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Executive summary

Highlights

January 2011

Outlook for 2011-15

- The 11th national congress of the Communist Party of Vietnam (CPV) taking place in mid-January 2011 will usher in a new generation of leaders, but there will be no changes to the party's central tenets espousing one-party rule.
- Policymakers will face stiff challenges in the early part of the forecast period in terms of striking a balance between stimulating the economy and containing inflationary pressures.
- Real GDP growth in Vietnam is expected to average around 7% a year in 2011-15, underpinned by strong growth in consumption, investment and exports. However, this forecast is subject to downside risks.
- Consumer price inflation will accelerate to a rate of 10.8% in 2011, from 9.2% in 2010, before slowing to an average of 7.3% a year in the forecast period.
- Policymakers are likely to face an ongoing battle to keep the dong stable against the US dollar. The Economist Intelligence Unit forecasts that the dong will depreciate from D19,127:US\$1 in 2010 to around D21,270:US\$1 in 2015.
- The current account will remain in deficit over the next five years, but capital and financial inflows (including official foreign borrowing) will increase from the low levels reached in 2009.

Monthly review

- Reports have emerged that the CPV's Central Committee, which recently met to finalise the agenda for the congress, have decided that the prime minister, Nguyen Tan Dung, will remain in his post for a second five-year term.
- Vietnam's treatment of religious minorities is gaining greater attention in the US, where the House of Representatives (the lower house) has recommended that Vietnam be included on a US religious freedoms blacklist.
- A large state-owned enterprise (SOE), Vietnam Shipbuilding Industry Group (Vinashin), has defaulted on a US\$600m international syndicated loan.
- Finding positives from the Vinashin debt debacle, the government is hopeful that Vinashin's default can be used to accelerate an overhaul of the way other SOEs are run.
- Although continuing to receive strong support from foreign donors, the government is coming under greater pressure to tackle a host of economic problems, most notably that of accelerating inflation.
- Despite Vietnam's ongoing inflation problems and the prospect of further devaluations in the dong, the country's economy did manage to record another year of substantial growth, expanding by 6.8% in 2010.

Outlook for 2011-15

Political outlook

Political stability

The ruling Communist Party of Vietnam (CPV) will maintain a firm grip on power in the next five years, and, despite signs of factional splits between conservative hardliners and reformers in the lead up to the party's mid-January 11th national congress, there is no prospect of any major internal instability. Indeed, the party's central tenets will remain unchanged, and it will continue to espouse one-party rule. The congress provides a chance for different factions to stake a claim to greater influence, and the 11th party conclave will be watched particularly closely for developments relating to the key leadership posts. The congress is expected to select a new CPV secretary-general, as the incumbent, Nong Duc Manh, has already served two five-year terms. Mr Manh's likely successor is Nguyen Phu Trong, currently chairman of the National Assembly (NA, the legislature). Under Mr Trong's stewardship the assembly has continued to grow in influence, a trend set by Mr Manh when he held the post of assembly chairman in the 1990s. The current president, Nguyen Minh Triet, is also expected to retire during the congress, and his likely successor is Truong Tan Sang, the head of the CPV secretariat. Although the presidency is largely a ceremonial position, Mr Sang is regarded as being a highly influential member of the party's conservative bloc, and in the recent past he has argued that the press should be an ideological weapon and a voice of the party.

In recent months there has been much speculation over whether the beleaguered prime minister, Nguyen Tan Dung, would keep his post for another five-year term. Mr Dung's reputation has been damaged by the near collapse of one of the largest state-owned enterprises (SOE), the Vietnam Shipbuilding Industry Group (Vinashin), and his political opponents have appeared bent on using the Vinashin debacle as a way to reduce his political power. However, the CPV Central Committee met in mid-December to set the agenda for the congress, and it appears to have decided to continue to endorse Mr Dung. (Mr Dung's formal appointment is to be made by the new legislature following elections for that body in May.) The prime minister may thus have secured a reprieve, but at the cost of a significant reduction in his authority. Conservatives will demand greater control over the policy agenda, even though Mr Dung's pro-growth economic policies—the continuation of which had also been in doubt—now look likely to be maintained despite mounting concerns over inflation.

Although there is still a high degree of political apathy in Vietnam, in the next few years the CPV could face stronger objections to its long-standing claim that it has the right to govern unchallenged. Its legitimacy and its defence of the virtues of the one-party state are being questioned (mainly in Internet forums), especially in relation to endemic corruption, environmental degradation and deeply felt grievances relating to land seizures. Reflecting such threats, the leadership will remain anxious about the activities of political dissidents and will not hesitate to take harsh steps to suppress opposition activism. The

authorities will continue to act to prevent opposition groups from building a geographically diverse following or coalescing into a broad opposition movement that is widely supported by the general population. The regime's crack-down on activists who advocate genuine democratic reform is likely to intensify, particularly ahead of the CPV congress.

Protests over land seizures are likely to become more common in the forecast period. The fast pace of industrial development in Vietnam has entailed the increasingly rapid construction of factories, plants and large infrastructure projects, such as roads and dams, throughout the country. As a result, the number of displaced residents has risen, and some have been vocal about what they perceive as inadequate government compensation for the loss of their land. Meanwhile, corruption in local bureaucracies occasionally results in the embezzlement of funds earmarked to compensate people evicted from their land, leaving them dispossessed and with inadequate resources to rebuild their livelihoods. Public anger over such issues will intensify unless the authorities take action to punish corrupt local officials.

Tensions between the authorities and religious and ethnic-minority groups could come to the fore again in the next five years, with the state taking a harder line against minorities. The CPV tolerates religious activity as long as it does not pose a threat to the regime, although there have been flashpoints recently in the party's dealings with the Roman Catholic church. The party has warned that "social disorder" arising from land disputes over religious property will be strictly punished. The confiscation of property belonging to the Catholic church between the 1950s and 1970s remains a sore point in relations between the Vietnamese government, the local church and the Vatican. There are 6m Catholics in Vietnam, making the Catholic church the largest organisation in the country outside the orbit of the CPV. The party leadership will also remain concerned about the potential for social unrest in the Central Highlands. The area is largely populated by ethnic-minority groups, and, owing to the fact that party membership is not common there, official control in the region is relatively weak.

Election watch

Vietnam is a one-party communist state, and elections do not play a major role in its political life. Appointments to CPV posts take place behind closed doors, with votes conducted merely to confirm decisions that have already been made. NA delegates are chosen by popular vote, and the next such election is scheduled for May 2011. However, candidates are closely vetted by the Vietnam Fatherland Front, a CPV-controlled umbrella body that includes all of the country's "mass organisations", and only those deemed suitable are allowed to stand. The same is true of elections for members of the People's Councils, the local organs of state power that operate at the commune, district and provincial levels.

International relations

Vietnam will continue to make strides in strengthening its ties with the West, particularly with the US. Vietnamese-US diplomatic ties have been bolstered by high-level exchanges in recent years, and the economic relationship between the two countries has developed rapidly. Military links have also become dramatically closer, as highlighted by joint military exercises in the South China

Sea in August 2010. Despite these positive trends, US concerns over human rights and religious freedom in Vietnam will remain a source of bilateral tensions. However, such stress will not cause anything more serious than the occasional diplomatic spat. The US views Vietnam as an important ally in Asia, while Vietnam has both an economic and a security interest in maintaining close ties with the US. Although keen to become closer to the US, the current leadership in Vietnam will also seek to maintain strong relations with China. However, the two foreign policy objectives could prove difficult to balance.

The most significant unresolved issue between Vietnam and China concerns competing claims to the Spratly and Paracel islands in the South China Sea, particularly in view of China's increasingly assertive approach to matters of sovereignty. In addition to claims by Vietnam and China of full sovereignty over the islands, the Philippines, Brunei, Malaysia and Taiwan have also made full or partial claims. The dispute is unlikely to be resolved within the next five years, but all the claimants have signed the Declaration on the Code of Conduct in the East (South China) Sea, which was initiated by the Association of South-East Asian Nations (ASEAN) and commits signatories to "resolving all disputes through peaceful negotiations in accordance with international laws and practices". However, the disputed area is becoming increasingly important strategically, as it is believed to contain oil and gas deposits and is also an important shipping route. The US government has been pushing for a multilateral solution to maritime border disputes in the area, and this has angered China. With the support of the US, smaller nations, such as Vietnam (where mistrust of Chinese motives runs deep), could be encouraged to band together to resist China's overtures and its rapidly growing military might.

