Country Forecast

Vietnam

Vietnam at a glance: 2012-16

OVERVIEW

The Communist Party of Vietnam will keep a firm grip on power in the forecast period, and despite signs of factional splits between conservative hardliners and reformers there is no prospect of major internal instability. Vietnam will continue to make strides in strengthening its ties with the West, and particularly the US. Relations with China will be frayed as a result of the two countries' competing claims to the Spratly and Paracel islands in the South China Sea. Fiscal and monetary policy has been tightened, but concerns persist over whether there is sufficient political will to implement the tougher measures that may be needed to stabilise the economy. A subdued global economy will hold back Vietnamese GDP growth in 2012, but a more benign climate from next year will lead to a healthy average GDP growth rate of 7.4% annually in 2013-16. The rate of inflation is set to slow to 11% in 2012 and to 8% a year on average in 2013-16, from an estimated 18.6% in 2011. Policymakers are likely to face an ongoing battle to prevent the dong from depreciating in value against the US dollar. The current account will remain in deficit throughout the next five years, but capital and financial inflows (including official foreign borrowing) will increase from the low levels to which they fell in 2009.

Key changes from last month

Political outlook

- Protests over land seizures may become more frequent and fervent in 2012-16, particularly given that a slew of lease agreements are due to expire soon, creating uncertainty for millions of tenants.

Economic policy outlook

- The State Bank of Vietnam (the central bank) has set a target for credit growth of 20% in 2012. As credit growth in 2011 is estimated at just 10.9%, achieving this goal in 2012 would constitute a loosening of monetary policy.

Economic forecast

- Consumer price inflation slowed marginally for the fifth consecutive month in January but remained rapid, at 17.3% year on year. The Economist Intelligence Unit expects inflation to average 11% in 2012.

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Country forecast overview

Highlights

- The Communist Party of Vietnam (CPV) will maintain its grip on power and will continue to dictate the political agenda in 2012-16. Given the high degree of political apathy in the country, together with the CPV's determination to crack down on activists who advocate genuine democratic reform, there is little likelihood that any opposition movement will gain significant traction.

- Vietnam will continue to strengthen its ties with the West, and 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. Relations with China will remain strained over competing claims to the Spratly and Paracel islands in the South China Sea.

- The Vietnamese authorities tightened monetary economic policy in 2011, but concerns persist over whether there is sufficient political will to implement the tough measures that are needed to stabilise the economy. Given the government's general bias in favour of rapid economic expansion at the expense of price stability, there is a risk that if the pace of GDP growth fails to accelerate in the first half of 2012 the authorities will resort to a renewed loosening of monetary policy.

- The fiscal position will remain weak throughout the forecast period, owing to persistently high public expenditure. Vietnam will continue to receive funds from international donors. Its capacity to issue international bonds is likely to be adversely affected by concerns on the part of potential creditors about the ability of state-owned enterprises to repay debt without government support.

- Although Vietnam's long-term economic growth prospects remain positive, the early part of the forecast period will be challenging. Real GDP growth will slow to 5.8% in 2012, from 5.9% in 2011, owing partly to a decline in inward foreign investment, itself brought about by policy ambiguity, rapid inflation and a depreciating currency. Assuming that inflation is brought under control, GDP growth is expected to average 7.4% a year in 2013-16.

- The rate of inflation will slow to 11% in 2012, from an estimated 18.6% in 2011, as global prices for commodities fall. Annual inflation will then decline to an average of 8% in 2013-16. Policymakers are likely to face an ongoing battle to ensure that the dong does not depreciate too quickly against the US dollar.

Key indicators	2011	2012	2013	2014	2015	2016
Real GDP growth (%)	5.9	5.8	7.2	7.5	7.3	7.7
Consumer price inflation (av; %)	18.6	11.0	8.3	7.4	7.9	8.4
Budget balance (% of GDP)	-4.8	-6.1	-5.9	-5.6	-5.5	-5.4
Current-account balance (% of GDP)	-0.7	-1.8	-3.1	-3.1	-3.7	-4.0
Commercial banks' prime rate (av; %)	17.6	17.5	14.0	11.5	11.0	10.3
Exchange rate D:US$ (av)	20,649	21,755	22,270	22,713	23,196	23,689
Exchange rate D:¥100 (av)	25,950	28,244	27,804	28,051	28,298	28,551

Business environment rankings

Value of index[a]		Global rank[b]		Regional rank[c]	
2007-11	2012-16	2007-11	2012-16	2007-11	2012-16
5.24	5.72	67	64	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's business environment will improve in 2012-16 compared with 2007-11, with the country's overall score rising from 5.2 to 5.7. Political stability will remain a strong point.

Vietnam’s business environment at a glance

Policy towards private enterprise and competition

2012-13: 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.
2014-16: More SOEs undertake reforms and are equitised. Progress is made on ending market distortions.

Policy towards foreign investment

2012-13: The government loosens restrictions on foreign investment further and seeks to promote investment in listed firms. Uncertainty persists regarding the implementation of the unified legal system for foreign and domestic firms.
2014-16: Red tape remains a hindrance. The government opens up more services sectors to foreign investors. Restrictions remain in place on foreign ownership of housing.

