

July 2, 2007

## Vietnam's Growth Surges

**Low Labor Costs Lure  
Foreign Investment;  
GDP Jumps By 8%**

By NGUYEN PHAM MUOI  
July 2, 2007

HANOI -- Vietnam's economic growth accelerated in the second quarter as rising foreign investment helped boost industry and construction. Gross domestic product grew 8% in the second quarter from a year earlier, up from a rise of 7.7% in the first quarter, the government said Friday.

Many foreign companies are interested in Vietnam as a country that offers cheap labor and that can serve as an alternative to China.

"Vietnam is one of the strongest performing economies, not just in the region but in the world, at the moment. What's interesting in the numbers is that you can see the impact of stronger foreign investment," said Katie Dean, senior economist at ANZ Investment Bank in Melbourne, Australia.

Industry and construction remained the main drivers of the economy in the first half of the year, accounting for 40.5% of GDP and growing 9.9% from last year. That compares with a growth rate of 9.3% in the first half of last year.


The General Statistics Office said total investment in Vietnam in the first six months rose 14% from the year before to 196.8 trillion Vietnamese dong (\$12.2 billion), including 35.2 trillion dong from foreign firms, up 19% from the year before. The government didn't provide sector-by-sector statistics for the second quarter alone. In the first half of the year, GDP grew 7.9% from a year earlier, the government said.

"Despite many difficulties such as widespread drought, diseases for agricultural crops and animals, and higher material costs, the economy continued to grow stably," the government said in a statement. The government is targeting growth of 8.2% to 8.5% for the year.

In a recent interview, Vietnam's President Nguyen Minh Triet said that while it will be difficult to maintain growth rates in excess of 8% over the next several years, the government "will try every effort to reach higher growth of about 8.5%."

ANZ expects growth of around 8.5% in 2007 and anticipates the high rate of expansion will continue for some time, as rising incomes help growth to spread from the industrial sector to

### DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit:  
[www.djreprints.com](http://www.djreprints.com).

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

services, Ms. Dean said. But there are risks, including the continuing presence of bird flu in the country and the possibility of a slowdown in global demand for exports.

"The challenge for the government now is to make sure that the economy doesn't overheat," Ms. Dean said. "This is going to be an increasing challenge as more of the world hears about Vietnam's strong growth potential."

Between January and June, Vietnam earned \$22.46 billion from its exports of goods and commodities, up 19%, and \$3 billion from its exports of services, up 17%.

--Tom Fox contributed to this article.

**Write to** Nguyen Pham Muoi at [phammuoi.nguyen@dowjones.com](mailto:phammuoi.nguyen@dowjones.com)<sup>1</sup>

**URL for this article:**

<http://online.wsj.com/article/SB118332665819554588.html>

**Hyperlinks in this Article:**

(1) <mailto:phammuoi.nguyen@dowjones.com>

**Copyright 2007 Dow Jones & Company, Inc. All Rights Reserved**

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our **Subscriber Agreement** and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com).