Country Forecast

Vietnam

Vietnam at a glance: 2010-11

OVERVIEW

The ruling Communist Party of Vietnam is due to hold its next national congress in 2011. As a result, there will be considerable jockeying for position within the current leadership from mid-2010. The budget deficit (excluding on-lending) will remain wide in 2010-11. The government's revenue position will improve in the next two years, but expenditure will remain relatively high. The State Bank of Vietnam (SBV, the central bank) is likely to continue to tighten monetary policy in 2010-11 as inflationary pressures build. The Economist Intelligence Unit forecasts that the pace of economic growth will accelerate in 2010-11, but we do not expect it to return to the heady rates that were recorded in the years preceding the 2008-09 slowdown. Inflation will accelerate to an average rate of 10.1% in 2010-11. On an annual average basis, we forecast that the dong will depreciate against the US dollar by 5% in 2010 and by 1.7% in 2011, although there are significant downside risks to this forecast. We expect the current-account deficit to remain wide in 2010-11, standing at an annual average of around 10.1% of GDP.

Key changes from last month

Political outlook

- In January the government's aggressive moves toward stamping out dissent and limiting religious freedom became increasingly apparent when three democracy activists were convicted of subversion. The government will continue to harshly punish individuals convicted of political offenses.

Economic policy outlook

- The government bolstered its fiscal position in January by raising US$1bn in its second international sovereign bond issue. The sale was fully subscribed, reflecting the eagerness of foreign institutional investors to gain exposure to the country without dipping into its frequently chaotic stockmarket.

Economic forecast

- Consumer prices rose by 7.6% year on year in January, an acceleration from the 6.5% that was recorded in December. We now expect inflation to average 10.3% in 2010, up from 8.7% previously.

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The Economist Intelligence Unit

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Country forecast overview

Highlights

- The ruling Communist Party of Vietnam will maintain its firm grip on power and will continue to dictate the political agenda in 2010-14. However, political stability is not assured, particularly as the party's moral authority would be undermined if there were to be further revelations of corruption or of party officials enriching themselves at the state's expense.

- The party is due to hold its next national congress in 2011. This means that there will be considerable jockeying for position within the current leadership (albeit largely invisible from the outside) from mid-2010. Although there will be major changes in personnel within the higher echelons of the party, the organisation's central tenets will remain unchanged and its overriding objective will be to maintain its position of dominance.

- Improvements in Sino-Vietnamese relations are unlikely to damage Vietnam's relations with the US, and the Economist Intelligence Unit expects the Vietnamese government to continue to be successful in maintaining a balance whereby it avoids too close an alignment with one country at the expense of its ties with the other. However, relations with the US could be strained by allegations of human rights abuses in Vietnam.

- The fiscal position will remain weak throughout the forecast period, owing to continuing high expenditure. Vietnam will continue to receive funds from international donors, and is likely to tender international bonds in the forecast period.

- Although Vietnam's long-term economic growth prospects remain positive, the early part of the forecast period will be challenging. In 2010-11 annual real GDP growth is forecast to average 6.6%. Growth will accelerate to an annual average of 7.2% in 2012-14.

- Inflation is likely to rise in 2010 on the back of supply-side pressures and higher global commodity prices. We expect year-on-year inflation to average 10.1% in 2010-11, before slowing to an average of 7.7% in the remainder of the forecast period.

- The current-account deficit will widen in 2010, but will then contract in the remainder of the forecast period as the trade gap narrows. After falling in 2009, Vietnam's foreign-exchange reserves will rise for the rest of forecast period as capital and financial inflows pick up.

Key indicators	2009	2010	2011	2012	2013	2014
Real GDP growth (%)	5.3	6.2	7.0	7.1	7.1	7.4
Consumer price inflation (av; %)	6.9	10.3	9.9	8.2	7.8	7.2
Budget balance (% of GDP)	-9.0	-8.1	-7.4	-6.9	-6.0	-5.3
Current-account balance (% of GDP)	-10.5	-10.6	-9.6	-8.3	-7.6	-6.9
Commercial banks' prime rate (av; %)	10.4	13.8	13.5	13.5	11.1	10.5
Exchange rate D:US$ (av)	17,800	18,745	19,073	19,479	19,854	20,249
Exchange rate D:¥100 (av)	18,995	21,302	21,923	22,650	23,358	23,823

Business environment rankings

Value of index[a]		Global rank[b]		Regional rank[c]	
2005-09	2010-14	2005-09	2010-14	2005-09	2010-14
4.94	5.65	70	65	15	15

[a] Out of 10. [b] Out of 82 countries. [c] Out of 17 countries: Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

- Vietnam moves up to 65th place out of 82 countries in the Economist Intelligence Unit's global business environment rankings for 2010-14, but the country remains towards the bottom of the regional rankings.

Vietnam's business environment at a glance

Policy towards private enterprise and competition

2010-11: The government makes an effort to reform state-owned enterprises (SOEs), but progress is slow. There are signs that the competition law will be applied more forcefully.
2012-14: More SOEs undertake reforms and are equitised (part-privatised). Progress is made in removing distortions in terms of access to opportunities and resources.

Policy towards foreign investment

2010-11: The government further reduces restrictions on foreign investment and seeks to promote such investment in listed firms. Uncertainty persists regarding the implementation of the unified legal system for foreign and domestic firms.
2012-14: Red tape remains a hindrance. The government opens up more service sectors to foreign investors.

