

Just at the year's beginning, the Government took a series of measures to reduce the supply such as limiting import, lowering the proportion of consumer goods in imports and to increase the domestic demand by lowering the bank's lending interest rates, raising wages, boosting the purchase of farmers' paddy for reserve and export and adjusting the exchange rate between đồng and U.S. dollar, but prices continued to drop in months. The cause was the prices of food and foodstuff fell drastically. This had bad effects on the public, especially farmers' purchasing power.

In 1997, the national price index showed a rise of just 3.6% compared with last year. In particular,

ment's change in exchange rate, impact of the region currency crisis and mainly the requirement for importing gold when the world gold price dropped sharply and consumer goods for Tết festival, the currency trade became busy. The U.S. dollar price skyrocketed, especially in the black market, to VNĐ13,450/US\$1 on October 13, 1997 and VNĐ14,100/US\$1 on Dec 15, 1997. Until late December, the U.S. dollar fever cooled gradually and the price plunged to VNĐ12,900/US\$1 on Dec 31, 1997. The above stability resulted from the fact that the pressure of paying deferred payment L/Cs reduced sharply, commercial banks no longer rushed into buying dollars as previous months and the supply on the market rose since

and per capita spending up just by 3.1%, lower than that of 1996: 8%. The public monthly spending was recorded at VNĐ441,000/person. The structure of spending was changing more reasonably. Expenditure on meals tended to the quality, not proportion. Expenses on clothing, travel, learning, health care, recreation went up.

Food prices dropped continuously in four months (March, April, May and June 1997), selling prices plummeted to the bottom at times (VNĐ900-950 per a kilogram of paddy). In the last months of the year, paddy prices inched up. In December the prices soared to VNĐ1,700-1,800/kg. Although the Government implemented many steps to reduce farmers' losses such as giving preferential credit to food trading companies, fixing the floor buying price of paddy but due to slow realization, farmers still suffered great losses. Prices of other farm products except coffee and sugarcane have not yet made farmers feel assured. Especially, in the cashew crop this year, cashew growers were unhappy because the cashew nut prices went down drastically, to VNĐ4,000-4,200/kg, even VNĐ3,500/kg against VNĐ7,000/kg

FLAT MARKET IN 1997

HCMC's index was lower than the general one, 2.0% and Hà Nội's figure much lower, 0.4%. Prices of food and food stuff recorded a jump of just 1.6% while non-food commodities up by 4.4% (means of transport up by 8.0%) and services increasing by 8.1%. The highest rise was the U.S. dollar that soared by 14.2% while gold saw a drop of 6.6%. In the last months of the year, food prices went up with an increase of 1.5% in November and especially 2.9% in December compared with the previous month.

The world price of gold plummeted to US\$295 per ounce on Dec 30, 1997, a record low in 15 years. The domestic gold price also continuously dropped but at a slower speed. Until the year-end, it soared due to the boom in exchange rate market but afterwards it went down.

From March 1997 and especially October 1997, the U.S. dollar price increased sharply because the State Bank permitted commercial banks to determine their prices within the trading band of plus or minus 5% of the official rate (March 1997) and expanded this band to 10% in October 1997. At the year-end, due to the need for settling deferred payment L/Cs when due, the Govern-

AND DECLINE IN PURCHASING POWER

by TRIỀU ĐÔNG

While the market in 1997 became vital and unexpected with many diversified goods and forms of sale, and deflation in the four successive months (May, June, July and August 1996), this year saw the decline in the public purchasing power. Total sales of retail goods rose only by 9-10% in 1997.

overseas Vietnamese returned to their homeland to enjoy Tết.

According to the HCMC Statistics Department, the public spending fund increased by 5.5% in 1997

in 1996.

Prices of manufactured goods was still kept stable, except a rise in sugar price, to VNĐ7,900/kg in August and September 1997 but afterwards the price went down due to large quantity of imports. When the Government strengthened the control over imports such as sticking stamps on three items of bicycle, fan and liquor and checking invoices of electronic appliances, cosmetics, fabric, etc. from November, prices of these items started jumping.

At the year-end the market of motorcycles was hit by a dizzily rapid increase in prices following the upheaval of the foreign exchange market. The best-seller Dream II was previously priced at

VND30-32 million per unit but shot up to VND41 million for a locally assembled bike and VND43 million for a Thai-made bike. The cause was the Government recently ordered a halt to imports of complete Honda and the demand rose at the year-end.

While in 1996, the price of petroleum swelled six times, by VND1,100/liter or 34% over December 1995, but it kept stable in 1997 with a jump of just VND100/liter against December 1996.

The real estate market still faced a situation of stagnancy. Trading activities occurred in houses of low values, their owners wanted to change the accommodation. In the meanwhile, the traders' houses built one or two years ago were still left unoccupied. At the Asia Commercial Bank, the total values of real estate traded via the bank reached 30,000 tael in 1997, most of them were private houses of low values, located in residential areas.

In 1998, prices may be higher than that in 1997 due to increasing exchange rate and rising prices of farming products after dropping continuously in 1997. The experience shows the following measures should be bettered to boost production and economic development and keep the inflation rate under control:

- Supplying money on time to food trading firms as well as implementing well the policy on price support for farm products in order

to speed up farmers' purchasing power.

- Managing well the import of essential goods to avoid price hike of these goods on local markets.

- Issuing soon regulations on direct export, encouraging every economic sector to engage in export, setting up export insurance funds and trade promotion centers to execute the national export strategy.

- Adjusting the exchange rate reasonably, controlling strictly all sources of foreign currency, strengthening banking activities and providing timely information with the aim to hedge sudden rise of the exchange rate and speculation having bad effects on the market and causing public panic.

- Fighting effectively against smuggling.