Economic policy outlook

Policy trends Policymakers will face stiff challenges in the early part of the forecast period, in terms of the need to strike a balance between stimulating the economy through expansionary fiscal measures and an accommodative monetary stance on the one hand and containing inflationary pressures on the other. Despite recent monetary tightening in the form of a 100-basis-point increase by the State Bank of Vietnam (SBV, the central bank) in its main policy interest rate, the base rate, policy is likely to remain biased in favour of rapid economic growth rather than price stability. Although the authorities will remain concerned about the threat of rising inflation, they will not take a coherent and consistent approach to tightening policy in order to keep prices stable, and instead appear willing to take more controversial steps, such as the use of price controls on private and foreign businesses. If implemented, such drastic measures would undermine confidence in economic management in Vietnam. They would also indicate that those in the government who favour a more liberal approach to economic policymaking have been sidelined by others who want to expand the state's involvement in the management of the economy.

In focus

Vietnam's troubles mount as SOE defaults and credit ratings worsen

Vietnam's reputation as one of the most vibrant emerging markets is quickly being undermined by macroeconomic instability and serious financial troubles at one of the country's large state-owned enterprises (SOEs), the Vietnam Shipbuilding Industry Group (Vinashin). In late December Vinashin defaulted on the first scheduled repayment of an eight-year US\$600m international syndicated loan that was arranged in 2007. Vinashin had asked its creditors for a postponement of the first scheduled principal repayment of US\$60m, to no avail, and the government decided against providing Vinashin with any direct financial assistance to meet its debt repayment obligations. Vinashin's debt-driven expansion plans were a central part of the government's tactics to create a series of powerful state-owned conglomerates to guide the development of Vietnam's economy. At first Vinashin was successful, and its core business grew rapidly with the firm amassing stacks of foreign orders. However, during the global economic crisis the firm's order book shrank, and in mid-2010 it was on the brink of collapse with US\$4.4bn in debts and a discredited management team, several of whom, including its former chairman and chief executive officer, Pham Thanh Binh, were arrested for allegedly masking the extent of the firm's financial problems and violating government management rules.

The Vinashin debt debacle has come at a time of growing concerns over the sustainability of Vietnam's current pro-growth policy agenda. Inflation has returned to double digits, the dong remains under downward pressure, and the merchandise trade deficit remains worryingly wide. Citing concerns over an external payments crisis, in part owing to the sharp fall in the past year or so in Vietnam's foreign-exchange reserves, Moody's Investors Service, an international ratings agency, downgraded Vietnam's sovereign debt rating on December 15th to BB- from BB. This was followed a week later by a downgrade by another ratings agency, Standard & Poor's, which lowered Vietnam's long-term foreign-currency sovereign credit rating to B1 from Ba3, stating that it was concerned that the banking sector had become more vulnerable to shocks. In July last year a US-based credit-rating agency, Fitch, downgraded Vietnam's sovereign debt rating, citing concerns over contradictory economic policymaking.

The downgrades and the damage to investor confidence from the current macroeconomic woes are likely to make it more difficult and more expensive for the government and SOEs to raise funds by issuing international debt. The government raised US\$1bn through an international sovereign bond issue in January 2010, but this was already at a premium. The state-owned Vietnam National Coal and Mineral Industries Holding Corp (Vinacomin) had planned to raise up to US\$500m in a ten-year, US dollar-denominated bond issue in November 2010, but this was abruptly postponed, and its international credit rating was subsequently cut owing to concerns that government support might not be forthcoming should the company suffer financial distress. In early January, the state-owned PetroVietnam Group revealed that it had halted its plan to raise US\$1bn in an international debt issue in the fourth quarter of 2010.

Fiscal policy The government will maintain a fairly loose fiscal policy stance in the next five years. Calming worries over the government's fiscal health, government revenue grew sharply in 2010, contributing to an estimated budget deficit in that year equivalent to 5.9% of GDP, a slight improvement from the deficit of 6.2% posted in 2009. Although the deficit will decrease steadily during the remainder of the forecast period, it will remain above 5% of GDP, with spending on infrastructure and social welfare programmes remaining high—the IMF has voiced serious doubts as to whether a planned reduction in investment spending will be achieved. Government revenue will continue to be supported to some extent by strong economic growth and by generally higher global prices for crude oil (as the Vietnamese government derives substantial tax revenue and royalties from the oil and gas sector). However, the need for the government to rein in the fiscal deficit and avoid financing problems has become more apparent given that outstanding public debt is estimated to have reached nearly 57% of annual GDP at the end of 2010.

Monetary policy The SBV will continue to adjust policy on an ad hoc basis, and policymaking will remain inconsistent. The main objective of the SBV's approach will be to ensure that the cost of financing does not undermine economic growth. Although continuing to adjust its main policy interest rate, the base rate, as it did in November 2010 by raising it by 100 basis points to 9%, the central bank no longer has a clearly identified policy tool that can effect changes in monetary policy—in early 2010 the SBV removed the cap on commercial bank lending rates, which were previously limited to 1.5 times the base rate. However, in December the SBV decided to introduce a cap on deposit rates with the intention of stabilising the money markets. Although seemingly favouring such direct tools, the SBV may also utilise other instruments, such as changes in reserve requirements, in order to control the pace of growth in domestic credit and contain inflationary pressures.

Economic forecast

International assumptions

	2010	2011	2012	2013	2014	2015
Economic growth (%)						
US GDP	2.7	2.2	2.1	2.3	2.2	2.5
OECD GDP	2.7	1.8	2.0	2.2	2.2	2.1
World GDP	3.6	2.7	2.9	3.0	3.0	3.1
World trade	12.4	5.9	6.3	6.7	6.7	6.3
Inflation indicators (% unless otherwise indicated)						
US CPI	1.5	1.0	1.9	2.5	2.8	2.8
OECD CPI	1.3	1.1	1.7	2.0	2.1	2.3
Manufactures (measured in US\$)	3.2	0.7	0.2	1.8	1.2	1.8
Oil (Brent; US\$/b)	80.0	82.0	81.3	78.3	75.5	71.0
Non-oil commodities (measured in US\$)	23.2	9.5	-4.4	-4.0	1.5	0.1
Financial variables						
US\$ 3-month commercial paper rate (av; %)	0.2	0.3	0.7	2.2	4.1	5.1
¥ 3-month money market rate (av; %)	0.4	0.2	0.3	0.9	1.3	1.9
¥:US\$ (av)	87.99	82.41	82.39	81.00	82.13	83.50

Economic growth

Economic growth in Vietnam is expected to average just over 7% a year in 2011-15, underpinned by strong growth in consumption, investment and exports. Private consumption growth will be driven by an improvement in the labour market and a consequent increase in real wages. As demand for Vietnamese goods strengthens in line with improving economic conditions globally, the manufacturing sector is expected to ramp up production. This will require more workers, and this stronger demand for labour will in turn encourage growth in wages. In addition, remittances from overseas Vietnamese will remain high, while the development of the financial services industry will make consumer credit more easily available, thus providing an important boost to private consumption. As the demand for exports revives, investment in the form of purchases of capital goods for the manufacturing sector will pick up. Despite concerns about the quality of Vietnam's business environment, investor interest in the country will remain strong. After falling in 2009, foreign direct investment has picked up in recent quarters and will continue to rise throughout 2011-15. Although demand for Vietnamese goods—particularly in the US, China and Europe—will remain fairly strong, import expansion will also be significant, and net exports will consequently act as a drag on real GDP growth during the forecast period.

The Economist Intelligence Unit's economic growth forecast is subject to downside risks. On the domestic front, if the government fails to adopt a clear macroeconomic policy agenda that gives sufficient attention to economic stabilisation, there are concerns that rising inflation and downward pressure on the dong could force the authorities to adopt drastic measures that would have a highly disruptive impact. On the international front, there is a risk that the global economic recovery will be weaker than we currently expect. Not only would this damage exports, but it would also have a knock-on effect on consumer and business spending in Vietnam, inhibiting economic growth.