Foreign trade and exchange controls

2012-13: Trade barriers and tariffs continue to be lowered. Negotiations progress towards a free-trade agreement (FTA) with the EU. Vietnam participates in discussions on the Trans-Pacific Partnership (TPP).
2014-16: Trade barriers are lowered and additional FTAs are pursued. Agreements with the EU and the TPP are concluded.

Taxes

2012-13: Progress is made on improving tax collection, but inefficiencies persist. Corporate tax is held steady at 25%.
2014-16: 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

2012-13: State-owned commercial banks undertake reforms. The government directs lending towards high-priority sectors. The authorities attempt to influence banks' interest rate policies and make efforts to restrain domestic credit growth.
2014-16: 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

2012-13: Wages for unskilled employees remain low, and there are shortages of skilled labour. Worker unrest rises.
2014-16: Wages stay low relative to levels 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

2012-13: Work continues on three major ports. The government improves the energy supply, in part by buying electricity from neighbouring countries. Demand for telecommunications services rises sharply.
2014-16: New ports become operational, increasing capacity. Investment in electricity-generating plants improves the reliability of power supplies. Telecoms infrastructure improves as a result of heavy investment.

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Fact sheet

Annual data	2010[a]	Historical averages (%)	2006-10
Population (m)	87.8	Population growth	1.0
GDP (US$ bn; market exchange rate)	103.5[b]	Real GDP growth	7.0
GDP (US$ bn; purchasing power parity)	277.4	Real domestic demand growth	9.5
GDP per head (US$; market exchange rate)	1,179	Inflation	10.8
GDP per head (US$; purchasing power parity)	3,159	Current-account balance (% of GDP)	-6.7
Exchange rate (av) D:US$	19,131[b]	FDI inflows (% of GDP)	8.0

[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 being made 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 challenges lie ahead, notably in terms of ensuring the stability of the economy, improving the conduct of monetary policy and strengthening the legal framework. The government will continue to focus on supporting the domestic economy, keeping inflationary pressures in check and shoring up confidence in Vietnam's currency, the dong. 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 in 2009. The new income tax structure applies the same tax rates to Vietnamese and foreign workers and has broadened 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: On a balance-of-payments basis, exports totalled US$72.2bn in 2010, up from US$57.1bn in 2009, while the import bill rose to US$77.3bn, from US$64.7bn in the previous year. As a result, the merchandise trade deficit narrowed to US$5.1bn in 2010, from US$7.6bn in 2009.

Major exports 2010	% of total	Major imports 2010	% of total
Textiles & garments	15.6	Machinery, equipment & parts	16.1
Footwear	7.1	Steel	7.4
Crude oil	6.9	Refined petroleum	6.9
Fisheries products	6.9	Materials for textile industry	6.4

Leading markets 2010	% of total	Leading suppliers 2010	% of total
US	19.9	China	23.9
Japan	10.8	South Korea	11.7
China	10.2	Japan	10.8
South Korea	4.3	Thailand	6.7

Outlook for 2012-16

Political outlook

Political stability

The ruling Communist Party of Vietnam (CPV) will maintain a firm grip on power in the next five years. Despite signs of factional splits between conservative hardliners and relatively reformist moderates, there is no prospect of major instability within the party. At its 11th national congress in January 2011 there were displays of unity as the CPV insisted on the maintenance of one-party rule in Vietnam. The congress provided a chance for various party factions to stake their claims to greater influence, and the new leadership that emerged appears to be evenly balanced. In July the prime minister, Nguyen Tan Dung, was formally re-elected to his post by the National Assembly (NA, the legislature), while two of his main rivals were chosen for other important positions: Truong Tan Sang, formerly the head of the CPV secretariat, is the country's president, while an outgoing deputy prime minister, Nguyen Sinh Hung, became chairman of the NA.

Although the presidency is a largely ceremonial post, Mr Sang is regarded as a highly influential member of the CPV's conservative bloc. The NA, meanwhile, is usually seen as existing merely to rubber-stamp government policy, but it has become increasingly assertive in the past few years, and this trend could continue under Mr Hung's stewardship. The legislature recently blocked government plans to build an expensive high-speed rail project, and it has also questioned Mr Dung over his role in the near-collapse of one of the country's largest state-owned enterprises, the Vietnam Shipbuilding Industry Group (Vinashin). Thus, although he appears to hold a strong hand and has chosen close allies for important positions in the cabinet, Mr Dung will need to pursue consensual policies over the next five years.

In addition to the risk that emerging internal power struggles will escalate to the point at which the CPV's cohesion is undermined, the leadership, including the party's general secretary, Nguyen Phu Trong, could face stronger challenges to the CPV's long-standing claim that it has the right to govern unchallenged. But there is little likelihood that any opposition movement will gain traction in 2012-16. This is a reflection of both the extent of political apathy in Vietnam and the regime's determination to continue cracking down on activists who advocate genuine democratic reform. The risk that Vietnam will suffer an upheaval similar to the Arab Spring protests that took place in several countries in the Middle East and North Africa in 2011 is very low.

