

## **The Gold Market in Vietnam: Current Situation and Solutions**

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### **ABSTRACT**

*The article analyzes the gold market, including supply and demand, price fluctuations, and current gold market management policies in Vietnam. The Vietnamese gold market is dominated by strict state regulations, especially the allowance for only physical gold trading and restrictions on gold imports; the monopoly of Saigon Jewelry Company (SJC) in producing gold bars further complicates the situation, creating unfair competition and limiting market development. This leads to domestic gold price fluctuations and a significant disparity between domestic and international gold prices, causing negative economic and social impacts. Based on the analysis of the current situation, the article proposes two groups of solutions for sustainable and effective market development in the future: (i) Policy and legal improvements, and (ii) Strengthening market management and supervision.*

**Keywords:** gold market, current situation, solutions, Vietnam

### **1. Introduction**

The gold market is one of the oldest financial markets and has a broad global influence. Gold prices are determined based on the balance between supply and demand in the international market and are listed in US dollars, creating a common standard for global investors to compare and trade (World Gold Council, 2022).

According to Gary O'Callaghan (1991), the gold market includes.

(1) The physical gold market, where bars, coins, and jewelry are transferred between market participants.

(2) The paper gold market, which includes transactions conducted with corresponding securities. Essentially, "account gold" is not a commodity but simply the name for an investment and

trading method in the gold market, recorded in investment accounts according to international practices. Trading gold on account can also include both physical gold and paper gold trading.

Overall, the structure of the gold market is complex and multifaceted, with various players and components affecting the price and availability of gold (WB, 2024). On the other hand, existing issues such as continuous price fluctuations, significant disparities between domestic gold bar prices and international gold prices, gold smuggling, and non-transparent market information (Prime Minister, 2024) are notable.

The Vietnamese gold market is understood in a narrow sense, as it only allows trading in physical gold commodities, while paper gold is not permitted due to a lack of regulations. Regarding paper gold, in Vietnam, Decree 24/2012/ND-CP defines gold trading on account under margin trading, with the net value continuously re-evaluated according to gold price fluctuations but lacks specific regulations. Article 19 of Decree 24/2012/ND-CP clearly states that other gold trading activities without the Prime Minister's permission and a license from the State Bank of Vietnam are illegal. Therefore, this article focuses on physical gold and excludes paper gold and the import/export of raw gold for jewelry and art production.

## **2. Theoretical Basis**

### **2.1. Gold and Characteristics**

With its superior properties and wide recognition, gold has become a special material embodying both commodity and monetary forms. The history of gold money spans thousands of years and is widespread across nations, with various significant events and periods of ups and downs. When functioning as money, gold possesses all the general monetary functions and to date, no other currency has such complete functions, including being a medium of payment, a measure of value, and a store of value. Gold's numerous sources of supply and demand compared to other major assets ensure its liquidity is less likely to dry up during market fluctuations (WB, 2024). Parimi, S. (2018) emphasizes that gold prices in India continually rise due to domestic demand driven by safety, liquidity, and portfolio diversification. Therefore, the roles of gold in the economy encompass:

- **Store of Value:** Gold has long been considered a safe asset, especially during economic instability or high inflation. Gold tends to retain its value in the long term and even appreciates during inflationary periods when currency value declines. Its color, easy malleability, and inertness in the environment allow gold to be long-lasting assets and jewelry. Additionally, its scarcity is another reason for its high value (Hai. T.V & Tuyet., D.A., 2016). Therefore, investors use gold as a means to hedge against inflation and preserve asset value, making it an effective diversification tool in investment portfolios. Many central banks hold part of their foreign

reserves in gold to ensure national asset value. Gold is a crucial component of national reserves (WB, 2024), protecting the economy from global financial market fluctuations. Gold acts as a safe haven during economic recessions (Erik Norland, 2024).

- **Medium of Exchange:** For centuries, gold has been used as a medium of exchange and a standard for measuring the value of other currencies. Although the gold-based monetary system is no longer prevalent, gold still plays an important role in establishing trust and stability in the global financial system.

- **Measure of Value:** This function means gold is used to assess the value of goods and services, creating a common standard for economic transactions. This stems from gold's durability, scarcity, uniformity, and divisibility. Unlike paper money, gold has intrinsic value due to its physical and chemical properties (Sumner, S., 2012). This value is not affected by economic or political fluctuations, making gold a stable standard for measuring the value of other assets (Baur, D. G., & Lucey, B. M., 2010).

## **2.2. Gold Market**

**Concept:** *"The gold market is where buying, selling, and exchanging gold in various forms such as bars, coins, jewelry, and financial derivatives related to gold occur. This market operates at different levels, from retail transactions between consumers and jewelry stores to higher-level transactions between central banks, investment funds, and international financial institutions."*

The gold market not only plays a crucial role in protecting asset value and combating inflation but also serves as a diversification tool and a stable medium of exchange. With these diverse and important roles, gold continues to be an indispensable part of the global financial system and modern economy (Baur, D. G., & Lucey, B. M., 2010; Ghosh, D., Levin, et al., 2004).

### **Market Participants:**

- Investment Funds and Financial Institutions: Gold ETFs, venture capital funds, and other financial institutions often use gold as a tool for portfolio diversification and protection against market risks.

- Retail Investors often purchase physical gold in the form of rings, bullion, or bars. Their reasons for participating in the market are varied, including protecting personal assets from inflation and market volatility, acquiring jewelry, gifting, investing, and diversifying their portfolios.

- Central banks are key players in the gold market, holding large gold reserves as a means of value storage and hedging against currency risks. Besides buying and selling gold, central banks

influence the market through monetary policy, which can affect interest rates and inflation, both of which can impact gold prices.