Economic growth

%	2010 ^a	2011 ^b	2012 ^b	2013 ^b	2014 ^b	2015 ^b
GDP	6.8 ^c	6.9	7.1	7.2	7.2	7.3
Private consumption	6.8	5.5	7.7	7.2	7.5	7.5
Government consumption	8.0	7.8	7.8	7.7	7.0	7.0
Gross fixed investment	8.5	8.0	8.0	8.2	9.1	9.0
Exports of goods & services	14.8	12.6	12.9	12.3	12.4	12.6
Imports of goods & services	17.0	11.0	10.6	11.3	11.7	11.9
Domestic demand	8.8	6.1	6.1	7.4	7.8	7.8
Agriculture	2.8 ^c	3.5	3.4	3.2	3.1	3.3
Industry	7.7 ^c	7.0	8.0	9.0	9.0	9.0
Services	7.5 ^c	8.1	7.6	6.9	6.8	6.9

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

Inflation

Year-on-year consumer price inflation will accelerate to 10.8% in 2011, from 9.2% in 2010, before slowing to an average rate of 7.3% a year in 2012-15. Vietnam will continue to be vulnerable to movements in international commodity prices. Global fuel prices will remain at a relatively high level throughout the forecast period. Strong demand-side pressures and the depreciation of the dong against the US dollar—which will make imports more expensive—will also push up the

overall price level. Assuming that the authorities maintain their policy bias towards supporting growth, by making credit cheaper and encouraging banks to lend, rather than stabilising prices, we forecast that the stock of domestic credit will rise by an average rate of around 20% a year in 2011-15.

Exchange rates Maintaining stability in the exchange rate between the dong and the US dollar will remain a challenge for policymakers, and we forecast that the dong will depreciate from an average of D19,127:US\$1 in 2010 to nearly D21,270:US\$1 in 2015. The SBV has devalued the dong on three occasions in the past year or so, in November 2009 and February and August 2010; the devaluations resulted in a cumulative drop of over 7% in the currency's value against the dollar. However, until there are clear signs that the trade deficit is narrowing and inflationary pressures are receding, it is unlikely that downward pressure on the dong will ease. In the next few years the SBV may try to engineer a controlled, gradual fall in the value of the local currency, but it will probably have to opt for further devaluations, a widening of the currency's trading band, or both. This will partly reflect the fact that Vietnam's meagre foreign-exchange reserves mean that the central bank will not be able to support the exchange rate in the event of strong downward pressure on the dong. According to the latest available data from the IMF, foreign-exchange reserves fell to US\$14.1bn (the equivalent of about eight weeks of imports) in September, from a high of US\$26.4bn in March 2008. The perceived instability of the currency also influences the willingness of Vietnamese to hold dong—the country's residents tend to dump the local currency in favour of gold and US dollars when domestic inflation rises and downward pressure on the dong increases.

External sector The current account will remain in deficit during the next five years. Despite a recovery in exports, the release of pent-up demand for imports and an acceleration in consumption and investment growth will mean that the merchandise trade deficit remains worryingly wide. In addition to the deficit on the merchandise trade account, the services and income accounts will also stay in the red throughout 2011-15. Tourism receipts are expected to rise steadily in the forecast period, boosting services exports. However, Vietnam will remain reliant on a host of imported services, and there will be particularly strong growth in payments for trade-related services. Outflows on the income account will also continue to rise in line with the repatriation of profits by the growing number of foreign-invested enterprises in the country. But the combined deficit on the services and income accounts will continue to be offset by a large surplus on the current transfers account. Capital and financial inflows (including official foreign borrowing) will increase from the low levels reached in 2009. The country's international reserves position will therefore improve, having deteriorated in 2009 and early 2010.

Forecast summary

(% unless otherwise indicated)

	2010 ^a	2011 ^b	2012 ^b	2013 ^b	2014 ^b	2015 ^b
Real GDP growth	6.8	6.9	7.1	7.2	7.2	7.3
Industrial production growth	14.0	14.0	15.5	15.5	15.0	15.0
Gross agricultural production growth	2.8	3.5	3.4	3.2	3.1	3.3
Consumer price inflation (av)	9.2	10.8	7.7	7.8	7.5	6.1
Consumer price inflation (end-period)	11.8	7.6	7.5	7.8	7.5	6.2
Lending rate	13.6 ^c	14.3	13.3	12.5	11.5	11.5
Government balance (% of GDP)	-5.9 ^c	-5.5	-5.3	-5.4	-5.3	-5.1
Exports of goods fob (US\$ bn)	70.9 ^c	82.9	94.6	107.6	123.4	142.9
Imports of goods fob (US\$ bn)	78.5 ^c	91.9	104.4	118.8	136.4	156.7
Current-account balance (US\$ bn)	-5.5 ^c	-6.8	-7.1	-7.7	-7.6	-8.3
Current-account balance (% of GDP)	-5.3 ^c	-6.0	-5.6	-5.5	-4.8	-4.8
External debt (end-period; US\$ bn)	33.3 ^c	37.3	41.4	46.7	52.5	58.5
Exchange rate D:US\$ (av)	19,127	19,615	20,032	20,418	20,825	21,267
Exchange rate D:US\$ (end-period)	19,498	19,824	20,221	20,621	21,046	21,489
Exchange rate D:¥100 (av)	21,677	22,353	23,092	23,742	24,215	24,917
Exchange rate D:€ (end-period)	23,982	22,896	23,153	23,508	24,070	24,725

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

Monthly review: January 2011

The political scene

Mr Dung appears set to keep his post as prime minister

Vietnam's political elite has been gearing up for the 11th national congress of the ruling Communist Party of Vietnam (CPV), which takes place on January 12th-19th. The build up to five-yearly congress, which typically ushers in a new leadership and sets the policy agenda for the next five years, has featured a great deal of factional jostling between conservatives and reformers within the party. However, neither side appears to have emerged with a decisive advantage. Political tensions have calmed since mid-December 2010, when reports emerged that the CPV's Central Committee, which met to finalise the agenda for the congress, had decided that the prime minister, Nguyen Tan Dung, would remain in his post for a second five-year term. Prior to this, it had appeared that the post of prime minister might be up for grabs, as Mr Dung has come under intense pressure over his handling of Vietnam's economic problems and, in particular, the ballooning debt problem at a large state-owned enterprise (SOE), Vietnam Shipbuilding Industry Group (Vinashin).

Mr Dung's opponents blame him for the return of high inflation rates, which hit nearly 12% in December 2010, as well as the debacle at Vinashin. In November Mr Dung acknowledged his own failings in the Vinashin situation in a televised session of the National Assembly (the legislature). By saying that he and other top officials had failed to spot and remedy the problems that nearly led the company to collapse with US\$4.4bn in debts, Mr Dung appeared to be trying to deflect rising criticism over his role in the affair. Among other things, Mr Dung has strong personal ties to Pham Thanh Binh, Vinashin's former chairman and chief executive, who was arrested in August for allegedly masking the extent of the company's financial problems and for violating government rules pertaining to the management of SOEs.

In the end, Mr Dung's *mea culpa* appears to have been sufficient to outflank his critics and enable him to remain the prime minister—an outcome that will only be confirmed when the 13th National Assembly convenes for the first time following elections in May. According to reports of decisions made during the mid-December meeting of the CPV's Central Committee, the National Assembly's current chairman, Nguyen Phu Trong, was nominated to become the party's general secretary, taking over from Nong Duc Manh, who is set to retire after a decade at the helm of the party. The Central Committee is also reported to have recommended that Truong Tan Sang, currently the head of the CPV secretariat, serve in the largely ceremonial role of president after the incumbent, Nguyen Minh Triet, retires this year.