However, concerns about soaring prices could create the conditions for small-scale social unrest in the short term. Meanwhile, protests over land seizures may become more frequent and increasingly fervent in 2012-16, particularly as a slew of lease agreements are soon to expire, creating uncertainty for millions of tenants. The fast pace of industrial development in Vietnam has entailed the increasingly rapid construction of factories, plants and major infrastructure, such as roads and dams. As a result, the number of displaced residents has risen, and some have complained vociferously about what they perceive as inadequate government compensation for the loss of land. Meanwhile, corruption in local bureaucracies occasionally results in the embezzlement of funds earmarked to recompense people who have been evicted from their land, leaving them destitute and with inadequate resources to rebuild their livelihoods. Public anger over such issues will intensify unless the authorities are seen to be becoming more accountable, for example by punishing corrupt local officials.

Tensions between the government on one side and religious and ethnic groups on the other 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, but 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 the 1970s remains a sore point in relations between the Vietnamese government, the church and the Vatican. There are 6m Catholics in Vietnam, making their 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 region is largely populated by ethnic-minority groups, and, owing to the fact that party membership is not common there, official control 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; the most recent election took place in May 2011, and the next poll is due to be held in 2015. Candidates are carefully 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. At the 2011 election only 42 of the 500 people elected to the NA were non-CPV members.

International relations

Vietnam will continue to make strides in strengthening its ties with the West, and particularly with the US. Vietnamese-US diplomatic relations 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 much closer, as highlighted by joint military exercises in the South China Sea and by the signing of an agreement on formal military ties in August 2011. Potential US involvement in the building of nuclear reactors in Vietnam could soon add another element to the relationship. Despite these trends, US concerns over human rights and religious freedom in Vietnam will remain a source of bilateral tension. However, such stresses 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.

Ties with China will remain strained over competing claims to the Spratly and Paracel islands in the South China Sea (also known as the East Sea). In addition to claims by Vietnam and China to 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 in the forecast period. All the claimants have signed the Declaration on the Code of Conduct in the East Sea, which was initiated by the Association of South-East Asian Nations (ASEAN) and commits its signatories to resolving all disputes through peaceful negotiation in accordance with international laws and practices. However, the document is vague, and a lasting agreement that will allow the full potential of the oil and gas resources in the South China Sea to be realised remains a long way off. In the meantime, China will continue to complain about exploration projects instigated by the Vietnamese government and the involvement of companies from third countries, such as India. China will also maintain its policy of negotiating with fellow claimants on a bilateral basis in order to use its diplomatic might to the best effect, whereas Vietnam and the Philippines will try to use the support of the US and Japan to work towards a multilateral solution.

Economic policy outlook

Policy trends

Policymakers took much-needed steps to tighten fiscal and monetary policy in 2011 in response to a rapid acceleration in the rate of inflation. However, concerns persist as to whether there is the political will in Vietnam to implement the tougher measures that may be needed to stabilise the economy, particularly if such moves risk compromising growth at a time of weak global demand. In November Mr Dung called on the State Bank of Vietnam (SBV, the central bank) to reduce interest rates gradually so as to ensure that sufficient finance is available to manufacturers. Although the government's general policy bias prioritises rapid economic growth over price stability, in October the SBV increased one of its main policy interest rates, the refinance rate, to 15%, meaning that the rate has been raised by 7 percentage points since November 2010. If the pace of economic expansion does not pick up in the next few quarters (annual GDP growth slowed from 6.8% in 2010 to 5.9% in 2011), the central bank could come under pressure to loosen monetary policy. If it does so before inflationary expectations have been anchored, confidence in the authorities' policymaking ability will be undermined.

Fiscal policy

There is a need for the government to rein in the fiscal deficit, both to prevent the economy from overheating and also to avoid financing problems (outstanding public debt is estimated to have stood at 51% of annual GDP at the end of 2011). However, the authorities will make only limited progress in reducing the shortfall in 2012-16. The deficit narrowed to an estimated 4.8% of GDP in 2011, in part reflecting the fact that the government had some success in its efforts to reduce public investment spending. However, the Economist Intelligence Unit expects the deficit to widen in 2012, to the equivalent of 6.1% of GDP, as slowing growth in exports and a fall in global oil prices will reduce the amount of tax collected (the Vietnamese authorities receive substantial tax and royalty revenue from the oil and gas sector). Thereafter, continued heavy spending on infrastructure and social welfare programmes will keep the budget deficit at an average of 5.6% of GDP in 2013-16, despite strong nominal GDP growth and high prices for crude oil.