Foreign trade and exchange controls

2010-11: Membership of the World Trade Organisation leads to a lowering of trade barriers and a reduction in tariffs.
2012-14: Trade barriers are lowered further, and progress is made in negotiations with the EU and the Trans-Pacific Partnership bloc on separate free-trade agreements.

Taxes

2010-11: Progress is made on improving the efficiency of tax collection, but distortions persist.
2012-14: The tax base is broadened, but the tax regime remains overly complicated. The government fails to meet some of the demands of foreign investors regarding the tax regime, particularly in relation to the foreign-contractor withholding tax.

Financing

2010-11: State-owned commercial banks undertake reforms. The government directs lending towards key sectors.
2012-14: The availability of financing improves as limits on the activities of foreign banks are relaxed further. As the regulatory environment strengthens, the stockmarket emerges as an important source of finance.

The labour market

2010-11: Wages for unskilled labour remain low, and there are shortages of skilled labour.
2012-14: Wages stay low relative to those in other countries in the region. The education system remains poorly equipped to train the next generation of young professionals to meet the needs of foreign-invested enterprises.

Infrastructure

2010-11: Transport infrastructure remains weak. Capacity constraints also affect energy supply and telecommunications as demand rises sharply.
2012-14: Infrastructure improves markedly as a result of heavy investment. Ongoing investment in power plants improves the reliability of the power supply.

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Fact sheet

Annual data	2008[a]	Historical averages (%)	2004-08
Population (m)	86.1	Population growth	1.0
GDP (US$ bn; market exchange rate)	89.9[b]	Real GDP growth	7.8
GDP (US$ bn; purchasing power parity)	240.8	Real domestic demand growth	10.1
GDP per head (US$; market exchange rate)	1,040	Inflation	10.8
GDP per head (US$; purchasing power parity)	2,800	Current-account balance (% of GDP)	-5.0
Exchange rate (av) D:US$	16,440[b]	FDI inflows (% of GDP)	6.2

[a] Economist Intelligence Unit estimates. [b] Actual.

Background: For much of its history Vietnam has fought off domination by outside powers. In 1945 Ho Chi Minh declared independence from France after nearly 60 years of colonial rule. Vietnam was divided between the communist north and the US-backed south in 1954. The country's war of independence finally ended in 1975 with victory for the north. The Vietnamese invasion of Cambodia in 1978-79 led to more than a decade of isolation from the West and to dependence on the Soviet Union. This state of affairs ended with the Cambodian settlement of 1991, which allowed Vietnam to implement more fully the government's policy of economic renovation (*doi moi*).

Political structure: Vietnam is one of the few surviving communist countries to be organised along traditional Leninist lines. It is a one-party state, within which the Communist Party of Vietnam maintains a tight grip on power. Efforts are under way to make local government more accountable and transparent, and to restructure government ministries to reduce bureaucratic inefficiency, but broader political change is not on the agenda.

Policy issues: The government has made progress on reducing poverty, but tough policy challenges lie ahead, most notably in terms of ensuring the stability of the economy, improving monetary policy and strengthening the legal framework. The government will continue to focus on supporting the domestic economy as well as on keeping inflationary pressures at bay. Economic reforms will improve the operating environment for local and foreign investors, as will Vietnam's membership of the World Trade Organisation.

Taxation: A reformed personal income tax system was introduced on July 1st 2009. The new income tax structure applies the same tax rates to Vietnamese and foreign workers and has widened the tax base significantly. A corporate tax rate of 25% applies to both domestic and foreign-invested enterprises. Certain preferential rates still apply.

Foreign trade: Exports reached US$62.7bn in 2008, up by 29% year on year, while the import bill increased by around 28%, to US$75.5bn. As a result, the merchandise trade deficit widened to US$12.8bn in 2008, from US$10.4bn in 2007 and only US$2.8bn in 2006.

Major exports 2008	% of total	Major imports 2008	% of total
Crude oil	16.8	Machinery, equipment & parts	17.5
Textiles & garments	15.2	Refined petroleum	13.0
Footwear	7.7	Steel	8.3
Fisheries products	7.4	Materials for textile industry	3.0

Leading markets 2008	% of total	Leading suppliers 2008	% of total
US	20.6	China	22.7
Japan	13.5	Singapore	13.0
Australia	8.1	Japan	11.1
China	6.8	South Korea	7.9

Outlook for 2010-11

Political outlook

Domestic politics

The ruling Communist Party of Vietnam is facing a number of major challenges in the run-up to the next national congress, which is due in January 2011. In the months leading up to the congress, there will be considerable jockeying for position within the current leadership, although it will be largely invisible from outside of the party. There could be important changes in personnel in the higher echelons of the party, but its central tenets will remain unchanged and its overriding objective will be to maintain its position of dominance. However, factional splits in the party are becoming increasingly apparent. Such divisions tend to be between reformists and conservatives, but recent jostling suggests that the divide is no longer as clear-cut and that internal wrangling is now more related to attempts to grab power than to policy differences. Nevertheless, it appears that the prime minister, Nguyen Tan Dung, and his reformist allies, including two deputy prime ministers, Hoang Trung Hai and Nguyen Thien Nhan, could be eclipsed by those in the party with conservative tendencies. Any such differences would be evident in matters relating to economic policy, media freedom and foreign relations. Those lining up against Mr Dung include the general secretary of the party, Nong Duc Manh, the public security minister, Le Hong Anh, the party's head of personnel and organisation, Ho Duc Viet, and the head of the party secretariat, Truong Tan Sang.