Although Mr Dung has faced heavy pressure over the past few months, there were some doubts that Vietnam's leaders would take the potentially embarrassing move of removing the leader of the government, especially one who was touted as being as reform-minded as Mr Dung. Perhaps the bigger test is whether Vietnam's leadership has the capacity to modernise its management practices and better equip the country to tackle the ebbs and flows of a quick-

moving, increasingly globalised economy. In public, Mr Dung and senior officials at the State Bank of Vietnam (SBV, the central bank) state that they are now moving towards taking a more aggressive stance against Vietnam's persistent inflationary problems. In December 2010, both Mr Dung and the central bank governor, Nguyen Van Giau, said that they aimed to cap inflation at 7% in 2011 and will use interest rates and foreign-exchange rates to help achieve that goal. The problem, however, is that by adopting an inflation-targeting policy model, the government will, in effect, be devolving some power to the financial markets and this does not sit well with some conservatives in the Central Committee.

Concerns rise in the US over religious freedom in Vietnam

Vietnam's treatment of religious minorities is gaining greater attention in the US, where, in December, the House of Representatives (the lower house) recommended that Vietnam be included on a US blacklist of countries that severely violate religious freedoms. A Republican representative, Ed Royce, said that if Vietnam wanted to have a strong relationship with the US it would have to honour its citizens' basic rights, including religious liberty. Tensions heightened in early January, when the US government lodged an official complaint with the local authorities after a US diplomat was physically manhandled by police when trying to meet a prominent dissident Catholic priest, Thadeus Nguyen Van Ly. Mr Ly was released from detention in March 2010, three years into an eight-year sentence for spreading anti-government propaganda. He is reported to have stated that he believed that he was released early because he had a brain tumour and had suffered three strokes while in custody, adding that Vietnam's authorities did not want to be criticised if he died behind bars.

Although Vietnam tolerates Catholicism and some forms of Buddhism, the CPV is hostile to various forms of Protestantism, especially those practised in the Central Highland region, home to many of the country's ethnic minorities and also rich in mineral deposits. The country's leaders have long feared that an evangelical movement among ethnic groups in the region could jeopardise the extraction of resources from the area. It is possible that international concerns over repression of ethnic and religious minorities in Vietnam could undermine the country's ambitions to join new regional trade groups, such as the Trans-Pacific Partnership, a fledgling group promoted by the US as a way to expand trade across the Asia-Pacific region.

Democracy index: Vietnam

The Economist Intelligence Unit's 2010 Democracy index ranks Vietnam 140th out of 167 countries surveyed, putting it among the 55 countries considered "authoritarian regimes". This designation includes neighbouring states such as China, Laos, Nepal, Myanmar and North Korea. With an overall score of just 2.94, Vietnam is significantly shy of the score needed to be categorised as a "hybrid regime".

Democracy index

	Regime type	Overall score	Overall rank
2010	Authoritarian	2.94 out of 10	140 out of 167
2008	Authoritarian	2.53 out of 10	149 out of 167

Vietnam scores very poorly on some elements of the democracy index

Vietnam's relatively poor score owes much to its extremely low scores in the *electoral process and pluralism* and *civil liberties* categories. Its scores in these categories reflect the fact that it is a one-party state: the Communist Party of Vietnam has a firm grip on power, and resists major political reform while maintaining a tough line on dissent. Vietnam also scores poorly in the *political participation* category, owing in part to the low political participation rates of ethnic minorities. In the *functioning of government* and *political culture* categories, however, Vietnam fares much better. With regard to *functioning of government*, this is largely a reflection of the fact that the public's confidence in the government and the party, although waning, is still generally high. In addition, neither foreign powers nor special economic, religious or other powerful domestic groups exercise significant political power in the country. For *political culture*, Vietnam scores well in part because there is enough social consensus and cohesion to underpin a stable, functioning government. Moreover, there is a strong tradition of separation of religion and state.

The government's grip on power will remain strong

Although the general populace has yet to show any genuine appetite for major political change, the party will face difficulties in maintaining social stability in the coming years. The government currently faces a severe test of its ability to stabilise the economy, and high inflation could prompt some small-scale displays of public angst. Protests over land seizures may also become a more common feature of the political landscape. The government's grip on power will nevertheless remain strong, and forces pushing for meaningful democratic reform will stay subdued.

Democracy index, 2010, by category

(on a scale of 0 to 10)

Electoral process	Functioning of government	Political participation	Political culture	Civil liberties
0.00	4.29	3.33	5.63	1.47

Democracy index 2010: *Democracy in retreat*, a free white paper containing the full index and detailed methodology, can be downloaded from www.eiu.com/DemocracyIndex2010.

Note on methodology

There is no consensus on how to measure democracy, and definitions of democracy are contested. Having free and fair competitive elections, and satisfying related aspects of political freedom, are the sine qua non of all definitions. However, the Economist Intelligence Unit's index is based on the view that measures of democracy that reflect the state of *political freedom* and *civil liberties* are not "thick" enough: they do not encompass sufficiently some crucial features that determine the quality and substance of democracy. Thus, our index also includes measures of *political participation*, *political culture* and *functioning of government*—factors that are, at best, marginalised by other measures.

Our Democracy index covers 167 countries and territories. The index, on a 0 to 10 scale, is based on the ratings for 60 indicators grouped in five categories: *electoral process and pluralism*; *civil liberties*; *functioning of government*; *political participation*; and *political culture*. The five categories are interrelated, and form a coherent conceptual whole. Each category is assigned a rating on a 0 to 10 scale, and the overall index of democracy is the simple average of the five category indices. The category indices are based on the sum of the indicator scores in the category, converted to a 0 to 10 scale. Adjustments to the category scores are made if countries fall short in the following critical areas for democracy:

- whether national elections are free and fair;
- the security of voters;
- the influence of foreign powers on government; and
- the capacity of the civil service to implement policies.

The index values are used to place countries within one of four types of regime:

- full democracies—scores of 8 to 10;
- flawed democracies—score of 6 to 7.9;
- hybrid regimes—scores of 4 to 5.9;
- authoritarian regimes—scores below 4.

Economic policy

Vinashin defaults on US\$60m loan repayment

Vietnam's policymakers have struggled to restore stability in the domestic economy and to shore up investor confidence amid the ongoing debt crisis at Vinashin. On December 20th Vinashin was scheduled to make the first US\$60m repayment of principal on a US\$600m syndicated loan from international lenders, although it had already forewarned its creditors that it did not have enough funds to make the payment. Prior to the repayment deadline, the government faced the dilemma of whether to bail out the firm and help preserve Vietnam's reputation in the international financial markets or to leave Vinashin to its own devices and thereby send a firm message to other SOEs to get their own houses in order. The government had no legal obligation to provide support to Vinashin in repaying the US\$600m loan, but because the firm was so closely associated with the government of the prime minister, Nguyen Tan Dung, lenders seemingly believed that an implicit state guarantee was in place.

In the end, the government decided against providing any direct financial assistance to the firm to help it pay its debts, but it did offer the company some financial support to help it negotiate a deferral with its international lenders. The government also pledged to waive income taxes and offered cheap loans to help it make its payroll, among other measures. However, this was not enough to convince Vinashin's disparate creditors to agree to a delay in repayments, and after a three-day grace period, Vinashin technically defaulted on its debt. Finding positives from the debt debacle, the government is hopeful that Vinashin's default can be used to accelerate an overhaul of the way other SOEs are run. However, there are now fears that Vinashin's debt default will raise borrowing costs for a whole range of Vietnamese corporates, while also making it more costly for the government to issue sovereign debt to finance ambitious infrastructure development plans.

Vinashin took out the US\$600m syndicated loan from international lenders in 2007 to help finance its ambitious plans to be a major player in the global shipbuilding industry. At first it was successful. Vinashin grew rapidly and amassed stacks of foreign orders. However, amid the global financial crunch in 2008-09 the firm's order book was decimated. By mid-2010 it was on the brink of collapse with US\$4.4bn in debts and a discredited management team, several of whom, including a former chairman and chief executive officer, Pham Thanh Binh, were arrested for allegedly masking the extent of the firm's financial problems and violating government management rules.