- Gold Mining and Refining Companies: These companies are involved in the extraction and production of gold to supply the market.

- Gold Trading and Business Enterprises: These participants engage in the daily buying and selling of gold on exchanges and in free markets.

***Commodities Traded in the Gold Market:***

The gold market offers a diverse range of commodities, facilitating effective investment channels for investors and enhancing capital circulation in the economy (An., T.P.T., 2024). Physical gold includes bars, bullion, and gold jewelry, each having its value and application, suitable for different purposes ranging from large-scale investments and personal investments to adornment and gifting. Financial gold includes gold futures contracts, gold options, and other financial products such as paper gold and gold ETFs (Baur & Lucey, 2010). This article focuses solely on physical gold; thus, the following sections on classification, pricing, and supply-demand characteristics will not cover paper gold.

**Table 1: Differentiation of Types of Physical Gold**

Criteria	Gold Bars	Gold Bullion	Gold Jewelry
Weight	Large, from 1 kg or more	Diverse, from 1 gram to several hundred grams	Diverse, from a few grams to several dozen grams
Purity	High, 99.95% - 99.99%	High, 99.9% - 99.99%	Lower, 75% (18k) - 99.9% (24k)
Common Shape	Rectangular, with clear edges	Rectangular, can be rounded	Diverse, many shapes and designs
Markings	Manufacturer, weight, purity	Manufacturer, weight, purity, serial number	Manufacturer, karat (K) number
Purpose of Use	International storage, trading	International storage, trading	Adornment, gifting, investment

*Source: Compiled by the authors*

**Gold Prices:** Gold prices in the international market are often listed in US dollars, creating a common standard for global investors to compare and trade (Bodie, Kane, & Marcus, 2014). The price of gold typically fluctuates based on several factors: (i) economic and political conditions, inflation, and exchange rates (Yen., B.K., & Hoang., N.K., 2014); (ii) stock indices in India (Parimi, S., 2018); (iii) public demand for gold due to its characteristics such as liquidity, its global popularity, and the quick convertibility between gold and cash (Parimi, S., 2018).

A study on the linear correlation between gold price fluctuations and foreign exchange rates by Hien., V.C. & Khoi., P.Đ., (2019) shows no dependency between gold and the USD/VND exchange rate; and gold is not a hedging tool against USD/VND exchange rate fluctuations in stable market conditions. Meanwhile, gold serves as a safe haven for USD/VND exchange rate fluctuations in volatile market conditions.

Research on gold prices in Vietnam and inflation by Hang., D.T., (2021), based on monthly time series of gold price index and consumer price index from December 2001 to July 2020, indicates that inflation shocks lead to a negative reaction of gold prices in the long run. In the short term, only gold price fluctuations affect inflation, and this causal relationship is one-way. Gold is considered an important financial asset to protect wealth from inflationary pressures in the case of Vietnam. These results suggest applications for both investors and policymakers.

Research on factors affecting the disparity between Vietnamese gold prices and world gold prices by Tri, H., T., & Nga, V., T. (2019) examines exchange rates, import taxes, and seasonal factor data as independent variables. According to the empirical research results, the exchange rate negatively impacts the disparity between Vietnamese gold prices and world gold prices. Import taxes positively affect the gold price disparity, while the seasonal factor variable is not statistically significant at the 5% level and negatively impacts the gold price disparity. Vietnam does not produce/extract enough gold to meet domestic demand.

### ***Regulatory and Supervisory Requirements for the Gold Market:***

The regulatory and supervisory requirements for the gold market aim to ensure transparency and fairness in transactions, protect investors, and maintain sustainable economic development (Long., N.T., 2024). These requirements stem from the following reasons:

- Gold is one of the most valuable assets and has a significant impact on the economy and financial markets. Price fluctuations in gold can affect the financial stability of a country and globally. This arises from the unique characteristics of market participants, supply-demand relationships, the nature of gold, price fluctuations, and the particular relationship with other forms of investment. The gold market is an attractive investment channel and a "safe haven" for investment capital worldwide, including in Vietnam.

- The gold market can be subject to risky and speculative activities. Supervision helps to limit manipulative, fraudulent behaviors and enhance transparency in gold transactions.
- Gold prices can influence a country's financial and monetary policies. Without control, gold price fluctuations can have negative impacts on the economy. Interventions, control, or mitigation of sudden gold market fluctuations aim to protect investors and other stakeholders.
- The gold market is often associated with international agreements and global financial management principles. Supervision ensures that the country meets international commitments and complies with regulations related to gold trade.

### ***2.3. Legal Regulations on Gold Market Management in Vietnam:***

Managing the gold market is a critical and complex issue, requiring intervention and regulation from state management agencies to ensure economic stability and sustainable development. In Vietnam, the gold market is tightly regulated through legal provisions issued and implemented by the State Bank of Vietnam (SBV). This paper presents the legal regulations on gold market management in Vietnam, focusing on the role of the State Bank and related policies.

(1) The State Bank of Vietnam (SBV) is the primary agency responsible for comprehensive management of gold trading activities. The SBV's duties include licensing, supervising, and regulating the domestic gold market to ensure macroeconomic stability and financial system safety. Specifically, this includes:

- Issuing licenses to gold trading enterprises.
- Managing and regulating the gold market.
- Buying and selling gold bars in the domestic market according to decisions of the Prime Minister.
- Inspecting and supervising gold trading activities.

The SBV performs these functions through specific legal documents, including Decrees, Circulars, and Decisions of the Prime Minister:

- Decree 24/2012/ND-CP.
- Circular 16/2012/TT-NHNN dated May 25, 2012.
- Circular 15/2021/TT-NHNN dated September 30, 2021, amending and supplementing Circular 16/2012/TT-NHNN dated May 25, 2012.

