the SBV has been reinforce and support other macroeconomic policies in attracting foreign investment, improving their ability to cope with economic shocks. Operational quality of credit institutions continues to be strengthened.

4.4.3 Operating Monetary Policy Associated With Controlling Credit Institution Restructuring

Besides maintaining macroeconomic stability, the restructuring of the banking system and handling bad debts have also been actively implemented and effectively supported for the successful management of the monetary policy of the State Bank of Vietnam. In 2018, the whole banking sector drastically implemented the Project No. 1058/QĐ-TTg, dated July 19, 2017 of the Prime Minister, decided to approve the scheme “Restructuring the system of groups. credit institutions associated with dealing with bad debts in the period of 2016-2020”,

Resolution 42/2017/QH14 of the National Assembly on piloting the handling of bad debts of credit institutions. SBV has continued to build and perfect policies, frameworks and mechanisms to help accelerate the process of restructuring and handling bad debts. A series of legal documents, frameworks to improve safety standards in banking operations have been issued, in accordance with international practices, to help improve governance and management, and to manage risk according to criteria. Basle II standard and initially welcomed by the banking system.

In 2018-2019-2020, the system of Vietnamese credit institutions continued to develop to a new height, strengthening the number of advanced quality and prestige in the financial market. Commercial banks become the largest capital mobilization channel and provide the highest credit capital in the economy, being a key member in the bidding to buy State Treasury Bills, Government Bonds and supply of Convenient and modern banking services for the economy. Up to now, there have been 16 joint stock commercial banks listed on Vietnam's stock market. Many major financial institutions in the world continue to maintain and promote to become strategic shareholders of Vietnamese commercial banks. International credit of many Vietnamese commercial banks is raised.

4.4.4 Operating Monetary Policy Associated With Controlling the Development of the Stock Market

Activities of the stock market have a close relationship and great impact on operating monetary policy and banking activities. With the operation of interest rates, exchange rates, open markets, credit, facilitate the operation of securities companies, investment funds, listed businesses, foreign investors, ... operating monetary policy contributes to boosting Vietnam's stock market with a certain new development in 2018. Market capitalization value reached VND 3.98 million, up 13.5% compared to the end of 2017, equivalent to 79.6% of GDP, exceeding the target set for 2020. Market liquidity improved strongly with the average trading value of shares and fund certificates reached nearly VND 6,603 billion/session, up 30% compared to with the average of 2017. Foreign investors "trading activities were positive, the proportion of foreign investors" transactions accounted for 16% of the total transaction value, stock market, higher than the 13% of 2017. The number of investors' accounts continued to increase to 2.17 million accounts, an increase of 12.8% compared to the end of 2017 (in which accounts Foreign investors increased by 24.4%). In 2018, the bond market continued to improve positively in the direction of extending the average maturity term and the remaining term of VGBs while the issuance interest rate decreased, contributing to restructuring the Government debt portfolio in a sustainable way. Total average trading value reached over VND 8,827 billion/session.

The market capitalization of Vietnam's listed stock market in 2019 reached VND 4,384 trillion, equivalent to over US \$ 19 billion, up 11% compared to 2018, and GDP in 2019 equivalent to 73%. By the end of June 2020, the market capitalization will be nearly 4 million billion dong, equivalent to 65% of GDP.

5. Recommendations and Forecasts

5.1 Some Forecasts

It is forecasted that trade tension between the US and China continues. Crude oil prices in the international market continue to be unpredictable but in a downward trend and at a low level. The political and diplomatic tensions in some areas and between some major economies are also complicated. The Covid-19 pandemic continued to greatly affect the global economy, causing a prolonged recession, greatly affecting the Vietnamese economy, and managing the monetary policy of the State Bank.

In the domestic market, abnormal natural disasters and developments in agricultural markets are also major concerns. Many major stock markets around the world and exchange rates of other major currencies will also be complicated. Natural disasters in many countries and in the country are also very difficult to predict. Trade protectionism is still at a great level. This situation has a great influence on the monetary policy management of the State Bank of Vietnam in 2021 and coming years.

According to Resolution No. 01/NQ-CP, on January 1, 2019 and similar resolutions were issued in early 2020, the Government requested a solution to increase capital for state-owned commercial banks and state-owned commercial banks to take a dominant share. Striving to bring the internal bad debt ratio to below 2% and the ratio of bad debt and potential debt to bad debt (including bad debt, bad debt sold to VAMC has not been processed yet and the restructured debt repayment period has become bad debt) less than 5%. Striving to increase GDP by 6.8%, controlling CPI growth rate below 4% in 2021. In addition, the Government mandates that it is necessary to create fundamental changes in banking governance, operational efficiency and safety. Focusing on effectively handling weak credit institutions and bad debts according to market principles, without direct support from the state budget. Strengthen inspection, inspection, supervision, strictly handle violations in the operation of credit institutions and money markets. Promote the application of Basel II safety standards. Promote non-cash payment; piloting new payment models, financial technology enterprises (fintech), researching electronic wallet recharge not through bank accounts and applying new technologies, innovative innovation solutions create into the banking sector. In implementing the Government Resolution and the general orientation of the industry, the State Bank of Vietnam continues to manage actively, flexibly and closely monetary policy in coordination with other macroeconomic policies, implementing the pepper under the Resolution of the National Assembly and the Government.