The government comes under pressure to tame inflation

Although continuing to receive strong support from foreign donors, the government is coming under great pressure to tackle a host of economic problems. The IMF and World Bank, among others, have been calling on the government to move beyond its growth-oriented economic model and apply more emphasis on containing inflation before rising prices and surging demand for US dollars bring about a disorderly devaluation of the dong. On December 7th-8th the government held talks with foreign donors at the annual Consultative Group Meeting, during which donors pledged to provide nearly

US\$8bn in official development assistance in 2011, down slightly from the amount pledged for disbursement in 2010. During his address at the meeting, the IMF's division chief for the Asia and Pacific Department, Masato Miyazaki, stated that the government deserved praise for having avoided a major crisis during the global economic recession. However, he added that economic instability in Vietnam owed much to the "erosion of market confidence in the direction of macroeconomic policies". He also said that the government's policies often gave the impression that it valued short-term growth over the stability needed to achieve sustainable growth over the long term.

The Vietnamese authorities are making some effort to show that they are taking stock of these concerns. On December 30th Mr Dung revealed that Vietnam's main policy goal for 2011 would be to get inflation under control after the consumer price index rose by 11.8% year on year in December, the fastest rate of increase since February 2009. In a statement posted on the government's website, Mr Dung pointed to natural disasters such as flooding for stoking price pressures in 2010, but he also blamed high interest rates for further fuelling price rises by making it more expensive for businesses to get access to capital. However, policymakers still appear hesitant to adopt a rigorous approach to containing inflation. Over the past couple of years, the country has only really responded to the problem when it reached a critical level. In mid-2010, for example, with a previous bout of inflation having subsided, policymakers decided to pump more money into the financial system in order to help speed up lending growth and enable the broader economy to hit the government's own growth target. Similarly, the government's apparent commitment to containing inflation in 2011 appears rather halfhearted—the inflation target rate for 2011 is 7%, unchanged from that set for 2010, while the government is still targeting fast economic growth of 7-7.5% in 2011.

Economic performance

Despite strong growth, economic woes persist

The economy recorded another year of substantial growth in 2010, expanding by 6.8%, up from 5.3% in 2009, according to data from the General Statistics Office. Year-on-year growth accelerated throughout the year, rising from 5.8% in the first quarter to 7.3% in the fourth. Value-added output from manufacturing expanded by 8.4% in the year as a whole, up from just 2.6% in 2009. Growth in construction slowed marginally, to 10.1%, from 11.4% in 2009. Services output expanded by 7.5% in 2010, accelerating from 6.8% in 2009. Within the services component, trade activity (the largest services subsector in terms of its share of GDP) grew by 8.1%, largely unchanged from the pace of growth recorded in 2009, but hotels and restaurants recorded an expansion of 8.7% in 2010, up from growth of just 2.4% in 2009. Growth in agriculture, meanwhile, picked up slightly in 2010, to 2.8%, from 2.4% in 2009. Much of the growth in the economy in 2010 was supported by the gradual recovery taking place in some parts of the global economy, particularly China, as well as the residual effect of massive government stimulus spending in 2009.



The two big weaknesses in the Vietnamese economy, however, continue to be high inflation and a wide merchandise trade deficit. The rate of inflation reached 11.8% year on year in December 2010 and threatens to rise further in January and February, ahead of the Lunar New Year holiday. Rising inflation is also contributing to a continuing loss of confidence in the value of the dong. In recent weeks the grey market rate for US dollars hit D21,500:US\$1, compared with an official rate of D19,495:US\$1, an indication that the market expects more devaluations to come, despite protestations by the central bank that it would not devalue the currency again until at least after the Lunar New Year holiday in February. The slump in the dong threatens to become a chronic problem, with many Vietnamese investing in the property market or buying gold at premium prices in order to protect their wealth, instead of ploughing funds into more productive economic activities.

Vietnam's still wide merchandise trade deficit is also weighing heavily on the dong. The deficit reached an estimated US\$12.4bn in 2010, according to the General Statistics Office, little changed from that recorded in 2009. Export revenue rose by 25.5% in 2010 to US\$71.6bn, while imports jumped by 20.1% to US\$84bn. A number of important export sectors performed strongly. Textile exports soared by 23% to US\$11.2bn, while footwear exports rose by 25% to US\$5.1bn, and exports of electronics and computers expanded by 29% to US\$3.6bn. Crude oil exports, meanwhile, plunged by 20% in value to US\$4.9bn, with volume dropping by 40%. Vietnam continues to rely heavily on imports for capital goods and inputs for manufactured exports. In 2010 imports of machinery, tools and spare parts stood at US\$13.5bn, an increase of 6.5%, while imports of electronics, computers and spare parts rose by 30.7% to US\$5.2bn. Fabrics imports increased by 27% to US\$5.4bn.

Data and charts

Annual data and forecast

	2006 ^a	2007 ^a	2008 ^a	2009 ^a	2010 ^b	2011 ^c	2012 ^c
GDP							
Nominal GDP (US\$ bn)	61.0	71.1	90.3	93.2	103.7 ^a	114.3	126.3
Nominal GDP (D trn)	974.3	1,143.7	1,485.0	1,658.4	1,983.4 ^a	2,242.0	2,530.0
Real GDP growth (%)	8.2	8.5	6.3	5.3	6.8 ^a	6.9	7.1
Expenditure on GDP (% real change)							
Private consumption	8.3	10.8	9.3	3.7	6.8	5.5	7.7
Government consumption	8.5	8.9	7.5	7.6	8.0	7.8	7.8
Gross fixed investment	9.9	24.2	3.8	8.7	8.5	8.0	8.0
Exports of goods & services	17.6 ^b	16.0 ^b	15.1 ^b	-6.0 ^b	14.8	12.6	12.9
Imports of goods & services	18.8 ^b	28.1 ^b	15.4 ^b	-6.4 ^b	17.0	11.0	10.6
Origin of GDP (% real change)							
Agriculture	3.4	3.7	4.4	2.4	2.8 ^a	3.5	3.4
Industry	10.4	10.6	5.7	5.4	7.7 ^a	7.0	8.0
Services	8.3	8.7	7.3	6.8	7.5 ^a	8.1	7.6
Population and income							
Population (m)	84.4 ^b	85.3 ^b	86.1 ^b	87.0 ^b	87.8	88.7	89.5
GDP per head (US\$ at PPP)	2,358 ^b	2,606 ^b	2,803 ^b	2,950 ^b	3,138	3,380	3,662
Recorded unemployment (av; %)	4.8	4.6	4.7	4.6	4.4 ^a	4.1	4.1
Fiscal indicators (% of GDP)							
Central government balance	-2.9	-7.3	-5.2	-6.2 ^b	-5.9	-5.5	-5.3
Net public debt	42.9 ^b	45.6 ^b	43.9 ^b	49.0 ^b	56.7	56.1	55.0
Prices and financial indicators							
Exchange rate D:US\$ (end-period)	16,055	16,010	17,433	18,472	19,498 ^a	19,824	20,221
Exchange rate D:€ (end-period)	21,188	23,379	24,234	26,474	26,029 ^a	23,788	24,063
Consumer prices (end-period; %)	6.6	12.6	20.0	6.5	11.8 ^a	7.6	7.5
Stock of money M1 (% change)	20.7	48.9	-0.4	30.4 ^b	8.1	13.0	12.8
Stock of money M2 (% change)	29.7	49.1	20.7	26.2 ^b	25.5	15.6	20.1
Lending interest rate (av; %)	11.2	11.2	15.8	10.1 ^b	13.6	14.3	13.3
Current account (US\$ m)							
Trade balance	-2,776	-10,438	-12,782	-8,307	-7,587	-8,972	-9,778
Goods: exports fob	39,826	48,561	62,685	57,096	70,901	82,944	94,575
Goods: imports fob	-42,602	-58,999	-75,467	-65,403	-78,489	-91,916	-104,352
Services balance	-8	-755	-915	-1,388	-681	-752	-742
Income balance	-1,429	-2,190	-4,401	-3,028	-4,897	-4,710	-5,029
Current transfers balance	4,049	6,430	7,311	6,448	7,695	7,624	8,425
Current-account balance	-164	-6,953	-10,787	-6,275	-5,471	-6,810	-7,124
External debt (US\$ m)							
Debt stock	20,126	23,865	26,158	27,875 ^b	33,303	37,303	41,417
Debt service paid	949	1,249	1,344	1,114 ^b	1,217	1,463	1,652
Principal repayments	495	640	776	710 ^b	738	825	894
Interest	454	609	568	404 ^b	479	639	758
International reserves (US\$ m)							
Total international reserves	13,591	23,748	24,176	16,803	15,498	18,603	21,194