Monetary policy

The SBV has reiterated its commitment to taming inflation, and in January its governor, Nguyen Van Binh, announced a reduced target for annual credit growth this year of between 15% and 17%, compared with a goal of 20% in 2011. However, as the central bank is not operationally independent, it is possible that it will come under pressure to ensure that the cost of credit does not exert a significant drag on economic growth this year. Meeting its targets may also prove to be an ambiguous ambition, as estimated credit growth in 2011 stood at just 10.9%: given that credit expansion was sluggish relative to the SBV's target last year, achieving its goal of growth of 15-17% in 2012 would represent a loosening of monetary policy. Although the SBV could yet give in to political pressure to cut interest rates, particularly in the second half of the year, it is expected to continue to focus on ensuring that credit is allocated efficiently. It has threatened to double reserve requirements for banks that fail to reduce to prescribed levels the ratio of lending to non-productive activities.

Economic forecast

Economic growth

The tightening of policy in response to high inflation has weakened private consumption and investment growth, and as a result real GDP growth slowed in 2011, to a relatively sluggish 5.9%. A subdued year for the world economy will mean that Vietnam's growth rate remains under downward pressure in 2012, but a more benign climate from 2013 will lead to a healthy average pace of expansion of 7.4% a year in 2013-16. Ambiguous policymaking, a rapid rate of inflation and a depreciating currency have caused investor sentiment towards Vietnam to weaken in the past year. This has led to a fall in inward foreign investment, which was previously one of the main drivers of economic growth. We expect this cloud to continue to hang over the country until inflation stabilises and global economic conditions improve; this is the rationale behind our GDP growth forecast for 2012 of 5.8%, a level below the government's target range of 6-6.5%. However, we expect private consumption to remain healthy throughout the forecast period.

There are a number of major downside risks to our GDP growth forecast. On the domestic front, the government still has much to do in terms of stabilising the economy and restoring consumer and investor confidence. Partly owing to a surge in inflation and the deficit on the current account, Vietnam's currency, the dong, has fallen sharply in value in the past two years, and there has consequently been strong demand for locally available safe-haven assets in the form of US dollars and gold. On the international front, there remains the risk that the global economy could re-enter recession, triggered by sovereign debt defaults in the euro zone. This would not only hit Vietnam's export performance but would also have a knock-on effect on domestic consumer and business spending, thereby inhibiting economic growth.

Given the precarious nature of the country's foreign-exchange reserves (as indicated by the difficulty that the SBV has had in managing the value of the dong against the US dollar), there is also cause for concern regarding Vietnam's ability to finance its current-account deficit. Citing concerns about the possibility of an external-payments crisis (partly owing to the sharp fall in the country's foreign reserves that has occurred in the past year or so), global credit-rating agencies have downgraded Vietnam's sovereign debt rating. Together with growing fears about economic stability and the country's diminished international reserves, this has triggered speculation that a support package from the IMF may be needed in the next two years.

Inflation

Consumer price inflation averaged an estimated 18.6% in 2011, representing a rapid acceleration from 9% in 2010. The rise in inflation has been largely a result of supply-side pressures stemming from high international commodity prices. Sharp growth in domestic credit in recent years has also contributed to high inflation, as has the weakness of the dong. However, annual inflation has slowed for five consecutive months since August 2011, suggesting that the rate of price increases may have peaked. We believe that inflation will remain elevated and that it will average 11% in 2012, above the government's target of 9%, but the annual rate of price increases should then slow to an 8% on average in 2013-16. We expect global oil prices (dated Brent Blend) to remain above the US$100/barrel mark on an annual average basis throughout the forecast period, owing to firm demand and the increasing need to source oil from less accessible locations. This will be a constant source of inflationary pressure in Vietnam in 2012-16.

Exchange rates

The dong enjoyed a period of greater stability against the US dollar in March-September 2011, but the depreciation of the Vietnamese currency accelerated in October, breaking the D21,000:US$1 barrier, and has since remained around this level. In reaction to strong downward pressure on the dong, the central bank devalued the currency on four occasions between November 2009 and February 2011, resulting in a cumulative drop of almost 13% in its value against the US dollar. We expect the dong to remain under pressure owing to rapid inflation and the prospect of a persistent deficit on the current account. Moreover, Vietnam's meagre foreign-exchange reserves mean that the SBV will not be able to counteract downward pressure by intervening in the currency markets. The latest published data show that foreign reserves stood at just US$13.5bn (representing less than two months of import cover) in May 2011, down from a high of US$26.4bn in March 2008. As a result of these factors, we consider it likely that the central bank will devalue the currency again in the first half of 2012. The dong is likely to remain weak throughout the forecast period.

External sector

The current account will continue to record annual deficits in the next five years, equivalent to 3.1% of GDP on average. An unexpectedly weak import performance, exacerbated by low levels of foreign investment and a weakening dong, meant that the deficit was relatively small in 2011, at an estimated 0.7% of GDP. Weaker growth in demand for the country's exports in 2012 will mean that the deficit widens this year. A more favourable global economic environment and manageable levels of inflation from 2013 onwards will entice foreign investment back to Vietnam, and this in turn will entail a continued rise in imports of capital goods. The services and income accounts will remain in the red throughout the forecast period. Tourism receipts are expected to rise steadily in 2012-16, 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. The combined deficit on the services and income accounts will continue to be offset by the large surplus on the current transfers account, underpinned by remittances from overseas Vietnamese. Although foreign direct investment inflows will remain fairly low in 2012, there will be an improvement from 2013 onwards.