The party's success in promoting economic growth, even in the global economic downturn, has both contributed to a sense of political apathy and strengthened the party's long-standing claim to the right to govern the country unchallenged. However, its legitimacy and its defence of the virtues of the one-party state could yet be questioned amid economic uncertainty, endemic corruption, environmental degradation and strongly felt grievances relating to land seizures. Reflecting such threats, the leadership will remain anxious about the activities of political dissidents, and will therefore not hesitate to suppress opposition activism. Vocal opponents of the regime who advocate multiparty politics and genuine democratic reform will continue to be punished and imprisoned.

There may be attempts by the party to demonstrate a degree of political openness, together with limited "grass-roots democracy" at provincial, district and commune levels. However, hardliners within the party are growing increasingly fearful that greater social freedoms will threaten the party's hold on power. This is particularly apparent in the area of media freedom. Although the ongoing crackdown on corrupt officials and managers of state-owned enterprises is an indication that the government is taking the issue of graft seriously, recent steps to tighten control over the flow of news via print media and the Internet suggest that party leaders remain determined not to allow the true extent of corruption to be revealed or to allow dissenting opinions to be aired publicly.

International relations

Vietnam will play a central role in developments in South-east Asia in 2010, having taken over the chair of the Association of South-East Asian Nations (ASEAN) in January. The government's stated priority during its year-long stint as ASEAN chair is that of promoting co-operation within the group. It is also keen to foster closer ties with China. Although prickly issues such as sovereignty of disputed islands in the South China Sea could create diplomatic tension, on the whole Sino-Vietnamese relations will continue to strengthen. This is not expected to damage Vietnam's links with the US; the Economist Intelligence Unit expects the Vietnamese government to continue to be successful in maintaining a balance whereby it avoids too close an alignment with one country at the expense of ties with the other. However, relations with the US could be strained by allegations of human rights abuses in Vietnam.

The government will also focus on developing the country's commercial links with other countries, as it appears eager to push ahead with free-trade agreements (FTAs). There have been discussions concerning the possibility of negotiating an FTA with the EU, and Vietnam has also recently expressed an interest in joining the Trans-Pacific Partnership bloc, which so far includes New Zealand, Singapore, Chile and Brunei.

Economic policy outlook

Policy trends

The government continues to confront the major policy challenge of containing inflation, stabilising the exchange rate and also boosting economic growth. The authorities face a trade-off between tightening monetary policy to bolster the exchange rate and keep rampant inflation at bay, and maintaining policy at a relatively loose level so as to not starve firms of working capital and stifle economic activity. In terms of economic stimulus, the government has extended its interest rate subsidy scheme for medium- and long-term loans to cover the whole of 2010 (in 2009 the subsidy also applied to short-term loans). However, there are concerns about the potential negative side-effects of the ongoing stimulus efforts. The interest rate subsidy, combined with relatively low official lending rates in 2009, has resulted in a surge in domestic credit that has intensified inflationary pressures. There are also worries about how the government will finance its stimulus programmes (much of which are off-budget) while also funding a wide budget deficit.

Policymakers are likely to push ahead with conventional policy measures to try to contain inflationary pressures. For example, the State Bank of Vietnam (SBV, the central bank) raised its benchmark policy interest rate by 1 percentage point, to 8%, in December. However, perhaps more importantly, the SBV lowered the reserve requirement ratio on compulsory foreign reserves to 4%, from 7% previously, effective from February 1st 2010. This will free up capital in the short term and will boost lending. However, by raising interest rates and then cutting the reserve requirement, policymakers appear to be trying to tighten and loosen monetary policy simultaneously, raising concerns about the overall policy direction.

The authorities also appear to be considering more controversial measures, such as price controls on private and foreign businesses, to keep prices stable. If implemented, such drastic measures would do much to undermine confidence in the government's economic management. It would also suggest that those in the government who are espousing a more liberal approach to economic policymaking have been overshadowed by those with a controlling mentality who aim to reassert the state's involvement in managing the economy.

Fiscal policy

After expanding to an estimated 9% of GDP in 2009, the budget deficit (excluding on-lending) will remain wide in 2010-11. The government's revenue position will improve in the next two years as economic growth accelerates and global crude oil prices rise from the lows to which they sank in 2009, but expenditure will remain relatively high as the government continues to spend heavily on infrastructure and on programmes to improve social welfare provision. Although the budget deficit will narrow in 2010-11, to an average of 7.8% of GDP, there are serious concerns about how the government will finance this, particularly given that it is already borrowing heavily to fund its off-budget stimulus programmes. In late January 2010 the government raised US$1bn through an international sovereign bond issue, but this was at a premium. The government will continue to receive funds from international donors.

Monetary policy

The SBV is expected to further tighten monetary policy in 2010-11 as inflationary pressures build. The central bank dramatically loosened policy between mid-2008 and early 2009, cutting its main policy interest rate, the prime rate, from 14% to 7%. However, by December 2009 the SBV began to tighten monetary policy, raising the prime rate by 1 percentage point, to 8%. In view of the rapid pace of credit growth, the bank is expected to increase policy rates in 2010, possibly by as much as 2 percentage points. The IMF and the Asian Development Bank have already called on the authorities to tighten monetary policy and rein in credit growth. Although it is not our central forecast, the government may choose to loosen policy again in 2010 in order to boost economic activity. However, such a course of action would have a severely negative impact on economic stability.