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2009				2010			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Prices								
Consumer prices (2005=100)	151.3	151.5	153.6	156.2	162.6	165.1	166.6	173.1
Consumer prices (% change, year on year)	15.5	6.2	2.6	4.6	7.5	9.0	8.4	10.8
Financial indicators								
Exchange rate D:US\$ (av)	17,499	17,785	17,820	18,094	18,742	18,993	19,278	19,495
Exchange rate D:US\$ (end-period)	17,756	17,801	17,841	18,472	19,080	19,065	19,485	19,498
Deposit rate (av; %)	6.9	7.3	7.9	9.5	10.3	11.1	n/a	n/a
Lending rate (av; %)	9.5	9.6	10.2	11.0	12.0	13.4	n/a	n/a
Refinancing rate (end-period; %)	8.0	7.0	7.0	8.0	8.0	8.0	n/a	n/a
Treasury bill rate (av; %)	6.8	7.6	8.4	9.4	11.2	n/a	n/a	n/a
M1 (end-period; D trn)	462.3	507.8	515.5	565.2	520.5	548.3	n/a	n/a
M1 (% change, year on year)	16.7	48.5	60.2	30.4	12.6	8.0	n/a	n/a
M2 (end-period; D trn)	1,645.3	1,776.0	1,842.3	1,910.6	1,982.4	2,166.6	n/a	n/a
M2 (% change, year on year)	26.5	37.1	36.7	26.2	20.5	22.0	n/a	n/a
Foreign trade (US\$ m)								
Exports fob	14,285	13,572	14,026	15,214	14,456	17,961	18,984	19,968
Imports cif	-12,854	-17,416	-18,813	-20,865	-17,772	-20,736	-21,232	-23,745
Trade balance	1,431	-3,844	-4,787	-5,651	-3,316	-2,775	-2,248	-3,777
Foreign payments (US\$ m)								
Merchandise trade balance	2328.0	-2653.0	-3654.0	-4328.0	-2239.0	-1535.0	n/a	n/a
Services balance	-114	-304	-498	-472	-149	-49	n/a	n/a
Income balance	-986	-846	-575	-621	-1,430	-978	n/a	n/a
Net transfer payments	1,548	1,561	1,618	1,721	2,051	1,835	n/a	n/a
Current-account balance	2,776	-2,242	-3,109	-3,700	-1,767	-727	n/a	n/a
Reserves excl gold (end-period)	23,008	20,260	18,769	16,447	13,854	14,121	14,111	n/a

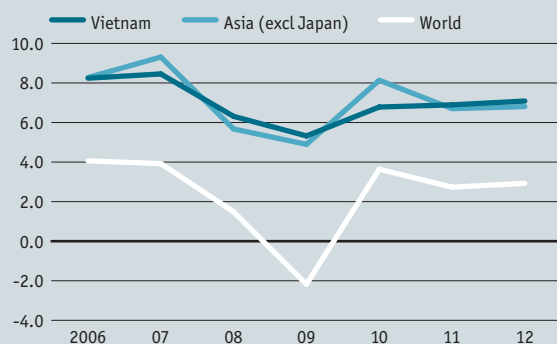
Sources: IMF, *International Financial Statistics*.

Monthly data

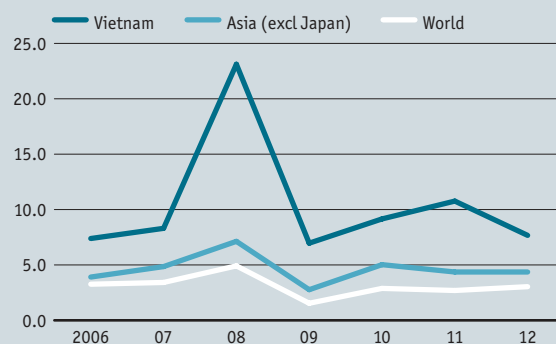
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate D:US\$ (av)												
2008	15,992	15,951	15,898	16,094	16,171	16,490	16,798	16,605	16,596	16,679	16,936	17,079
2009	17,463	17,482	17,553	17,776	17,785	17,796	17,809	17,816	17,834	17,852	17,960	18,472
2010	18,472	18,679	19,077	19,011	18,987	18,981	19,086	19,262	19,485	19,491	19,498	19,498
Exchange rate D:US\$ (end-period)												
2008	15,971	15,931	16,105	16,116	16,246	16,842	16,755	16,525	16,575	16,813	16,974	17,433
2009	17,475	17,475	17,756	17,784	17,784	17,801	17,815	17,823	17,841	17,862	18,485	18,472
2010	18,472	18,925	19,080	18,960	18,980	19,065	19,095	19,485	19,485	19,495	19,498	19,498
Money supply M1 (% change, year on year)												
2008	56.8	35.3	24.8	17.7	10.9	2.3	-5.2	-7.3	-8.8	-12.3	-12.0	-0.4
2009	-3.8	5.2	16.7	27.1	34.7	48.5	54.9	58.4	60.2	59.2	57.5	30.4
2010	22.8	23.8	12.6	7.7	8.4	8.0	8.1	9.6	n/a	n/a	n/a	n/a
Money supply M2 (% change, year on year)												
2008	48.2	41.4	37.0	30.5	29.1	25.8	23.1	21.0	21.3	18.4	17.9	20.7
2009	20.8	24.1	26.5	32.5	33.9	37.1	38.5	38.6	36.7	36.5	35.1	26.2
2010	22.5	22.6	20.5	19.4	19.5	22.0	20.7	25.0	n/a	n/a	n/a	n/a
Deposit rate (av; %)												
2008	7.2	9.0	11.2	11.5	13.3	16.6	16.9	17.2	16.9	15.2	10.0	7.8
2009	7.0	6.5	7.1	7.2	7.3	7.5	7.6	8.0	8.1	8.4	10.0	10.2
2010	10.2	10.2	10.3	11.0	11.2	11.2	11.1	11.1	n/a	n/a	n/a	n/a
Lending rate (av; %)												
2008	11.2	11.2	14.6	14.3	16.5	19.1	20.3	20.2	19.9	18.0	13.3	11.0
2009	10.1	9.4	9.2	9.2	9.6	10.0	10.0	10.3	10.4	10.5	10.5	12.0
2010	12.0	12.0	12.0	13.9	13.2	13.2	13.3	13.0	n/a	n/a	n/a	n/a
Consumer prices (av; % change, year on year)												
2008	14.1	15.7	19.4	21.4	25.3	26.8	27.0	28.3	27.9	26.7	24.2	20.0
2009	19.4	15.5	12.0	9.2	5.6	3.9	3.3	2.0	2.4	3.0	4.3	6.5
2010	5.9	7.8	8.7	9.2	9.0	8.7	8.2	8.2	8.9	9.7	11.1	11.8
Goods exports fob (US\$ m)												
2008	4,932	3,457	4,850	5,280	5,883	6,222	6,632	6,093	5,303	5,093	4,274	4,668
2009	3,842	5,097	5,346	4,287	4,454	4,831	4,825	4,639	4,562	5,043	4,704	5,467
2010	5,013	3,740	5,592	5,332	6,312	6,000	6,029	6,857	6,098	6,227	6,641	7,100
Goods imports cif (US\$ m)												
2008	7,233	6,196	8,106	8,454	7,905	7,041	7,494	6,450	5,634	5,819	4,718	5,663
2009	3,456	4,257	5,141	5,600	5,796	6,020	6,415	5,982	6,416	6,664	6,806	7,395
2010	5,958	5,070	6,747	6,494	7,183	7,200	7,007	7,252	6,973	7,304	7,941	8,500
Trade balance fob-cif (US\$ m)												
2008	-2,301	-2,739	-3,256	-3,174	-2,022	-819	-862	-357	-331	-726	-444	-995
2009	386	840	205	-1,313	-1,342	-1,189	-1,590	-1,343	-1,854	-1,621	-2,102	-1,928
2010	-945	-1,330	-1,155	-1,162	-871	-1,200	-978	-395	-875	-1,077	-1,300	-1,400
Foreign-exchange reserves excl gold (US\$ m)												
2008	24,336	25,836	26,436	25,298	23,607	22,262	21,756	22,383	23,848	23,820	23,243	23,890
2009	22,830	22,653	23,008	20,931	20,790	20,260	19,072	18,802	18,769	18,320	17,400	16,447
2010	15,735	15,492	13,854	14,332	13,936	14,121	13,917	13,727	14,111	n/a	n/a	n/a

Sources: IMF, *International Financial Statistics*; Haver Analytics.