Data summary

Global outlook

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
International assumptions (%)										
World GDP growth	4.0	1.3	-2.4	4.0	2.6	2.0	2.7	2.9	3.0	3.0
US GDP growth	1.9	-0.3	-3.5	3.0	1.7	1.8	1.8	2.2	2.3	2.3
EU27 GDP growth	3.2	0.2	-4.2	1.9	1.6	-0.8	1.0	1.5	1.7	1.8
Asia & Australasia growth	6.3	2.9	0.7	6.7	3.7	4.4	4.5	4.4	4.5	4.3
World trade growth	7.1	2.8	-12.0	14.1	6.6	4.8	6.2	6.4	6.6	6.8
US CPI	2.9	3.8	-0.3	1.6	3.2	2.1	2.3	2.1	2.2	2.2
EU27 CPI	2.3	3.5	0.8	2.0	2.7	2.2	2.2	2.3	2.2	2.3
Manufactures export price	8.7	8.5	-1.2	3.7	6.9	-1.0	0.9	1.3	1.8	1.9
Oil price (Brent; US$/b)	72.7	97.7	61.9	79.6	111.0	100.0	103.0	108.3	104.0	110.0
US$ 3-month commercial paper rate	5.0	2.1	0.3	0.2	0.2	0.2	0.4	1.2	2.2	2.9
¥:US$ (av)	117.8	103.4	93.6	87.8	79.6	77.0	80.1	81.0	82.0	83.0
¥:€ (av)	161.4	152.0	130.4	116.5	110.8	97.4	99.3	99.4	101.4	104.5

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

Gross domestic product, at current market prices

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
Expenditure on GDP (D trn at current market prices)										
GDP	1,143.7	1,485.0	1,658.4	1,980.9	2,549.9	2,941.8	3,346.1	3,841.5	4,307.3	4,973.5
Private consumption	740.6	1,001.0	1,102.3	1,317.6	1,583.7	1,837.1	2,112.7	2,425.4	2,748.0	3,108.0
Government consumption	69.2	90.9	104.5	129.3	165.4	197.9	230.8	265.1	306.8	357.5
Gross fixed investment	437.7	514.0	572.5	704.4	826.8	957.2	1,087.5	1,245.8	1,440.2	1,668.0
Exports of goods & services	879.5	1,157.2	1,132.7	1,543.5[b]	2,257.7	2,559.5	2,946.0	3,467.1	4,135.3	5,080.6
Imports of goods & services	1,060.8	1,383.0	1,304.4	1,747.0[b]	2,415.0	2,710.0	3,135.1	3,671.4	4,436.4	5,354.0
Stockbuilding	55.6	75.8	59.8	65.8	111.2	80.1	84.1	89.5	93.4	93.4
Domestic demand	1,303.2	1,681.6	1,839.1	2,217.1	2,687.2	3,072.3	3,515.1	4,025.9	4,588.4	5,226.9
Expenditure on GDP (US$ bn at current market prices)										
GDP	71.1	90.3	93.2	103.5	123.5	135.2	150.3	169.1	185.7	209.9
Private consumption	46.1	60.9	61.9	68.9	76.7	84.4	94.9	106.8	118.5	131.2
Government consumption	4.3	5.5	5.9	6.8	8.0	9.1	10.4	11.7	13.2	15.1
Gross fixed investment	27.2	31.3	32.2	36.8	40.0	44.0	48.8	54.8	62.1	70.4
Exports of goods & services	54.7	70.4	63.6	80.7[b]	109.3	117.7	132.3	152.6	178.3	214.5
Imports of goods & services	66.0	84.1	73.3	91.3[b]	117.0	124.6	140.8	161.6	191.3	226.0
Stockbuilding	3.5	4.6	3.4	3.4	5.4	3.7	3.8	3.9	4.0	3.9
Domestic demand	81.1	102.3	103.3	115.9	130.1	141.2	157.8	177.2	197.8	220.6
Economic structure (% of GDP at current market prices)										
Private consumption	64.8	67.4	66.5	66.5	62.1	62.4	63.1	63.1	63.8	62.5
Government consumption	6.1	6.1	6.3	6.5	6.5	6.7	6.9	6.9	7.1	7.2
Gross fixed investment	38.3	34.6	34.5	35.6	32.4	32.5	32.5	32.4	33.4	33.5
Exports of goods & services	76.9	77.9	68.3	77.9[b]	88.5	87.0	88.0	90.3	96.0	102.2
Imports of goods & services	92.7	93.1	78.7	88.2[b]	94.7	92.1	93.7	95.6	103.0	107.7
Memorandum items										
Oil production ('000 b/d)	0.0	0.0	0.0	0.0	376.6	379.0	381.5	384.0	386.5	386.5
National savings ratio (%)	33.4	27.7	31.0	34.7[b]	36.0	33.4	32.0	31.7	31.9	31.4