According to Vietnamese law, the legal ownership of gold by organizations and individuals is recognized and protected. Organizations and individuals engaged in gold trading must comply

with government regulations and other relevant laws. The State Bank represents the government in unified management of gold trading activities, aiming to develop a stable and sustainable domestic gold market (SBV, 2023). Current regulations on the gold market in Vietnam are implemented under Decree 24/2012/ND-CP; Circular 16/2012/TT-NHNN dated May 25, 2012; and subsequent amendments and supplements in Circular 15/2021/TT-NHNN dated September 30, 2021. Specifically:

***(1) Gold Market Regulatory Agency:***

The State Bank is the agency representing the government in unified management of gold trading activities, responsible for intervening and stabilizing the gold market when prices rise sharply and fluctuate strongly. The State Bank issues licenses for the activities of gold trading enterprises; manages the buying, selling, importing, and exporting of gold; plans gold bar production; and buys and sells gold bars in the domestic market according to the Prime Minister's decisions.

***(2) Commodities Traded on the Gold Market:***

In Vietnam, commodities traded on the gold market are regulated by Decree No. 24/2012/ND-CP dated April 3, 2012, of the Government on gold trading management, including:

***Gold jewelry and fine art:*** Gold products with a content of 8 karats (equivalent to 33.33%) or more, processed to meet jewelry, decorative art's needs.

***Gold bars:*** Gold formed into bars, stamped with letters, numbers indicating weight, quality, and the mark of enterprises and credit institutions authorized by the State Bank to produce, or gold bars produced by the State Bank. According to current regulations, the State holds a monopoly on producing gold bars, importing, and exporting raw gold for gold bar production; trading gold bars in the domestic market according to the Prime Minister's decisions. Gold bar trading activities are conditional and licensed by the State Bank.

***Raw Gold:*** Gold in forms such as blocks, ingots, granules, pieces, and other types of gold.

***(3) Regulations on Gold Market Management and Regulation***

Legal ownership of gold by organizations and individuals is recognized and protected. Organizations and individuals involved in gold trading must comply with government regulations and other related laws (SBV, 2023). Current regulations on the gold market in Vietnam are implemented as follows:

***- Gold Bar Trading Activities:***



This activity is tightly regulated, and only enterprises with licenses issued by the SBV are allowed to trade gold bars. The State Bank of Vietnam implements a monopoly on gold bar production through the SJC brand and requires SJC Co., Ltd. to process gold for the State Bank. The SBV has issued gold trading licenses to qualified enterprises and actively cooperates with local authorities, the Ministry of Public Security, and the Ministry of Industry and Trade to manage the gold bar trading activities of credit institutions and licensed companies.

- **Gold Jewelry Trading Activities:** The State Bank issues gold trading licenses to qualified enterprises and cooperates with relevant agencies to manage gold bar trading activities of credit institutions and businesses.

- **Gold Buying, Import, and Export Activities:**

The SBV manages all activities related to buying, importing, and exporting gold. Only enterprises licensed by the SBV are permitted to carry out these activities.

- **Inspection, Examination, and Handling of Violations:**

The SBV is responsible for inspecting and examining gold trading activities of organizations and individuals. The SBV has authority over the management of rising gold and foreign currency prices. However, the Ministry of Finance also has responsibilities in combating smuggling and commercial fraud. Violations will be strictly handled according to the law.

### **3. Research Methods**

#### ***Data Collection Method:***

The authors used the document research method to systematize the theoretical basis of gold, the gold market, and the characteristics of the gold market (based on market participants, supply-demand characteristics, inspection and supervision requirements, etc.).

The article provides an overview of theories and research on the gold market; an overview of related research. The studies related to this topic were selected by the authors from databases such as Scopus, the World Bank online library, the IMF, and specialized journals.

The main contents are analyzed by topic and through synthesis and narrative methods. To study the current state of the gold market in Vietnam, the research group focused on the following aspects: (i) reviewing current legal documents on the gold market; (ii) examining the current state of the gold market; (iii) identifying achievements, existing limitations, and their causes. The data sources for evaluating the current state were collected from books, scientific journals both domestic and international, and from aggregated data by the Ministry of Finance and the State



Bank. From the collected data, the authors synthesized and selected information relevant to the research content and used descriptive statistical methods to clarify the current state. Additionally, the synthesis analysis method was used to analyze, compare, and contrast legal regulations, results, and limitations regarding the gold market in Vietnam.