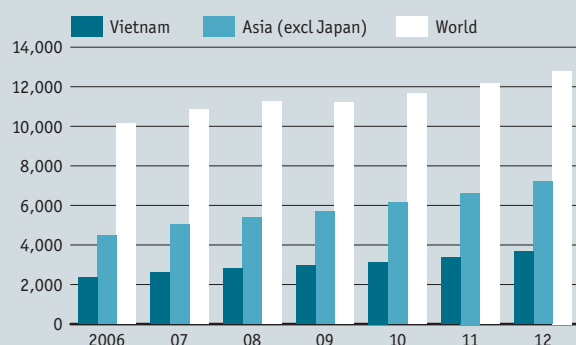
Annual trends charts

Real GDP growth
(% change)

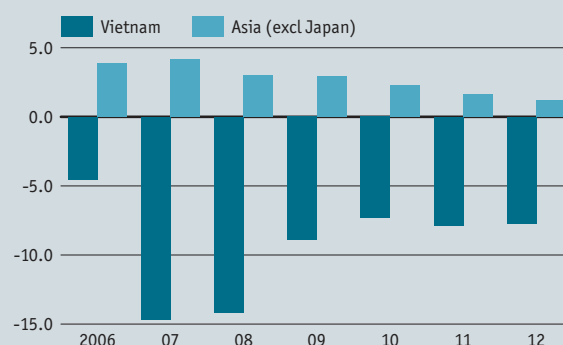
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)

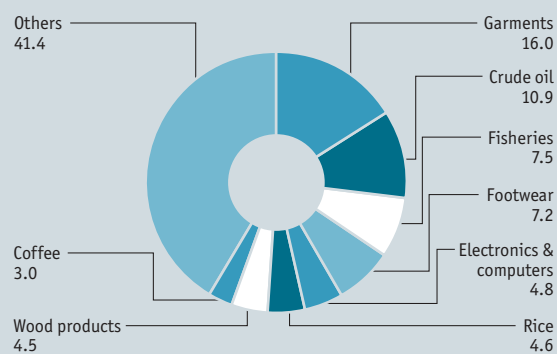
Source: Economist Intelligence Unit.

GDP per head
(US\$, PPP)

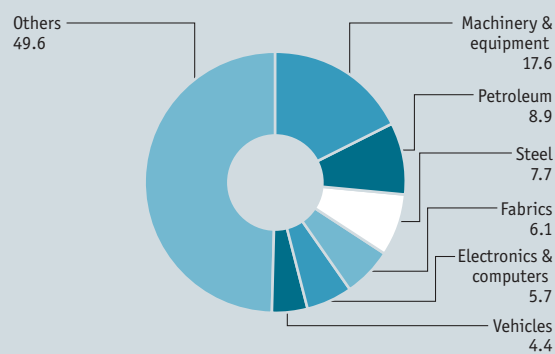
Source: Economist Intelligence Unit.

Trade balance
(% of GDP)

Source: Economist Intelligence Unit.

Main exports, 2009
(% of total)

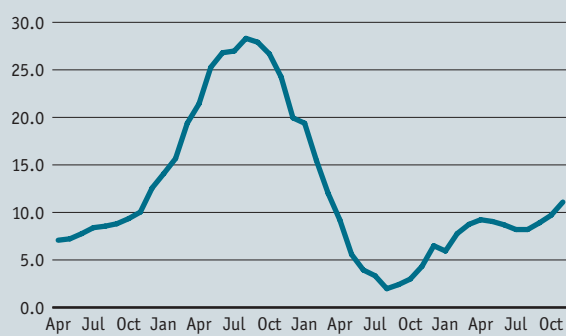
Source: Economist Intelligence Unit.

Main imports, 2009
(% of total)

Source: Economist Intelligence Unit.

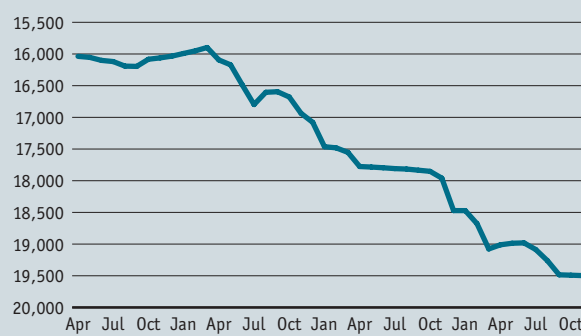
Monthly trends charts

Consumer price inflation
(% change, year on year)



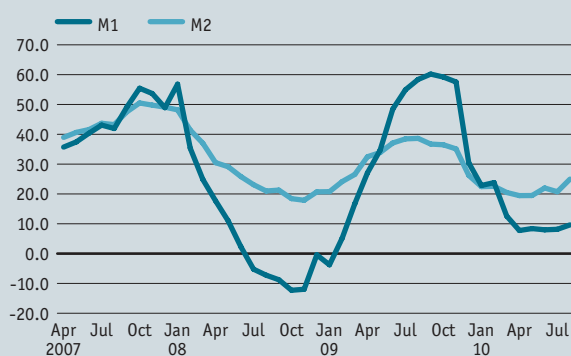
Source: Economist Intelligence Unit.

Exchange rate
(D:US\$; av; inverted scale)



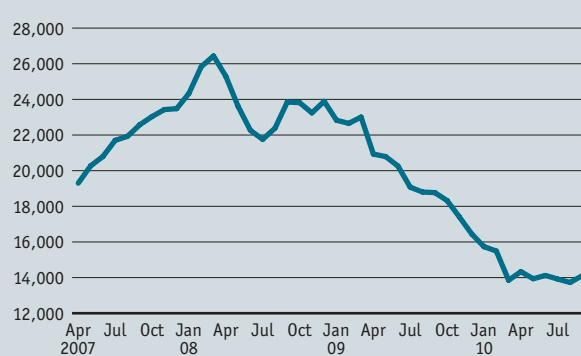
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



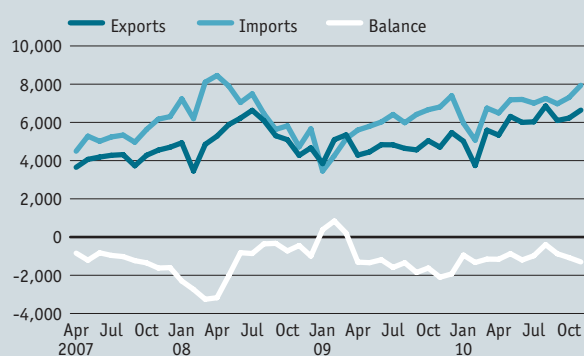
Source: Economist Intelligence Unit.

Foreign-exchange reserves
(US\$ m)



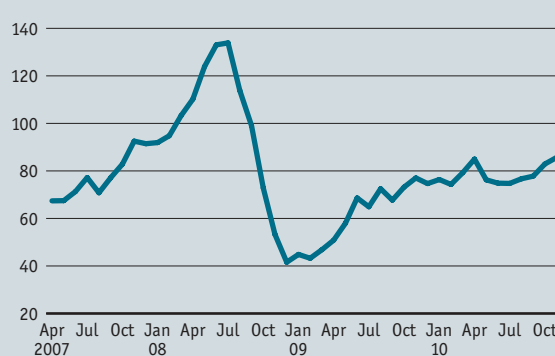
Source: Economist Intelligence Unit.