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

Gross domestic product, at constant prices

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
Real expenditure on GDP (D trn at constant 1994 market prices)										
GDP[d]	461.3	490.5	516.6	551.6	584.1[a]	618.0	662.4	711.9	763.8	822.3
Private consumption	305.5	334.0	344.5	379.0	392.6	413.9	441.6	474.4	507.0	537.6
Government consumption	30.3	32.5	35.0	39.3	42.4	45.7	49.2	52.7	56.5	60.7
Gross fixed investment	181.7	188.6	205.1	227.5	238.4	255.5	276.5	301.6	332.1	366.3
Exports of goods & services	456.8[b]	524.9[b]	494.6[b]	574.0[b]	660.2	731.9	831.3	933.4	1,076.6	1,242.4
Imports of goods & services	543.6[b]	626.7[b]	588.0[b]	696.1[b]	788.2	861.1	965.3	1,080.2	1,236.4	1,409.7
Domestic demand	539.0	582.5	604.8	667.0	702.9	735.2	787.3	848.7	915.6	984.6
Real expenditure on GDP (% change)										
GDP	8.5	6.3	5.3	6.8	5.9[a]	5.8	7.2	7.5	7.3	7.7
Private consumption	10.8	9.3	3.1	10.0	3.6	5.4	6.7	7.4	6.9	6.0
Government consumption	8.9	7.5	7.6	12.3	7.8	7.8	7.7	7.0	7.2	7.5
Gross fixed investment	24.2	3.8	8.7	10.9	4.8	7.2	8.2	9.1	10.1	10.3
Exports of goods & services	16.1[b]	14.9[b]	-5.8[b]	16.1[b]	15.0	10.9	13.6	12.3	15.3	15.4
Imports of goods & services	28.2[b]	15.3[b]	-6.2[b]	18.4[b]	13.2	9.2	12.1	11.9	14.5	14.0
Domestic demand	16.2	8.1	3.8	10.3	5.4	4.6	7.1	7.8	7.9	7.5
Real contribution to GDP growth (%)										
Private consumption	7.0	6.2	2.1	6.7	2.5	3.6	4.5	4.9	4.6	4.0
Government consumption	0.6	0.5	0.5	0.8	0.6	0.6	0.6	0.5	0.5	0.6
Gross fixed investment	8.3	1.5	3.4	4.3	2.0	2.9	3.4	3.8	4.3	4.5
External balance	-13.2[b]	-3.2[b]	1.7[b]	-5.5[b]	-1.1	-0.2	-0.8	-1.9	-1.8	-1.0

[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

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
Origin of GDP (D trn at constant prices)										
GDP at factor cost	461.4	489.8	516.6	551.6	584.1	618.0	662.4	711.9	763.8	822.3
Agriculture	82.4	86.1	88.2	90.6	94.2	97.1	100.2	103.3	106.7	110.2
Industry	192.7	203.8	214.8	231.3	244.1	260.0	282.1	304.7	329.0	352.1
Services	186.3	200.0	213.6	229.7	245.7	260.9	280.1	304.0	328.1	360.0
Origin of GDP (real % change)										
Agriculture	3.7	4.4	2.4	2.8	4.0[a]	3.0	3.2	3.1	3.3	3.3
Industry	10.6	5.7	5.4	7.7	5.5[a]	6.5	8.5	8.0	8.0	7.0
Services	8.7	7.3	6.8	7.5	7.0[a]	6.2	7.4	8.5	7.9	9.7
Origin of GDP (% of factor cost GDP)										
Agriculture	20.3	22.0	20.9	20.6	20.2	19.7	18.9	18.2	17.5	16.8
Industry	41.6	39.9	40.2	41.1	41.0	41.2	41.7	41.9	42.2	42.0
Services	38.1	38.1	38.8	38.3	38.8	39.1	39.3	39.9	40.3	41.3
Memorandum item										
Industrial production (% change)	17.0	14.6	7.6	14.0	6.0	8.5	13.5	14.0	14.0	13.0

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

Growth and productivity

	2007[a]	2008[a]	2009[a]	2010[a]	2011[a]	2012[b]	2013[b]	2014[b]	2015[b]	2016[b]
Growth and productivity (%)										
Labour productivity growth	5.9	3.6	3.3	4.5	3.8	3.7	5.1	5.6	5.4	6.0
Total factor productivity growth	2.4	2.1	1.7	3.5	2.1	2.2	2.6	3.1	2.8	3.3
Growth of capital stock	12.9	11.3	10.9	10.9	9.9	9.5	9.3	9.3	9.4	9.5
Growth of potential GDP	8.3	7.7	6.9	8.4	6.8	6.8	7.1	7.5	7.3	7.6
Growth of real GDP	8.5[c]	6.3[c]	5.3[c]	6.8[c]	5.9[c]	5.8	7.2	7.5	7.3	7.7
Growth of real GDP per head	7.4	5.3	4.3	5.8	4.9	4.8	6.2	6.5	6.3	6.7

