“THE GOLD DREAM OF VIETNAM”- WHAT LIES BEHIND THE SIGNIFICANT DISPARITIES BETWEEN DOMESTIC AND INTERNATIONAL GOLD PRICES?

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Abstract:

This thesis examines the background of the persistent disparity between Vietnam’s domestic and international gold prices, a phenomenon that sets the gold market of this country apart from global norms. The study aims to identify the macroeconomic factors influencing this price gap in both the short and long term while also evaluating the impact of Vietnam’s current gold trading system under Decree 24/2012 on market structure and supply constraints. To achieve these objectives, the research applies an Autoregressive Distributed Lag (ARDL) model with an Error Correction Mechanism (ECM), using monthly data from 2012 to 2024. The model assesses the relationships between the gold price gap and key macroeconomic variables, including inflation, foreign exchange rate, stock market performance, policy uncertainty, and pandemic-related uncertainty. Granger causality analysis further enhances the study by examining predictive relationships beyond simple correlations. The results of this study indicated that the gold price gap is significantly influenced by its own past values, inflation, exchange rates, economic policy uncertainty, and the pandemic in the short run while the stock market is insignificant. The study also found long-run causal relationships between the price disparity and inflation, exchange rates and economic policy uncertainty, further amplified by structural constraints and cultural behaviors. While macroeconomic shocks fuel short-term volatility, long-run equilibrium could be preserved through policy actions. These insights hold critical relevance for policymakers seeking to enhance the efficiency and transparency of the gold market, as well as for market participants, including investors, banks, and jewelers, who aim to manage risk and anticipate price movements during periods of economic uncertainty.