Economic forecast

International assumptions

The global economic recovery, which started in Asian emerging markets but has since spread to most major regions, is now well under way. Companies and consumers have realised that worst-case scenarios are unlikely to materialise and are adjusting their consumption, investment and hiring behaviour to suit a more benign outlook. Importantly, businesses are also no longer cutting their inventories; destocking was one of the main factors behind the decline in global GDP in 2009. The recovery is also being driven by powerful monetary and fiscal stimulus in almost all major economies. However, fiscal stimulus in particular cannot be sustained indefinitely without raising concerns about the sustainability of debt levels. The key question is whether other sources of demand will be sufficient to maintain the strength of the worldwide recovery beyond 2010.

Global GDP growth at purchasing power parity exchange rates is forecast at 3.6% in 2010. Measured at market exchange rates (which give greater emphasis to richer countries and better reflect the exchange rates at which firms trade and repatriate profits), global economic growth is forecast at 2.7% this year. In 2011 the soft patch that is expected in the US and the sluggishness of economic recovery in the euro zone and Japan will constrain global growth. More broadly, the world economy will suffer from the after-effects of the financial crash that started in mid-2007 and the subsequent wealth destruction of 2008-09, which will prevent a return to the fast, credit-fuelled rates of growth that prevailed in 2004-07.

Economic growth

Although Vietnam's long-term economic growth prospects remain positive, the next two years will be challenging. In 2010-11 we forecast that the pace of expansion in GDP will accelerate from the 5.3% that was recorded in 2009, but we do not expect it to return to the heady rates of the years that preceded the 2008-09 slowdown. On the positive side, the recovery in the global economy bodes well for Vietnam's export sector, and the recent rise in imports suggests that consumer and investor demand is strengthening. However, on the negative side the proactive approach taken by the government to keep the economy afloat in 2009 (in particular loose fiscal and monetary policy) is likely to prove inflationary, thus limiting policy flexibility in the next two years. Moreover, rising inflation and relatively high unemployment (owing to slowing job creation) could constrain future consumer spending growth.

On the supply side, growth in the industrial sector will accelerate in 2010-11. Although there will be an improvement in manufacturing output compared with 2009, growth in demand for Vietnam's manufactured exports will be lacklustre in the next two years compared with the period that preceded the global recession in 2009. Similarly, foreign investors remain positive about Vietnam's long-term prospects, but growth in manufacturing investment will also be relatively slow in the next two years, owing to low capacity utilisation rates in 2009. The construction sector has been growing rapidly, boosted in 2009 by low interest rates and reduced prices for materials. In addition to an expansion of office space, state investment in infrastructure development projects will help to support the construction industry in 2010-11. The services sector, which was the main driver of economic expansion in 2009, will also record a steady acceleration in growth.

Inflation

Consumer price inflation will accelerate in 2010-11, having slowed sharply in 2009 owing to a drop in food and fuel prices. Global food and fuel prices will rise on an annual average basis in 2010, and demand-side pressures will also push up the general price level. By making credit cheaper and actively encouraging domestic banks to lend, the government has successfully boosted demand for credit. Assuming that the authorities continue to maintain a bias in policy-making towards supporting economic growth rather than stabilising the economy, we forecast that the outstanding stock of domestic credit will rise by an average of over 40% a year in 2010-11. Although inflation is forecast to average 10.1% a year in the next two years, the risks are on the upside.

Exchange rates

Owing to persistent downward pressure on the dong, on November 25th 2009 the authorities took action to engineer a drop of over 5% in the value of the currency by adjusting its central point. At the same time, the SBV narrowed the trading band within which the dong is allowed to fluctuate on a daily basis against the US dollar to 3%, from 5% previously. Strong demand for US dollars, underpinned by the wide trade deficit and rising inflationary expectations, has pushed down the value of the dong against the US currency in recent months. The SBV's moves were intended to relieve some of this pressure. However, until there are concrete signs that the trade deficit is narrowing, foreign direct investment is rising and inflationary pressures are receding, it is unlikely that downward pressure on the dong will diminish significantly. Although officials at the SBV have expressed confidence that the bank has sufficient international reserves to enable it to support the dong, reserves have dwindled in the past year and are forecast to remain below the equivalent of three months of imports in 2010-11. Therefore, assuming that pressure on the currency continues to build, we expect the SBV to have to allow the dong to fall by a further 5% in 2010 and then by another 1.7% in 2011 on an annual average basis. The central bank may try to manage a controlled depreciation of the dong, but it will probably have to opt for one-off sharp devaluations, a widening of the trading band or both.

External sector

The current account will remain in deficit in 2010-11, averaging the equivalent of around 10.1% of GDP, compared with an estimated 10.5% in 2009. Despite a recovery in exports, pent-up demand for imports and an acceleration in consumption and investment growth will mean that the merchandise trade deficit will remain massive in 2010-11. In addition to the deficit on the merchandise trade account, the services and income accounts will also stay in the red. The current transfers surplus will continue to be sufficient to offset the combined deficit on the services and income accounts. Despite continuing to run a deficit on the current account, Vietnam's international reserves position will improve in 2010-11, as capital and financial inflows (including official foreign borrowing) will increase from the low levels to which they sank in 2009. However, they will not return to the highs that they reached in 2008.

