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Lunar New Year Drags on Vietnam Data

By NGUYEN PHAM MUOI IN HANOI AND LEIGH MURRAY IN BANGKOK

Vietnam's economy expanded 5.8% in the first quarter of 2010 from a year earlier on robust domestic demand, but growth fell short of comparable figures for the end of 2009 and concerns remain about prospects for a recovery in exports.

The growth rate exceeded the year-earlier 3.1%, the General Statistics Office said Tuesday, but was short of the 6.9% of the October-December period, when businesses ramped up operations to meet their targets for the end of the year.

Vietnam's economic growth is outpacing that of most of its Southeast Asian neighbors, but the economy remains burdened by a worrying gap between exports and imports that is placing downward stress on the dong. The trade deficit widened to \$1.35 billion in March. The State Bank of Vietnam has devalued the dong twice since November in an effort to boost exports, but that has only helped accelerate inflation -- prices in March were up 9.5% from a year earlier -- while doing little to help the trade balance.

Paul Gruenwald, chief economist for Asia at Australia and New Zealand Banking Group Limited, said the first-quarter GDP number was lower than expected, considering that retail sales of goods and services in the quarter were up 24.1% from a year earlier, according to data released Tuesday.

"Vietnam's main vulnerability continues to be balance-of-payments sustainability," he said. "The March trade numbers suggest that the deficit remains high, so, absent a recovery in exports or other inflows, imports - and growth - will need to moderate."

The lengthy Lunar New Year holidays slowed production and manufacturing output in the first quarter, weighing on the data compared with those of the fourth quarter, analyst Le Anh Thi of Au Viet Securities said.