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

Economic structure, income and market size

	2007[a]	2008[a]	2009[a]	2010[a]	2011[a]	2012[b]	2013[b]	2014[b]	2015[b]	2016[b]
Population, income and market size										
Population (m)	85.3	86.1	87.0	87.8	88.7	89.5	90.4	91.3	92.1	93.0
GDP (US$ bn at market exchange rates)	71.1[c]	90.3[c]	93.2[c]	103.5[c]	123.5	135.2	150.3	169.1	185.7	209.9
GDP per head (US$ at market exchange rates)	830	1,050	1,070	1,180	1,390	1,510	1,660	1,850	2,020	2,260
Private consumption (US$ bn)	46.1[c]	60.9[c]	61.9[c]	68.9[c]	76.7	84.4	94.9	106.8	118.5	131.2
Private consumption per head (US$)	540	710	710	780	870	940	1,050	1,170	1,290	1,410
GDP (US$ bn at purchasing power parity)	222.1	241.3	256.8	277.4	298.3	323.1	353.3	387.6	424.6	466.4
GDP per head (US$ at purchasing power parity)	2,600	2,800	2,950	3,160	3,360	3,610	3,910	4,250	4,610	5,020
Personal disposable income (D trn)	697.4	687.5	783.4	876.1	1,002.5	1,179.7	1,344.2	1,505.6	1,673.8	1,870.6
Personal disposable income (US$ bn)	43.4	41.8	44.0	45.8	48.6	54.2	60.4	66.3	72.2	79.0
Growth of real disposable income (%)	21.5	-20.2	6.7	2.9	-1.4	6.9	5.7	4.8	4.9	4.8
Memorandum items										
Share of world population (%)	1.30	1.30	1.30	1.29	1.29	1.29	1.29	1.29	1.29	1.29
Share of world GDP (% at market exchange rates)	0.13[c]	0.15[c]	0.17[c]	0.17[c]	0.18	0.20	0.20	0.22	0.22	0.23
Share of world GDP (% at purchasing power parity)	0.33	0.34	0.36	0.37	0.37	0.39	0.40	0.41	0.42	0.44
Share of world exports of goods (%)	0.35[c]	0.40[c]	0.47[c]	0.48[c]	0.54	0.60	0.64	0.68	0.72	0.76

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

Fiscal indicators

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
Fiscal indicators (% of GDP)										
Government expenditure	34.9	33.3	35.3	33.8	32.7	34.6	33.7	33.5	33.8	33.4
Government revenue	27.6	28.1	28.3	28.2	27.9	28.5	27.8	27.9	28.4	28.0
Budget balance	-7.3	-5.2	-7.0	-5.5	-4.8	-6.1	-5.9	-5.6	-5.5	-5.4
Government debt	45.6[b]	43.9[b]	49.8[b]	57.1[b]	51.1	51.2	51.0	50.0	50.0	47.4

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

Monetary indicators

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
Monetary indicators										
Exchange rate D:US$ (av)	16,078	16,440	17,800	19,131	20,649	21,755	22,270	22,713	23,196	23,689
Exchange rate D:US$ (year-end)	16,010	17,433	18,472	19,498	21,024	22,009	22,492	22,955	23,443	23,936
Exchange rate D:¥100 (av)	13,653	15,903	19,017	21,801	25,950	28,244	27,804	28,051	28,298	28,551
Exchange rate D:¥100 (year-end)	14,332	19,201	19,845	23,612	27,240	27,984	27,893	27,994	28,415	28,624
Real effective exchange rate (av), CPI-based	93.9	104.2	105.3	101.5[b]	102.4	107.0	110.9	114.2	116.9	120.0
Real effective exchange rate (av), PPI-based	90.1[b]	97.2[b]	104.0[b]	98.9[b]	93.1	94.7	97.8	100.2	101.3	102.2
Purchasing power parity D:US$ (av)	5,150	6,154	6,457	7,140	8,549	9,104	9,471	9,910	10,145	10,664
Money supply (M2) growth (%)	49.1	20.7	26.2	29.7	10.8	18.3	23.9	22.4	18.8	21.9
Domestic credit growth (%)	49.8	27.6	45.3	31.9	10.9	18.3	16.8	24.6	20.3	23.2
Commercial banks' prime rate (av; %)	11.2	15.8	10.1	13.1	17.6	17.5	14.0	11.5	11.0	10.3
Deposit rate (av; %)	7.5	12.7	7.9	11.2	13.6	12.5	10.3	9.5	9.0	8.0
Money market rate (av; %)	6.5	10.3	8.0	9.0	13.5	13.1	10.0	7.3	7.3	7.0

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

Employment, wages and prices

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
The labour market										
Labour force (m)	44.5[b]	45.6[b]	46.6[b]	47.4[b]	48.2	49.2	50.1	51.0	52.0	52.7
Labour force (% change)	2.2[b]	2.4[b]	2.2[b]	1.7[b]	1.8	2.0	1.9	1.9	1.8	1.5
Price inflation (%)										
Consumer prices (av)	8.3	23.1	7.0	9.0	18.6[a]	11.0	8.3	7.4	7.9	8.4
Consumer prices (year-end)	12.6	20.0	6.5	11.8	17.8[a]	10.6	5.9	8.2	8.8	9.8
GDP deflator (av)	8.2	22.1	6.0	11.9	21.6	9.0	6.1	6.8	4.5	7.2
Private consumption deflator (av)	8.3	23.6	6.8	8.7	16.0	10.0	7.8	6.9	6.0	6.7
Government consumption deflator (av)	8.3	22.1	6.9	10.2	18.6	11.0	8.3	7.4	7.9	8.4
Fixed investment deflator (av)	8.5	13.1	2.5	10.9	12.0	8.0	5.0	5.0	5.0	5.0