Data summary

Global outlook

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
International assumptions (%)										
World GDP growth	3.6	4.0	3.8	1.7	-2.3	2.7	2.4	2.8	3.0	3.1
US GDP growth	3.1	2.7	2.1	0.4	-2.5[a]	2.5	1.4	2.0	2.2	2.3
EU27 GDP growth	2.0	3.2	2.8	0.7	-4.1	0.9	1.1	1.6	1.9	2.0
Asia & Australasia growth	5.0	5.5	6.0	2.7	0.2	4.5	4.1	4.3	4.2	4.2
World trade growth	7.5	9.1	7.5	3.6	-9.4	5.2	4.9	5.7	5.7	5.9
US CPI	3.4	3.2	2.9	3.8	-0.3[a]	1.6	1.3	1.9	2.5	2.8
EU27 CPI	2.0	2.1	2.3	3.4	0.7	1.2	1.7	2.1	2.1	2.1
Manufactures export price	3.6	3.8	4.5	4.9	-4.7	4.2	2.9	3.0	2.1	1.1
Oil price (Brent; US$/b)	54.4	65.4	72.7	97.7	62.0[a]	78.0	73.0	80.0	82.5	89.5
US$ 3-month commercial paper rate	3.4	5.0	5.1	2.2	0.3[a]	0.6	1.5	3.2	4.8	5.4
¥:US$ (av)	110.1	116.2	117.8	103.4	93.7[a]	88.0	87.0	86.0	85.0	85.0
¥:€ (av)	137.1	145.9	161.2	151.9	130.5[a]	125.2	121.6	122.1	122.4	123.3

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Gross domestic product, at current market prices

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Expenditure on GDP (D trn at current market prices)										
GDP	839.2	974.3	1,143.7	1,477.7	1,648.4[a]	1,861.0	2,109.9	2,388.6	2,680.4	3,006.7
Private consumption	533.1	617.2	740.6	994.0	1,093.4	1,279.2	1,491.6	1,724.3	1,982.9	2,268.5
Government consumption	51.7	58.7	69.2	90.9	105.1	125.2	148.4	173.1	200.9	230.4
Gross fixed investment	275.8	324.9	437.7	532.0	606.7	740.9	873.7	981.3	1,146.7	1,301.1
Exports of goods & services	582.1	717.1	879.5	1,155.7	1,102.2	1,320.7	1,471.4	1,737.7	2,030.9	2,410.2
Imports of goods & services	617.2	761.5	1,060.8	1,400.1	1,361.4	1,663.1	1,935.3	2,289.8	2,743.0	3,263.5
Stockbuilding	22.7	33.7	55.6	75.8	82.0	38.0	40.0	42.0	42.0	40.0
Domestic demand	883.3	1,034.5	1,303.2	1,692.6	1,887.2	2,183.4	2,553.7	2,920.7	3,372.5	3,840.0
Expenditure on GDP (US$ bn at current market prices)										
GDP	52.9	61.0	71.1	89.9	92.6[a]	99.3	110.6	122.6	135.0	148.5
Private consumption	33.6	38.6	46.1	60.5	61.4	68.2	78.2	88.5	99.9	112.0
Government consumption	3.3	3.7	4.3	5.5	5.9	6.7	7.8	8.9	10.1	11.4
Gross fixed investment	17.4	20.3	27.2	32.4	34.1	39.5	45.8	50.4	57.8	64.3
Exports of goods & services	36.7	44.9	54.7	70.3	61.9	70.5	77.1	89.2	102.3	119.0
Imports of goods & services	38.9	47.7	66.0	85.2	76.5	88.7	101.5	117.6	138.2	161.2
Stockbuilding	1.4	2.1	3.5	4.6	4.6	2.0	2.1	2.2	2.1	2.0
Domestic demand	55.7	64.7	81.1	103.0	106.0	116.5	133.9	149.9	169.9	189.6
Economic structure (% of GDP at current market prices)										
Private consumption	63.5	63.3	64.8	67.3	66.3	68.7	70.7	72.2	74.0	75.4
Government consumption	6.2	6.0	6.1	6.2	6.4	6.7	7.0	7.2	7.5	7.7
Gross fixed investment	32.9	33.4	38.3	36.0	36.8	39.8	41.4	41.1	42.8	43.3
Exports of goods & services	69.4	73.6	76.9	78.2	66.9	71.0	69.7	72.8	75.8	80.2
Imports of goods & services	73.5	78.2	92.7	94.7	82.6	89.4	91.7	95.9	102.3	108.5
Memorandum items										
Oil production ('000 b/d)	398.0	367.0	340.0[b]	400.0[b]	415.0	435.0	440.0	445.0	450.0	450.0
National savings ratio (%)	34.5	36.5	33.4	29.2	31.2	31.3	33.7	34.6	36.7	37.7

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Gross domestic product, at constant prices

