

## Foreign currencies flowing out from the public

A big amount of foreign currencies has been sold by people recently since they, after weighing pros and cons, decided that it would be better to keep dong than dollars.

The State Bank of Vietnam has never before bought foreign currencies so continually and in such a big quantities. The foreign currency reserves have reportedly reached the highest peak so far. Instead of keeping foreign currencies under the pillow, people now sell foreign currencies for dong.

Analysts recalled the days just before the 2012 Tet, when the dollar price fell sharply. Commercial banks then quoted the purchase price lower by up to VND300 per dollars than the sale price ? a rarely seen gap between the sale and the purchase prices.

The market then witnessed a very big supply of foreign currencies, when people and businesses rushed to sell dollars to get dong to make payment for the deals at the end of the year.

The foreign currency supply has always been profuse over the last many months. The State Bank's weekly updated report always showed that credit institutions purchased foreign currencies more than sold.

Thoi bao Kinh te Vietnam has quoted its sources as saying that the excess of purchase over sale has been seen since early 2012. The State Bank has never before purchased foreign currencies so continuously.

At the end of October 2012, the State Bank said it had bought \$10 billion by that time. Meanwhile, the figure might have reached \$15 billion, according to the newspaper. And just in the first month of 2013, the State Bank bought \$2 billion already.

Vietnam once witnessed the strong supply of foreign currencies in 2007, when Vietnam officially was admitted to WTO and welcomed a new foreign investment wave. However, the foreign currency inflow to Vietnam then only lasted a short time, which ended in 2008.

And now Vietnam also is seeing a strong supply of foreign currencies, but it is from the public this time. In other words, the State Bank of Vietnam has successfully ?broken the foreign currency ice? in the public, which has prompted people to sell dollars instead of keeping at their coffers.

In 2012, the general payment balance saw the record high at over \$10 billion. Meanwhile, the State Bank bought \$15 billion. The five billion dollars were believed to come from the public.

Analysts have noted that the dollar deposits at banks have decreased sharply, while the dong deposits have increased rapidly. By the end of 2012, the foreign currency deposits from the public had reportedly decreased by 13 percent over the end of 2011, while the dong deposits increased by 36 percent.

It was obvious that people have sold dollars when they believed that it would be more profitable to keep dong. The dollar ceiling deposit interest rate had been kept at a low level of two percent, while the dong/dollar exchange rate was believed not to fluctuate by more than two or three percent.

Meanwhile, it was more profitable to deposit in dong with the interest rate of 14 percent per annum.

The policies relating to the dong/dollar exchange rate applied by the State Bank I 2012 have been praised as the biggest success of the central bank in the year. The dong/dollar exchange rate was stable, thus helping the State Bank buy more foreign currencies.

Meanwhile, the foreign currencies among people have been released their coffers to be, thus helping ease the ?dollarization? in the national economy.

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