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

Current account and terms of trade

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
Current account (US$ bn)										
Current-account balance	-7.0	-10.8	-6.6	-4.3	-0.9	-2.5	-4.6	-5.2	-6.9	-8.4
Current-account balance (% of GDP)	-9.8	-12.0	-7.1	-4.1	-0.7	-1.8	-3.1	-3.1	-3.7	-4.0
Goods: exports fob	48.6	62.7	57.1	72.2	96.2	106.0	122.4	140.5	163.7	191.6
Goods: imports fob	-59.0	-75.5	-64.7	-77.3	-98.4	-109.9	-128.7	-147.4	-172.5	-202.8
Trade balance	-10.4	-12.8	-7.6	-5.1	-2.2	-3.9	-6.3	-6.9	-8.9	-11.2
Services: credit	6.0	7.0	5.8	7.5	8.8	9.4	10.6	11.8	13.5	15.5
Services: debit	-6.8	-8.0	-8.2	-9.9	-11.9	-12.9	-14.6	-16.8	-19.6	-22.8
Services balance	-0.8	-1.0	-2.4	-2.5	-3.1	-3.5	-4.0	-5.0	-6.1	-7.3
Income: credit	1.2	1.4	0.8	0.5	0.4	1.0	1.6	1.7	2.5	3.2
Income: debit	-3.4	-5.8	-3.8	-5.0	-5.6	-6.3	-7.2	-7.9	-8.8	-9.7
Income balance	-2.2	-4.4	-3.0	-4.6	-5.2	-5.3	-5.6	-6.2	-6.2	-6.6
Current transfers balance	6.4	7.3	6.4	7.9	9.5	10.2	11.4	12.9	14.3	16.6
Terms of trade										
Export price index (US$-based; 2005=100)	113.3	138.3	112.6[b]	125.0[b]	149.6	142.0	138.1	141.0	141.3	146.6
Export prices (% change)	6.6	22.0	-18.6[b]	11.0[b]	19.7	-5.1	-2.7	2.1	0.2	3.8
Import price index (US$-based; 2005=100)	107.5	124.3	101.4[b]	110.8[b]	125.8	121.2	121.3	124.0	127.8	132.0
Import prices (% change)	4.5	15.6	-18.4[b]	9.2[b]	13.5	-3.6	0.1	2.2	3.1	3.3
Terms of trade (2005=100)	105.4	111.3	111.0[b]	112.8[b]	119.0	117.1	113.8	113.7	110.5	111.0
Memorandum item										
Export market growth (%)	6.6[b]	3.6[b]	-10.6[b]	15.5[b]	6.6	5.4	6.2	6.6	6.6	6.5

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

Foreign direct investment

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
Foreign direct investment (US$ bn)										
Inward direct investment	6.70	9.58	7.60	8.00	7.90	8.05	11.06	14.00	14.66	15.25
Inward direct investment (% of GDP)	9.4	10.6	8.2	7.7	6.4	6.0	7.4	8.3	7.9	7.3
Inward direct investment (% of gross fixed investment)	24.6	30.6	23.6	21.7	19.7	18.3	22.6	25.5	23.6	21.7
Net foreign direct investment	6.52	9.28	6.90	7.10	7.10	7.17	10.16	13.05	13.65	14.05
Stock of inward direct investment	32.7	42.3	49.9	57.9	65.8	73.9	84.9	98.9	113.6	128.8
Stock of inward direct investment per head (US$)	384.0	491.4	574.0	659.5	742.3	825.1	939.6	1084.1	1233.0	1385.5
Stock of inward direct investment (% of GDP)	46.0	46.8	53.6	55.9	53.3	54.6	56.5	58.5	61.2	61.4
Memorandum items										
Share of world inward direct investment flows (%)	0.35	0.64	0.93	0.89	0.73	0.64	0.80	0.93	0.88	0.91
Share of world inward direct investment stock (%)	0.22	0.30	0.32	0.35	0.37	0.39	0.42	0.45	0.48	0.55

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

External debt

	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]
External debt										
Total external debt (US$ bn)	22.7	25.0	28.7	35.1	39.8	42.0	45.1	49.9	55.8	62.2
Total external debt (% of GDP)	31.9	27.6	30.8	33.9	32.3	31.1	30.0	29.5	30.1	29.6
Debt/exports ratio (%)	37.1	31.9	40.8	39.7	34.5	33.0	30.8	29.8	28.6	27.3
Debt-service ratio, paid (%)	2.0	1.7	1.7	1.5	1.3	1.3	1.2	1.1	1.1	1.0

[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