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Real expenditure on GDP (D trn at constant 1994 market prices)										
GDP[d]	393.0	425.4	461.3	489.8	515.8[a]	547.9	586.2	627.6	672.2	722.2
Private consumption	254.5	275.7	305.5	333.5	346.9	368.0	392.1	421.8	454.7	490.7
Government consumption	25.6	27.8	30.3	32.5	35.2	38.0	41.0	44.2	47.6	50.9
Gross fixed investment	133.1	146.3	181.7	188.6	192.4	204.3	219.1	236.6	256.0	279.3
Exports of goods & services	333.2	391.0[b]	451.7[b]	518.0[b]	486.9	521.1	571.0	631.6	703.2	786.5
Imports of goods & services	355.5	421.6[b]	538.3[b]	619.3[b]	584.7	627.3	677.5	738.5	822.3	919.3
Domestic demand	423.3	463.8	539.0	582.0	606.5	641.3	681.7	722.6	778.3	841.0
Real expenditure on GDP (% change)										
GDP	8.4	8.2	8.5	6.2	5.3[a]	6.2	7.0	7.1	7.1	7.4
Private consumption	7.3	8.3	10.8	9.2	4.0	6.1	6.6	7.6	7.8	7.9
Government consumption	7.9	8.8	8.9	7.5	8.2	8.0	7.8	7.8	7.7	7.0
Gross fixed investment	9.8	9.9	24.2	3.8	2.0	6.2	7.2	8.0	8.2	9.1
Exports of goods & services	20.5	17.3[b]	15.5[b]	14.7[b]	-6.0	7.0	9.6	10.6	11.3	11.8
Imports of goods & services	15.9	18.6[b]	27.7[b]	15.0[b]	-5.6	7.3	8.0	9.0	11.3	11.8
Domestic demand	8.6	9.6	16.2	8.0	4.2	5.7	6.3	6.0	7.7	8.1
Real contribution to GDP growth (%)										
Private consumption	4.8	5.4	7.0	6.1	2.7	4.1	4.4	5.1	5.2	5.4
Government consumption	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Gross fixed investment	3.3	3.4	8.3	1.5	0.8	2.3	2.7	3.0	3.1	3.5
External balance	2.2	-2.1[b]	-13.2[b]	-3.2[b]	0.7	-1.6	-0.1	-0.1	-1.9	-2.0

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts. [d] Components of GDP may not sum to total because of statistical discrepancy.

Gross domestic product by sector of origin

	2005[a]	2006[a]	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]	2012[b]	2013[b]	2014[b]
Origin of GDP (D trn at constant prices)										
GDP at factor cost	393.0	425.1	461.4	489.8	515.9	548.0	586.3	627.7	672.4	722.4
Agriculture	76.9	79.5	82.4	86.1	87.7	89.4	92.1	94.8	97.5	99.8
Industry	157.8	174.2	192.7	203.8	215.0	230.1	245.7	265.4	291.9	322.6
Services	158.3	171.4	186.3	200.0	213.2	228.5	248.5	267.6	282.9	299.9
Origin of GDP (real % change)										
Agriculture	4.0	3.4	3.7	4.4	1.8	2.0	3.0	2.9	2.9	2.4
Industry	10.7	10.4	10.6	5.7	5.5	7.0	6.8	8.0	10.0	10.5
Services	8.5	8.3	8.7	7.3	6.6	7.2	8.7	7.7	5.7	6.0
Origin of GDP (% of factor cost GDP)										
Agriculture	21.0	20.4	20.3	22.0	21.3	20.4	19.7	18.9	18.2	17.3
Industry	41.0	41.5	41.6	39.9	40.0	40.3	40.2	40.6	41.7	42.8
Services	38.0	38.1	38.1	38.1	38.7	39.3	40.1	40.5	40.2	39.9
Memorandum item										
Industrial production (% change)	12.1	17.7	17.0	14.6	7.6[c]	10.0	10.8	11.0	12.0	14.0

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Growth and productivity

	2005[a]	2006[a]	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]	2012[b]	2013[b]	2014[b]
Growth and productivity (%)										
Labour productivity growth	5.6	6.7	6.2	4.5	5.3	3.9	4.3	4.9	5.0	5.3
Total factor productivity growth	2.9	3.6	2.6	2.7	3.4	3.6	3.2	3.6	2.8	3.1
Growth of capital stock	10.9	10.7	12.9	11.3	9.8	9.2	8.9	8.8	8.7	8.8
Growth of potential GDP	8.4	10.1	8.4	8.1	8.0	8.0	7.4	7.7	6.7	6.9
Growth of real GDP	8.4[c]	8.2[c]	8.5[c]	6.2[c]	5.3[c]	6.2	7.0	7.1	7.1	7.4
Growth of real GDP per head	7.3[c]	7.1	7.4	5.1	4.3	5.2	6.0	6.0	6.1	6.4

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Economic structure, income and market size