**Data Processing Method:**

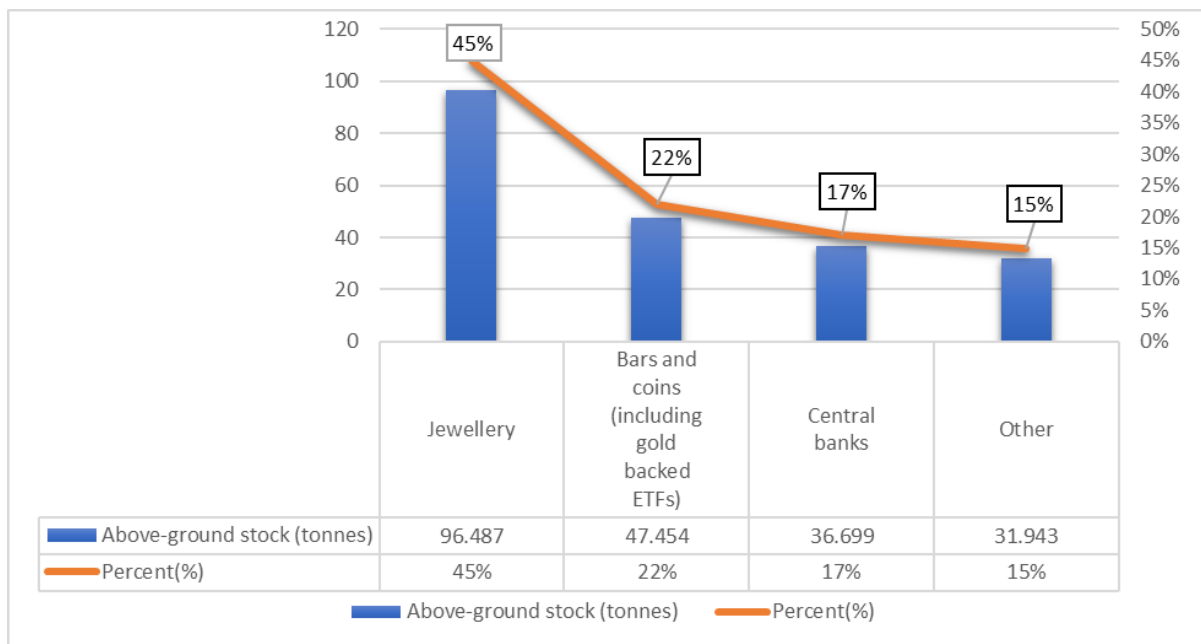
The collected data were synthesized, calculated, and reflected in tables. The research team then evaluated and analyzed the data using comparative and analytical methods. The data used for comparison included world gold prices and domestic gold prices at different times. Based on this, the research team proposed solutions for developing the gold market in Vietnam.

**4. The Gold Market in Vietnam**

**4.1. Global Gold Market Context:**

The global gold market is currently influenced by various global crises, particularly geopolitical crises, which enhance the status of gold as a safe financial haven.

**Figure 1: Estimated Global Gold Reserves**



Source: Calculations and charts by the authors based on data from WGC, 2024

The World Gold Council (WGC) estimates that approximately 212,582 tons of gold have been mined throughout history, with around two-thirds mined since 1950. The largest share of this is held in jewelry (96,487 tons). Global gold demand has surged, especially from the over-the-counter (OTC) market. According to the World Gold Council, global gold demand in 2023 (excluding the OTC market) decreased to 4,448.4 tons, a 5.3% drop from 2022. However, when including demand from the OTC market and other sources, total gold demand in 2023 reached a new record of 4,899.8 tons, a 3.1% increase from 2022. Geopolitical volatility and military escalations have led many central banks to increase their physical gold reserves, viewing gold as a safe haven against inflation and crises. Gold constitutes about 18% of total reserves held by central banks (COFER and WGC, 2022). Most central banks have added to their reserves through purchases in the OTC market or local procurement programs. The global gold market in 2023 has seen major central banks, such as those in China and India, continuously buying and stockpiling enormous quantities of gold in recent times (dangcongsan.vn, 2024).

**Table 2: Top 10 world official gold holdings**

Holder	Tons	% Reserves	% of Total
United States	8,133	67%	23%
Germany	3,355	67%	9%
IMF	2,814	-	8%
Italy	2,452	64%	7%
France	2,437	66%	7%
Russian Federation	2,330	24%	7%
China	2,050	4%	6%
Switzerland	1,040	7%	3%
Japan	846	4%	2%
India	790	8%	2%

Source: IMF International Financial Statistics, April 2023

International organizations, including the IMF and the Bank for International Settlements (BIS), hold about 9% of the world's official gold reserves. The remaining gold reserves are distributed among countries, with advanced economies holding approximately two-thirds and emerging markets and developing economies holding one-third (WB, 2024). The United States and members of the Eurozone are the primary official holders of gold, possessing more than 50% of total reserves. In contrast, Russia, China, India, and Türkiye hold the largest gold reserves among emerging markets.

According to the World Gold Council (WGC, 2024), it is estimated that about 60% of central banks in wealthy countries plan to increase their gold reserves within the next five years, a significant rise from 38% a year ago. Approximately 13% of developed economies intend to add more gold to their reserves in the next year, up from 8% in 2023.

**4.2 Current Status of the Gold Market in Vietnam**

**(1) Overview of the Number and Scale of Licensed Gold Trading Enterprises in Vietnam**

Currently, there are 12,500 businesses engaged in the trading and crafting of gold and silver, along with over 5,000 personal households and personal enterprises involved in crafting jewelry and fine arts (vtv.vn, 2024). Among these, large enterprises constitute less than 2%. Some prominent gold and jewelry companies in the market today include DOJI, SJC, PNJ, Bao Tin Minh Châu, Kim Tin Group, Huy Thanh Jewelry, Skymond Luxury, and Bao Tin Manh Hai... The rest of the gold trading businesses operate under the form of individual household enterprises in localities.

**Table 3: The three largest gold trading enterprises in Vietnam for the period 2021-2023**

*Unit: billion VND*

Brand	Doji			PNJ			SJC		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
<b>Equity Capital</b>	5.333	6.361	6.745	6.013	8.444	9.401	1.530	1.545	1.578
<b>Net Revenue</b>	96.128	77.191	75.779	19.547	33.876	33.137	18.689	27.154	28.408
<b>After-tax Profit</b>	234	1.017	491	1.029	1.807	1.971	43	49	61

*Source: Compiled by the authors of the financial reports of the companies: Doji, PNJ, SJC.*

Regarding the type of enterprise, among the four companies mentioned, SJC is the only state-owned entity, while the other three are private enterprises. PNJ and Doji are relatively newer companies but have rapidly developed their store networks.

In terms of equity capital, the equity of Doji and PNJ has steadily increased over the years, whereas SJC's growth has been minimal. PNJ shows the most significant growth in equity capital and has the highest equity among the top three gold companies in Vietnam.