Commercial banks continue to boost lending to priority areas, areas that need encouragement under the direction of the Government. Especially commercial banks continue to actively expand rural agricultural credit under Decree 55/2015/ND-CP; Decree 116/2018/ND-CP, dated 7 September 2018, amending and supplementing Decree 55/2015/ND-CP on credit policies for agricultural and rural development; loan program to encourage the development of high-tech agriculture and clean agriculture according to the Resolution 30 / NQ-CP dated March 7, 2017 of the Government. In addition, credit capital of Vietnam Bank for Social Policies and People's Credit Fund also contributes to poverty reduction and social development, creating impetus for sustainable poverty reduction. SBV and commercial banks continue to strictly control credit into potential risk areas such as real estate, securities ...; Enhance risk management for BOT, BT traffic projects, consumer credit. At the same time, synchronously implement other measures, control the internal NPL ratio at less than 2% according to Resolution No. 01/NQ-CP.

5.2 Some Recommendations

Firstly, the State Bank should steadfastly aim at operating monetary policy as at present, creating conditions for sustainable development of the economy. The SBV and the Ministry of Finance work more closely in the management of monetary policy and monetary policy, in the issuance of Government bonds, foreign currency balances for national strategic objectives, buying foreign currencies from the revenues of crude oil exports of the state budget. However, the State Bank should have a roadmap to switch to indirectly operating monetary policy instruments instead of current direct operating tools.

Secondly, the Government and the Ministry of Finance and the State Securities Commission need other policies and measures to sustainably develop the stock market but cannot rely on monetary policy. Public opinion,

businesses do not put pressure on the management of monetary policy of the State Bank in terms of credit limit, the expansion of exchange rates, interest rates, ... SBV and the Ministry of Finance, need to promote commercial banks listed on the stock market and transparent information disclosure, contributing to the implementation of more effective monetary policy of the State Bank.

Thirdly, credit growth has been slower than the same period in many years but GDP growth is higher, in fact, enterprises have diversified capital mobilization channels such as issuing shares and issuing bonds. The stock market has become an important capital mobilization channel of enterprises, reducing the pressure on bank credit. This is an advantage, but also poses new challenges for commercial banks, for operating monetary policy, need to be proactively forecasted by the SBV and have effective handling and operating directions in the coming time. The State Bank should coordinate with the Ministry of Finance to ensure the healthy development of bond issuance channels, capital mobilization stocks of enterprises, reduce the balance of State Treasury deposits at commercial banks, have more reasonable plans in bond issuance, bond disbursement and bond interest rates.

Fourthly, the flow of foreign indirect investment into our country is very large and withdrawing from the Vietnamese economy is also unusual depending on international economic developments and macroeconomic developments of Vietnam, also such as stock market movements and strategies of foreign investors. However, in regulating exchange rates, in using open market operations to neutralize the money supply to buy foreign currencies, the State Bank of Vietnam needs to be steadfast in operating like the last time and at the same time proactively forecast the next time when IPO of large-scale enterprises, the divestment of the state in equitized enterprises, capital increase of enterprises, ... will continue to take place on a larger scale, so it needs to be more active in managing the instruments of monetary policy. The State Bank needs to complete tools and methods of macroeconomic forecast, which forecast indirect investment capital flows into Vietnam stock market. The SBV and the Ministry of Finance need to inform and exchange regularly about the plan of divestment, increase the foreign investors' ownership rate in equitized state-owned enterprises, including state-owned commercial banks, increase capital owned from the annual dividend payment source of equitized commercial banks.

Fifthly, in the management of the State's monetary policy, there are three tools that most clearly affect the business activities of enterprises, to each macroeconomic school, namely interest rates, exchange rates and credit limits. These tools have a direct impact on sustainable business performance of enterprises, selecting investment projects, improving the competitiveness of enterprises in the trend of integration, towards enterprises choosing capital mobilization channels. Therefore, the State Bank should continue to improve and innovate these three tools in the direction of gradually shifting to indirect management, having a roadmap for early elimination of credit limits, the growth of credit of commercial banks should be based on the reasonable capital demand of the economy, efficient investment capital of enterprises; At the same time, there is a roadmap for early withdrawal of lending interest rate limits for priority subjects.

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