	2005[a]	2006[b]	2007[b]	2008[b]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Population, income and market size										
Population (m)	83.5	84.4	85.3	86.1	87.0	87.8	88.7	89.5	90.4	91.3
GDP (US$ bn at market exchange rates)	52.9	61.0[a]	71.1[a]	89.9[a]	92.6[a]	99.3	110.6	122.6	135.0	148.5
GDP per head (US$ at market exchange rates)	630	720	830	1,040	1,060	1,130	1,250	1,370	1,490	1,630
Private consumption (US$ bn)	33.6	38.6[a]	46.1[a]	60.5[a]	61.4	68.2	78.2	88.5	99.9	112.0
Private consumption per head (US$)	400	460	540	700	710	780	880	990	1,110	1,230
GDP (US$ bn at purchasing power parity)	178.1[b]	199.0	222.0	240.8	256.2	274.9	297.5	324.0	354.6	390.4
GDP per head (US$ at purchasing power parity)	2,130[b]	2,360	2,600	2,800	2,950	3,130	3,360	3,620	3,920	4,280
Personal disposable income (D trn)	421.1	459.5	534.1	708.3	738.7	851.3	990.2	1,129.4	1,275.8	1,428.7
Personal disposable income (US$ bn)	26.6	28.8	33.2	43.1	41.5	45.4	51.9	58.0	64.3	70.6
Growth of real disposable income (%)	-1.1	2.1	7.3	7.9	-1.4	4.5	6.3	6.1	5.9	5.7
Memorandum items										
Share of world population (%)	1.30	1.30	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.28
Share of world GDP (% at market exchange rates)	0.12	0.13[a]	0.13[a]	0.15[a]	0.16[a]	0.16	0.17	0.18	0.18	0.19
Share of world GDP (% at purchasing power parity)	0.31[b]	0.32	0.33	0.35	0.37	0.38	0.39	0.40	0.41	0.43
Share of world exports of goods (%)	0.30	0.32[a]	0.34[a]	0.39[a]	0.45	0.46	0.49	0.52	0.56	0.59

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Fiscal indicators

	2005[a]	2006[a]	2007[a]	2008[b]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Fiscal indicators (% of GDP)										
Government expenditure	31.3	31.6	34.9	32.3	32.6	31.9	31.5	31.1	31.1	31.0
Government revenue	27.2	28.7	27.6	26.9	23.7	23.9	24.1	24.3	25.1	25.7
Budget balance	-4.1	-2.9	-7.3	-5.4	-9.0	-8.1	-7.4	-6.9	-6.0	-5.3
Government debt	44.0	45.9[b]	49.9[b]	48.8	52.1	54.2	54.3	54.0	53.3	52.1

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Monetary indicators

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Monetary indicators										
Exchange rate D:US$ (av)	15,859	15,981	16,078	16,440	17,800[a]	18,745	19,073	19,479	19,854	20,249
Exchange rate D:US$ (year-end)	15,916	16,055	16,010	17,433	18,472[a]	18,959	19,276	19,663	20,052	20,447
Exchange rate D:¥100 (av)	14,407	13,750	13,651	15,905	18,995	21,302	21,923	22,650	23,358	23,823
Exchange rate D:¥100 (year-end)	13,495	13,489	14,332	19,201	19,845	21,668	22,284	22,997	23,590	24,072
Real effective exchange rate (av), CPI-based	90.2	93.2	93.9	104.4	105.1	104.5	110.3	113.0	115.5	120.7
Real effective exchange rate (av), PPI-based	88.6[b]	89.8[b]	89.9[b]	97.2[b]	102.5	97.0	99.5	100.8	103.0	111.3
Purchasing power parity D:US$ (av)	4,713	4,895	5,151	6,137	6,433[a]	6,771	7,093	7,373	7,559	7,703
Money supply (M2) growth (%)	30.9	29.7	49.1	20.7	36.1	32.3	31.7	28.4	25.9	24.2
Domestic credit growth (%)	34.9	22.9	49.8	27.6	45.6	29.9	28.3	26.9	26.0	24.3
Commercial banks' prime rate (av; %)	11.0	11.2	11.2	15.8	10.4	13.8	13.5	13.5	11.1	10.5
Deposit rate (av; %)	7.1	7.6	7.5	12.7	8.2	10.6	10.5	10.5	9.4	8.0
Money market rate (av; %)	5.0	6.5	6.5	10.3	7.5	9.5	9.0	9.0	7.6	7.3

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Employment, wages and prices

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
The labour market										
Labour force (m)	43.6	45.5	46.4[b]	47.4[b]	48.3	49.2	50.0	50.8	51.4	52.1
Labour force (% change)	2.6	4.3	2.0[b]	2.2[b]	1.8	1.8	1.7	1.6	1.3	1.2
Price inflation (%)										
Consumer prices (av)	8.3	7.4	8.3	23.1	6.9[a]	10.3	9.9	8.2	7.8	7.2
Consumer prices (year-end)	8.7	6.6	12.6	21.6	6.5[a]	13.3	6.8	8.2	7.8	7.2
GDP deflator (av)	8.2	7.3	8.2	21.7	5.9	6.3	6.0	5.7	4.8	4.4
Private consumption deflator (av)	6.8	6.8	8.3	22.9	5.8	10.3	9.4	7.5	6.7	6.0
Government consumption deflator (av)	4.7	4.5	8.3	22.1	6.9	10.3	9.9	8.2	7.8	7.2
Fixed investment deflator (av)	5.7	7.2	8.5	17.0	11.8	15.0	10.0	4.0	8.0	4.0

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Current account and terms of trade