Concerning business results, gold enterprises typically record increased profits in the context of rising gold prices, significant price fluctuations, and a dynamic market. Gold companies benefit from the price difference between buying and selling, as well as increased revenue. The business performance of the three major companies in Vietnam indicates that their revenues are at a high level. In 2023, the net revenues were: Doji 75.779 trillion VND, PNJ 33.137 trillion VND, and SJC 28.408 trillion VND.

Some smaller companies, which are reputable gold brands in the market, such as Bảo Tín Minh Châu, recorded a net revenue of 1.401 trillion VND in 2023, representing a 31% increase compared to 2022; however, their after-tax profit was low, amounting to only 4.5 billion VND in 2023.

Despite the high revenues, the profits achieved are relatively low. Doji's after-tax profit saw a significant increase in 2022 (1.017 trillion VND) but decreased in 2023 (491 billion VND). PNJ has shown consistent and robust growth in after-tax profit over the years, rising from 1.029 trillion VND in 2021 to 1.971 trillion VND in 2023. PNJ maintained its profit growth trajectory and set a record net profit of 1.971 trillion VND in 2023, thanks to its policy of increasing new customer acquisition and implementing branding activities to foster customer loyalty and shape consumer habits. The profits of PNJ and Doji peaked in 2022, exceeding 1 trillion VND.

## **(2) Gold Supply**

For raw gold material, domestic gold mining output is modest compared to market demand. Major gold mines are concentrated in provinces such as Quang Nam, Thai Nguyen, Hoa Binh, and Lam Dong. Therefore, Vietnam's annual gold supply mainly relies on imported sources. When domestic gold prices are lower than internationally converted gold prices, gold trading companies with available gold sources export gold to profit. Conversely, when domestic gold prices exceed international prices, they import gold to supply the domestic market (Tien, N., & Chuyen, M., 2022). However, this supply is subject to quota restrictions imposed by the State Bank of Vietnam, resulting in delayed gold supply relative to demand. The State Bank's gold quota limits the supply, leading to high gold prices and creating opportunities for smuggling and speculation, which affect the gold market.

From 1991 to 2012, Vietnam imported over 1,000 tons of gold, including raw gold, gold bars, and gold grains. Raw gold imports mainly came from countries with developed gold mining and processing industries such as Switzerland, Australia, and South Africa. Since May 2012, the State Bank of Vietnam has not issued permits for importing 9999 raw gold to combat trade deficits and inflation. The restricted gold supply, coupled with continued high domestic demand,

has led to a supply-demand imbalance. To compensate for this imbalance, smuggling or increasing domestic gold prices are common practices.

For crafted gold, major companies like Saigon Jewelry Company (SJC), DOJI, PNJ, and Bao Tin Minh Chau engage in jewelry and gold bar production. Gold bar production in Vietnam is mainly undertaken by SJC under a state monopoly mechanism. The monopolistic gold production market, lacking integration and connectivity with the global market, restricts competition (Hai, T. V., & Tuyet, D. A., 2016). Despite no difference in gold content or quality, there is a price discrepancy between gold produced by the state-owned enterprise (SJC) and that of other companies, as well as between domestic and international gold prices (Tin, C., 2024). From a business perspective, the monopoly regulation on gold bar production creates inequality among enterprises under the law in their gold business operations.

Other enterprises primarily focus on producing jewelry. Since 2014, the State Bank of Vietnam has not released additional gold into the market, leading to instances where SJC gold bars are even converted back into raw gold to serve jewelry and art production. These luxury jewelry gold types are also exported (Du, H. T., & Thanh, N. X., 2024).

### ***(3) Gold Demand***

Despite ranking 37th in the world economically, Vietnam stands out as the largest gold consumer in Southeast Asia and the 7th largest globally. The behaviors and preferences of investors in Vietnam have created a distinctive gold market. According to the World Gold Council (2021), approximately 72% of Vietnamese investors had invested in gold in 2021. In 2023, the gold consumption demand in Vietnam saw a slight decline, dropping from 59.1 tons in 2022 to 55.5 tons in 2023. The demand for gold bars and coins decreased by 2% in 2023 compared to the same period, amounting to 40 tons. The demand for gold jewelry also significantly declined, recording a 16% drop to 15 tons. This reduction is attributed to slowing economic growth and relatively high inflation in the region (WGC, 2024).

Gold demand in Vietnam is quite diverse, encompassing investment, savings, jewelry, and industrial purposes. The Vietnamese tend to have a strong risk-averse mindset, often saving for the future. Gold is trusted more than the national currency due to historical wars, high inflation, and economic instability (SBMA, 2017). In other words, there is a demand among the people to own, buy, and sell gold bars—not solely for jewelry, but also as a means of saving and risk protection, serving as a secure asset. However, the development of the gold bar market remains monopolized by SJC gold bars, leading to low supply amidst high demand, which results in rising prices and a price disparity between domestic and international gold (An, T. P. T., et al., 2024).