Foreign trade
(US\$ m; goods only)



Source: Economist Intelligence Unit.

Oil: Brent crude price
(US\$/b; av)

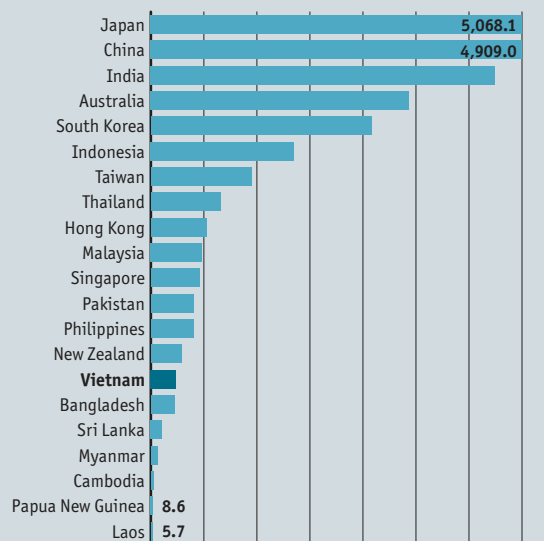


Source: Economist Intelligence Unit.

Comparative economic indicators, 2009

Gross domestic product

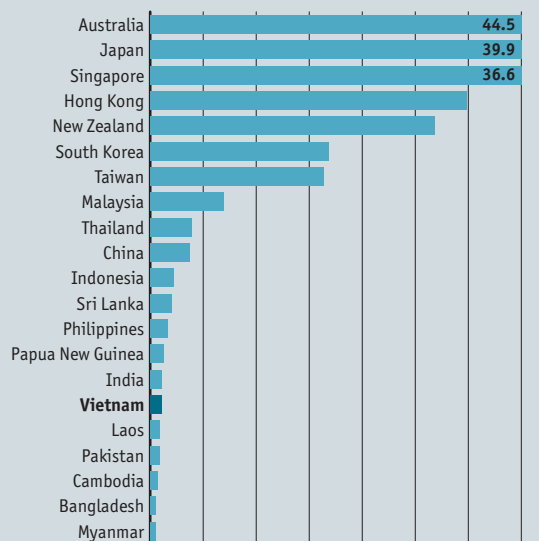
(US\$ bn; market exchange rates)



Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product per head

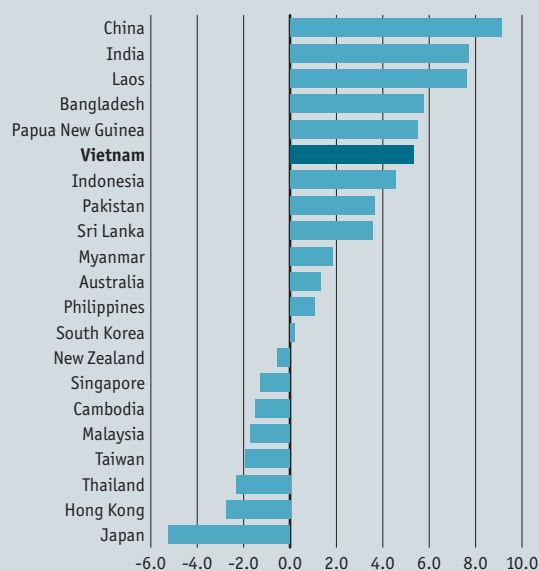
(US\$ '000; market exchange rates)



Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product

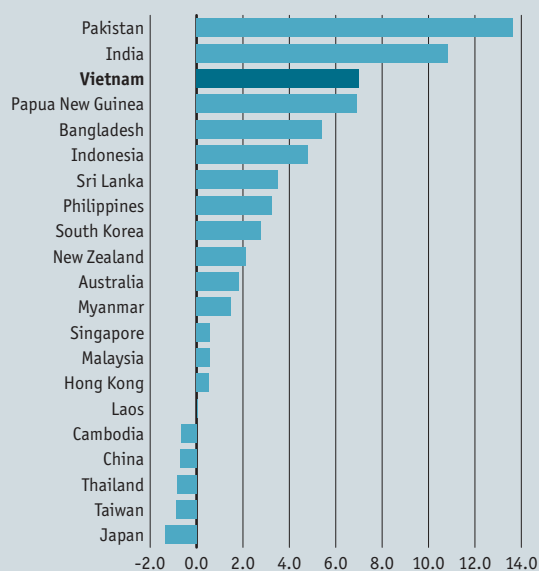
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Consumer prices

(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

Land area	331,051 sq km
Population	86m (2009, General Statistics Office estimate)
Main towns	Population (of province) in '000 (2009)
	Ho Chi Minh City 7,165
	Hanoi (capital) 6,472
	Haiphong 1,842
Climate	Tropical monsoon; north cool and damp in winter (November-April), hot and rainy in summer; south more equable; centre most subject to typhoons. The rains are highly unpredictable
Weather in Hanoi (altitude 216 metres)	Hottest month, June, 26-33°C; coldest month, January, 13-20°C; wettest month, August, 343 mm average rainfall; driest month, January, 18 mm average rainfall
Weather in Ho Chi Minh City (altitude 9 metres)	Hottest month, April, 24-35°C; coldest month, January, 21-32°C; wettest month, September, 335 mm average rainfall; driest month, February, 3 mm average rainfall
Language	Vietnamese (spoken by about 90% of the population); English (increasingly favoured as a second language); some French; a little Russian and German; minority languages such as Hmong, Thai, Khmer in more remote rural areas
Weights and measures	Metric system. Local land measurement: 1 mau = 3,600 sq metres (north); 1 mau = 5,000 sq metres (centre)
Currency	Dong (D). Average exchange rate in 2010: D19,127:US\$1
Time	7 hours ahead of GMT
Public holidays	January 1st (New Year's Day; holiday taken on January 3rd); February 2nd-7th (Tet, Lunar New Year); April 12th (Gio To Hung Vuong Day); April 30th (Liberation of Saigon; holiday taken on May 2nd); May 1st (Labour Day; holiday taken on May 3rd); September 2nd (National Day)

Political structure

Official name	Socialist Republic of Vietnam	
Form of state	One-party rule	
The executive	The cabinet is constitutionally responsible to the National Assembly, which is elected for a five-year term	
Head of state	The president, currently Nguyen Minh Triet	
National legislature	The unicameral 493-member Quoc Hoi (National Assembly) meets biannually and typically serves a five-year term. The assembly appoints the president and the cabinet	
Local government	Centrally controlled provinces and municipalities are subdivided into towns, districts and villages, which have a degree of local accountability through elected People's Councils	
Legal system	The regional people's courts and military courts operate as courts of first and second instance, with the Supreme Court at the apex of the system	
National elections	Elections for the National Assembly took place in 2007; the next are due in May 2011	
National government	The Communist Party of Vietnam, and in particular its politburo, controls both the electoral process and the executive	
Main political organisations	The Communist Party of Vietnam (general secretary: Nong Duc Manh); the Vietnam Fatherland Front	
Main members of the cabinet	Prime minister	Nguyen Tan Dung
	Deputy prime ministers	Nguyen Sinh Hung Pham Gia Khiem Hoang Trung Hai Nguyen Thien Nhan Truong Vinh Trong
Key ministers	Agriculture & rural development	Cao Duc Phat
	Construction	Nguyen Hong Quan
	Culture, sports & tourism	Hoang Tuan Anh
	Education & training	Nguyen Thien Nhan
	Finance	Vu Van Ninh
	Foreign affairs	Pham Gia Khiem
	Industry & trade	Vu Huy Hoang
	Information & communications	Le Doan Hop
	Interior	Tran Van Tuan
	Justice	Ha Hung Cuong
	Labour, war invalids & social affairs	Nguyen Thi Kim Ngan
	National defence	Phung Quang Thanh
	Natural resources & environment	Pham Khoi Nguyen
	Planning & investment	Vo Hong Phuc
Central bank governor	Public health	Nguyen Quoc Trieu
	Transport	Ho Nghia Dung