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Current account (US$ bn)										
Current-account balance	-0.6	-0.2	-7.0	-10.7	-9.8	-10.5	-10.6	-10.2	-10.3	-10.2
Current-account balance (% of GDP)	-1.1	-0.3	-9.8	-11.9	-10.5	-10.6	-9.6	-8.3	-7.6	-6.9
Goods: exports fob	32.4	39.8	48.6	62.7	56.6	65.1	74.0	86.3	100.4	117.1
Goods: imports fob	-34.9	-42.6	-59.0	-75.5	-68.8	-78.4	-86.7	-97.2	-110.9	-126.9
Trade balance	-2.4	-2.8	-10.4	-12.8	-12.2	-13.3	-12.7	-11.0	-10.5	-9.8
Services: credit	4.2	5.1	6.0	7.1	6.2	6.9	7.8	8.7	9.8	10.9
Services: debit	-4.5	-5.1	-6.8	-7.9	-7.0	-7.9	-8.8	-9.9	-11.1	-12.3
Services balance	-0.3	0.0	-0.8	-0.8	-0.8	-1.0	-1.0	-1.2	-1.3	-1.4
Income: credit	0.4	0.7	1.2	1.4	1.0	1.4	1.7	1.9	2.3	2.7
Income: debit	-1.6	-2.1	-3.4	-5.8	-4.0	-4.3	-5.7	-7.2	-8.2	-9.4
Income balance	-1.2	-1.4	-2.2	-4.4	-3.0	-2.9	-4.0	-5.3	-5.9	-6.7
Current transfers balance	3.4	4.0	6.4	7.3	6.2	6.7	7.1	7.3	7.3	7.6
Terms of trade										
Export price index (US$-based; 2005=100)	100.0[b]	117.5[b]	119.1[b]	135.0[b]	124.7	133.1	130.3	135.8	139.0	144.2
Export prices (% change)	2.0[b]	17.5[b]	1.4[b]	13.3[b]	-7.6	6.7	-2.0	4.2	2.3	3.8
Import price index (US$-based; 2005=100)	100.0[b]	105.9[b]	112.3[b]	128.9[b]	121.8	132.3	139.7	148.5	156.7	163.3
Import prices (% change)	0.8[b]	5.9[b]	6.1[b]	14.8[b]	-5.6	8.7	5.5	6.3	5.5	4.2
Terms of trade (2005=100)	100.0[b]	111.0[b]	106.1[b]	104.7[b]	102.4	100.6	93.3	91.5	88.7	88.3
Memorandum item										
Export market growth (%)	10.1[b]	9.0[b]	5.9[b]	4.3[b]	-13.3	7.6	5.3	6.0	6.7	6.3

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Foreign direct investment

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Foreign direct investment (US$ bn)										
Inward direct investment	1.95	2.40	6.70	9.58	7.25	8.50	9.30	10.80	12.50	14.00
Inward direct investment (% of GDP)	3.7	3.9	9.4	10.7	7.8	8.6	8.4	8.8	9.3	9.4
Inward direct investment (% of gross fixed investment)	11.2	11.8	24.6	29.6	21.3	21.5	20.3	21.4	21.6	21.8
Net foreign direct investment	1.89	2.32	6.52	9.28	7.18	8.42	9.21	10.69	12.36	13.86
Stock of inward direct investment	23.6	26.0	32.7	42.3	49.6	58.1	67.4	78.2	90.7	104.7
Stock of inward direct investment per head (US$)	283.0	308.5	384.0	491.4	570.0	661.3	759.8	873.2	1003.1	1147.0
Stock of inward direct investment (% of GDP)	44.7	42.7	46.0	47.1	53.5	58.5	60.9	63.7	67.2	70.5
Memorandum items										
Share of world inward direct investment flows (%)	0.21	0.19	0.35	0.63	0.81	0.78	0.74	0.77	0.81	0.91
Share of world inward direct investment stock (%)	0.25	0.22	0.22	0.29	0.32	0.35	0.38	0.41	0.44	0.47

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

External debt

	2005[a]	2006[a]	2007[a]	2008[b]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
External debt										
Total external debt (US$ bn)	19.2	20.2	24.2	25.9	26.6	33.3	37.5	41.7	44.4	47.2
Total external debt (% of GDP)	36.3	33.1	34.1	28.8	28.7	33.5	33.9	34.0	32.9	31.8
Debt/exports ratio (%)	46.9	40.1	39.5	33.4	38.5	42.0	41.8	40.4	37.4	34.4
Debt-service ratio, paid (%)	2.3	1.8	2.1	1.6	1.6	1.5	1.6	1.6	1.6	1.5

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data sources and definitions

The sources for global and domestic date refer to historical data. The source for all forecast data, unless otherwise stated, is the Economist Intelligence Unit

Global data

US & OECD GDP growth: OECD
World trade growth: Economist Intelligence Unit aggregate
US and OECD inflation: OECD
Oil prices: dated Brent Blend

Domestic data

GDP data: GSO, *Statistical Yearbook*
GDP by expenditure: Economist Intelligence Unit estimates, based on current-price data from the GSO. Components do not sum, owing to statistical discrepancy
Data for the expenditure components of GDP are available in current prices only. We have deflated these data to derive estimates for changes in the components of GDP in real terms, consistent with the published data for the overall rate of GDP growth. These estimates are therefore subject to a wide margin of error
US$ GDP: GSO, converted from current prices at annual average exchange rates
Foreign direct investment: IMF, *IFS*; UNCTAD, *World Investment Report*
Population and growth: GSO
GDP per head: US$ GDP divided by population
Inflation: IMF, *IFS*
Exchange rates: IMF, *IFS*
Money supply: IMF, *IFS*
Balance of payments: IMF, *IFS*
External debt: World Bank, *Global Development Finance*
Debt-service ratio: total debt service as a proportion of earnings from exports of goods and services

Abbreviations

GSO: General Statistics Office
IFS: *International Financial Statistics*
UNCTAD: UN Conference on Trade and Development