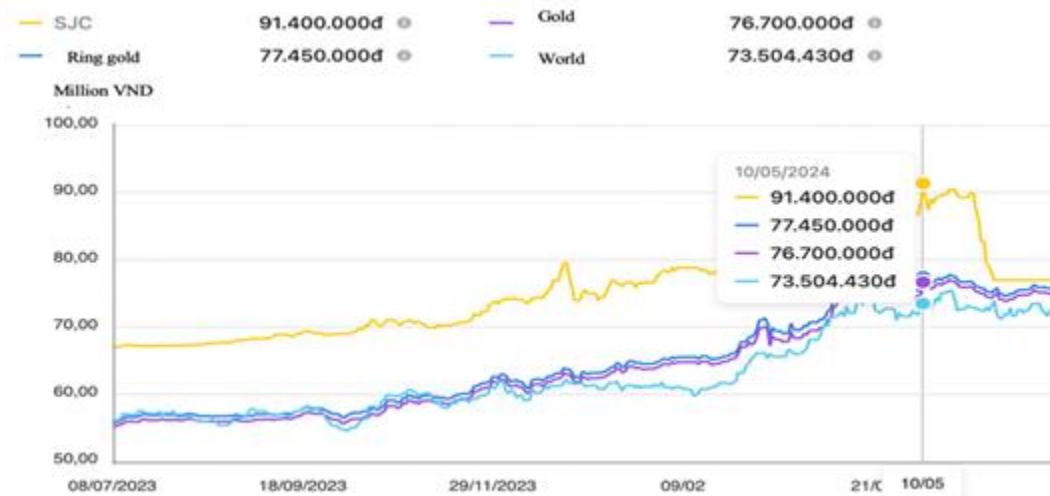
On the surface, the Vietnamese gold market is tightly regulated; however, a strong underground market still exists to meet the public's demand for gold. The Vietnamese gold market lacks integration and continuity with the global gold market.

**(4) Gold Prices**

**- Regarding domestic gold price fluctuations:**

Vietnam imports over 60% of its gold, so domestic gold prices are primarily influenced by international price movements (Tri, H. T., & Nga, V. T., 2019). In response to significant fluctuations in global gold prices, domestic prices have also continuously risen. The year 2023 is considered a tumultuous year for both domestic and global gold markets. Following Russia's invasion of Ukraine, global gold prices soared from approximately 48 million VND per tael to over 57 million VND (Topi, 2024). On March 7, 2022, global gold prices peaked at 57,389,640 VND per tael, with domestic prices reaching record highs of 73,500,000 VND per tael (SJC), 57,050,000 VND per tael (gold rings), and 56,750,000 VND per tael (raw gold). In 2024, gold prices set a new record on May 10, 2024, reaching 91.4 million VND per tael (see Figure 1).

**Figure 2: Fluctuations in Gold Prices in Vietnam**



*Source: Topi, 2024*

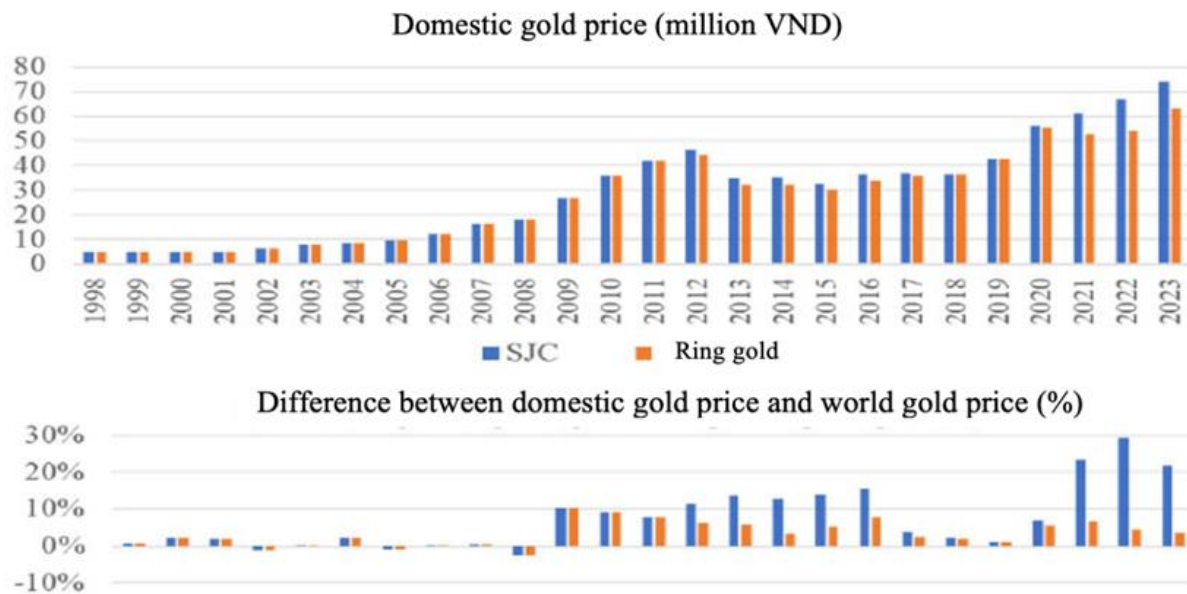
Domestic gold prices primarily fluctuate in line with global gold prices (which are on an upward trend), resulting in continuous price volatility. This primarily causes certain psychological issues but does not have significant negative impacts on the economy as the proportion of gold within the asset portfolio is relatively modest (Du, H. T., & Thanh, N. X., 2024). Therefore, short-term

solutions such as gold bar auctions organized by the State Bank do not effectively lower SJC gold prices. Moreover, the perception that gold prices will continue to rise in the short-term leads to increased purchases by the public, further driving prices up. Thus, the objective should not be to implement short-term price reduction measures, but rather to establish solutions within the broader context of macroeconomic stability, market transparency, and creating a level playing field for all types of assets that can be held (Du, H. T., & Thanh, N. X., 2024).

**- Price Disparity Between Domestic and Global Gold Prices**

The Vietnamese government has restricted gold imports for over a decade, resulting in the monopoly of gold bars from Saigon Jewelry Company (SJC), a state-owned enterprise, trading at significantly higher prices than global gold (Michael Kokalari, 2024). Prior to May 2012 (before the issuance of Decree 24/2012 regulating gold trading activities), there was essentially no significant price disparity. In the market, besides the SJC brand, there are also gold bars from PNJ (Phu Nhuan Jewelry Company), Rong Thang Long (Bao Tin Minh Chau), ACB (ACB Bank), etc.

**Figure 3: Price Disparity Between Domestic and Global Gold**



Source: Compiled by the author from domestic and global gold price data

At the end of 2012, the price difference between domestic and global gold prices was only about less than 2 million VND per tael. During the period from 2017 to 2019, the price difference was kept relatively low. However, in recent years, the Vietnamese gold market has experienced



unusual changes, with the price disparity between domestic and global gold prices reaching as high as 18 million VND per tael, and at times even up to 26%. According to the State Bank of Vietnam, the reasons for this issue, aside from objective factors such as high global gold prices and difficulties in real estate and bond markets (SBV, 2024), also include speculative activities, price manipulation, and illicit profiteering, which negatively impact financial security, banking, and societal psychology (SBV, 2024). After the government implemented a series of measures to increase gold supply, such as auctions and sales of gold through the 4 major state-owned commercial banks and SJC, this price disparity has reduced to approximately 4 million VND per tael.

The consequence of the significant price disparity between domestic and global gold prices is the smuggling of gold across borders. The larger the disparity, the greater the incentive for illegal profit-seeking activities. According to the World Gold Council's data from 2012 to 2023, Vietnam's total gold consumption was 739 tons, while the estimated value of legally imported gold, silver, and gemstones was about 150 tons. Additionally, domestic production is very limited. This indicates that a considerable amount of gold consumed in Vietnam has been illegally imported (Du, H. T., & Thanh, N. X., 2024). Notable cases include the smuggling of over 3 tons of gold worth about 5,000 billion VND from Laos to Vietnam through the Lao Bao border (People's Police, 2023) and the smuggling of over 6 tons of gold worth over 8,400 billion VND from Cambodia to Vietnam (Law Enforcement, 2024). The influx of smuggled gold leads to a drain of USD from the country, which is recorded in the "errors and omissions" in Vietnam's international balance of payments (approximately 4% of GDP in 2023, according to the SBV).

#### ***(5) Management Solutions Implemented***

***- Enhancing legal regulations for managing the gold market:*** Legal regulations governing the gold market in Vietnam have been established to ensure stability and sustainable development. The State Bank of Vietnam plays a crucial role in managing and regulating gold business activities, while also preventing negative phenomena that could affect the economy. Since 2012, the State Bank has prohibited enterprises and credit institutions from importing gold and from mobilizing, lending, or using gold as collateral or assets on their balance sheets.

These regulations and measures have helped maintain a stable gold market, protect the rights of organizations and individuals engaged in gold business, contribute to stabilizing exchange rates, and limit the production of gold bars through imported gold for investment and hoarding purposes, as was common in the past. Gold trading enterprises have also complied well with state regulations on trading in gold bars and have focused on developing jewelry and artistic gold production as directed by the State Bank (An, T. P. T., et al., 2024).

**- Increasing Gold Supply:** The State Bank of Vietnam (SBV) organized 9 auctions after 11 years to supply the market with an appropriate volume and frequency to stabilize gold prices. After 9 auction sessions, the amount of SJC gold supplied to the market was 48,500 taels, equivalent to over 1.8 tons of gold. However, the price difference between domestic SJC gold and international gold prices remains high, at around 20%. On May 27, the SBV halted gold auctions. Instead, starting from June 3, 2024, the SBV began selling gold bars at controlled prices to individuals (not serving businesses or organizations) through 4 state-owned commercial banks: Agribank, BIDV, Vietcombank, Vietinbank, and the SJC company. The banks only sell without buying back, while SJC can participate in both buying and selling. This selling through commercial banks aims to achieve the government and SBV's policy of stabilizing the gold market, gradually reducing the gap between domestic and international gold prices, without pursuing profit for participating entities. It aims to accurately assess public demand for gold, prevent speculation, market manipulation, and price distortion. Although this approach by the SBV is appropriate for stabilizing market sentiment in Vietnam and aligning domestic gold prices closer to international levels, it is not considered a long-term solution.

Long-term solutions must originate from the supply-demand relationship, ensuring competitive rules and the liberalization of supply. From the consumer psychology perspective, the monopoly factor along with the designation "State gold" (supplied exclusively by the state) has established a strong trust in SJC regarding quality, reducing holding risks but simultaneously raising concerns about the credibility and liquidity of products from other brands. From an economic standpoint, the monopoly factor distorts the supply-demand relationship, conflicting with the market-driven pricing principle. External fluctuations (global economic and social factors) are perceived to influence but not significantly shift domestic gold prices. It is evident at certain times when global gold prices decrease, yet domestic gold prices remain high.

**- Control of Gold Trading Activities:** The government has strictly required the implementation of electronic invoicing. From June 15, 2024, any gold trading business that does not issue electronic invoices connected to the tax authorities will have their business license revoked. As of now, 100% of businesses have implemented electronic invoicing, with 1.34 million invoices used (vtv.vn, 2024). Although electronic invoices ensure the traceability and quality of gold, current buyers are not yet concerned with obtaining invoices. Meanwhile, businesses selling gold require complete buyer and seller information, but some customers do not provide these details. To address this issue, businesses can generate electronic invoices from their cash register systems connected to tax authorities. This allows them to issue electronic invoices for each retail transaction regardless of whether the buyer requests one or not. According to information from the General Department of Taxation, after more than a year of nationwide implementation, 5,835

gold and silver trading establishments have applied this method, issuing over 1.065 million electronic invoices from cash registers (vtv.vn, 2024).

- ***Prevention of Gold Monetization.*** According to Directive No. 1426/CD-TTg issued on December 27, 2023, regarding management solutions for the gold market, it emphasizes the requirement to prevent the "monetization of gold" in the economy, which could negatively impact exchange rates, interest rates, monetary markets, foreign exchange, financial security, and national currency. It restricts credit institutions from using gold for capital mobilization or lending to customers, prohibits the conversion of mobilized capital in any form from gold to Vietnamese dong or any other currency, and prevents the use of gold as collateral. All efforts aim to reclassify gold from financial assets back to ordinary commodities.

## **5. Solutions**

Based on the analysis of the current gold market in Vietnam, the following solutions aim to enhance management, improve gold production and consumption efficiency, while minimizing smuggling and reducing price disparities between domestic and international gold.

### ***(1) Policy and Legal Refinement***

Vietnam needs to change its mindset regarding gold market management, emphasizing market economy principles. The focus should be on recognizing gold as a commodity for free and legitimate trade, transparently based on supply-demand relationships, fostering an equitable business environment.

Regarding the state's role in gold market management, the State Bank of Vietnam (SBV) should solely perform regulatory functions, policy formulation, monitoring, and coordination with auxiliary agencies such as the Ministry of Industry and Trade, Ministry of Planning and Investment, Ministry of Finance, Ministry of Science and Technology, and Ministry of Public Security to implement market stabilization measures. The SBV should regulate foreign exchange reserves with gold according to foreign exchange regulations, SBV Law, and Credit Institutions Law. The SBV should refrain from engaging in production or directly regulating market activities through administrative measures, avoiding direct involvement in business operations of enterprises.

Current regulations on the exclusive business rights of SJC gold bars need adjustment to allow enterprises to actively import raw gold. The current situation forces businesses to choose between purchasing high-priced SJC gold bars from the market or crafting jewelry and artistic items. Signs of loss still occur due to the prevalence of gold smuggling, from which businesses, citizens, and the state do not benefit. However, considerations are necessary regarding foreign

exchange losses, and licensing should be phased in. Initially, the State Bank of Vietnam should license and regulate the quantity of gold imported by credit institutions and import businesses through quotas, import-export licenses, or customs duties. Subsequently, a full liberalization approach can allow businesses to freely import gold based on actual business operations.

Removing the national gold brand SJC would create fair competition for gold products, promoting market transparency. This long-term solution helps reduce price disparities between domestic and international gold markets. By reducing these disparities, the automatic restriction of gold smuggling can be achieved. This solution diminishes illegal profit motives. Understanding and addressing factors leading to gold price disparities are essential for adjusting policies to stabilize gold prices, prevent speculative activities that may cause economic instability, and maintain competitiveness in the Vietnamese market for gold and other precious metals.

The gold market should be broadly understood to include both physical gold markets and futures markets (gold accounts). Currently, the Vietnamese gold market is narrowly defined, only allowing transactions of physical gold commodities, with no provisions for futures markets. Therefore, to enhance the domestic gold market, research, evaluate impacts, and provide specific guidance for futures gold market operations and derivative contracts are necessary, offering more investment options and increasing market liquidity.

## ***(2) Enhancing Management and Monitoring of the Gold Market***

- *Improving Gold Market Management and Transparency:* Establishing a gold exchange is a crucial initiative to achieve this goal. A gold exchange will facilitate transparent transaction information, provide a secure environment for investors, and limit speculative behaviors. When gold is traded on the market, public matching orders ensure transparency, with all information on sellers, buyers, purchasing demands, and prices disclosed. Transparent information helps market participants make informed decisions, while the state can exercise effective control.

- *Improving Supervision Mechanisms:* Enhancing monitoring mechanisms is essential to prevent smuggling and other violations in the market. This includes improving the capacity and expertise of regulatory agencies and promoting the use of information technology to strengthen supervision. Boosting the use of electronic invoices and integrating with tax authorities enhances invoice management and transaction monitoring in the gold market.

- *Increasing Domestic Gold Mining Output:* Encourage investment in technology and infrastructure to enhance gold mining efficiency at existing mines in Quang Nam, Thai Nguyen, Hoa Binh, and Lam Dong. Additionally, promote the development of new gold mining areas to diversify domestic gold supply sources.

- *Encouraging Investment and Technological Development in Gold Production:* Promote modern and energy-efficient gold production technologies to reduce production costs and enhance the competitiveness of domestic gold products. Encourage businesses and research institutions to develop gold processing and recycling technologies to enhance industry sustainability.
- *Enhancing International Cooperation and Developing the Gold Export Market:* Explore additional export markets for gold jewelry and artistic products to reduce dependence on the domestic market and increase revenue for businesses.
- *Strengthening Communication and Disseminating Informative Messages:* Help the public understand and avoid herd mentality phenomena, such as fear of missing out or market manipulation that can drive up gold prices. Addressing these issues can aid in market regulation and control.

## **6. Conclusion**

The Vietnamese gold market is currently experiencing fluctuations. Comprehensive development is essential to ensure sustainability and efficiency. This article has studied various aspects of the gold market, including supply, demand, prices, market participants, and government interventions in market management and regulation. Deep policy interventions, import control of raw gold, and exclusive production of SJC gold bars, along with investor behaviors and preferences in Vietnam, have shaped a unique gold market. Constraints on gold supply, high demand, continuous price fluctuations, higher domestic gold prices compared to global prices, smuggling phenomena, and public queues to buy gold highlight prominent issues in Vietnam's current gold market. Based on this analysis, the article proposes two groups of solutions: (i) Policy and legal refinements, and (ii) Enhanced management and monitoring of the gold market. Future research could focus more deeply on specific aspects of the market such as gold supply, demand, prices, and price disparities between domestic and global markets. Research methodologies could include user behavior studies (intentions to purchase and invest in gold) and quantitative approaches (analysis of factors influencing gold prices).

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