Country Risk Service

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.

February 2012

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February 2012

Vietnam

Vietnam: risk assessment

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
February 2012	CCC	CCC	CCC	CCC	CCC	CCC

Sovereign risk

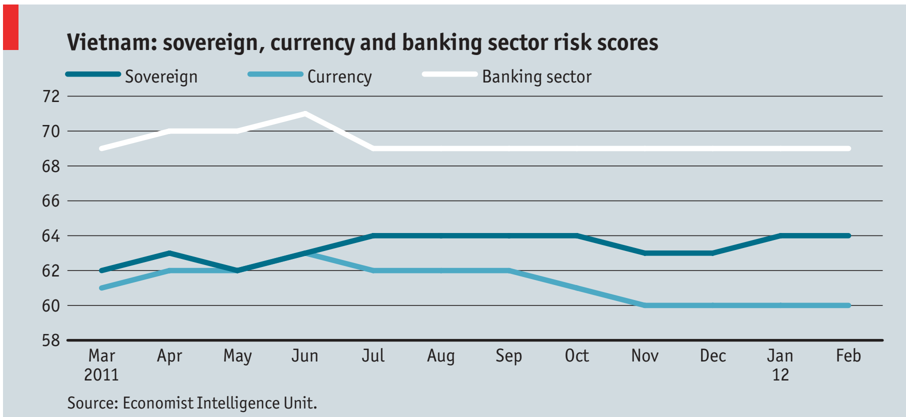
Stable. Although the budget deficit will widen in 2012, reasonably healthy nominal economic growth will ensure that public debt remains essentially steady as a proportion of GDP. Moreover, much of the government's borrowing has been provided on a concessional basis.

Currency risk

Stable. The dong is oscillating between periods of stability and weakness. The exchange rate will remain under downward pressure until there are clear signs inflation is being brought under control.

Banking sector risk

Stable. The rapid pace of credit expansion in the past few years has raised concerns over the potential for a sharp increase in non-performing loans. There are also worries about the accuracy of official data on the subject.



Political risk

The Communist Party of Vietnam exerts a tight grip on power, ensuring a high degree of political stability.

Economic structure risk

Vietnam's dependence on imports of intermediate and capital goods has contributed to the large trade deficits that have been recorded in recent years. Transfers from overseas workers will continue to support the current account.

Mike Jakeman (editor); Fung Siu (consulting editor) *February 12th 2012*

Sovereign risk

Vietnam: sovereign risk

	Rating
February 2012	CCC

Current assessment

The Economist Intelligence Unit believes that in 2011 the government had some success in reducing the budget deficit, which is estimated at the equivalent of 4.8% of GDP last year. In 2012 slowing growth in exports and in oil and gas revenue (owing to falling global hydrocarbons prices) will cause the deficit to widen again, to 6.1% of GDP. Modest economic growth (by Vietnamese standards) of 5.8% in 2012, coupled with continued growth in public spending, will see the public debt to GDP ratio remain steady at around 51% this year. The government's poor financial health at a time of global economic uncertainty is a cause for concern. Debt-repayment problems at a large state-owned enterprise (SOE), the Vietnam Shipbuilding Industry Group (Vinashin), have added to investor worries about the finances of large SOEs. (In January 2012 it was reported that Vinashin has defaulted on three repayments of US$60m on a US$600m syndicated loan from international lenders.) The government had no legal obligation to provide support to Vinashin to help it to meet its debt-repayment commitments, and its decision not to do so is likely to have been made in order to send a clear message to other SOEs that they must put their own houses in order, rather than because the authorities were unable to bear the financial burden of a bail-out. Nevertheless, the Vinashin saga has badly damaged the Vietnamese sovereign's reputation in international financial markets, not least because creditors appear to have believed that an implicit state guarantee of the company's debt existed.

Positive factors

- By setting an ambitious budget deficit target for 2012 equivalent to 4.8% of GDP, the government has committed itself to responsible fiscal management.

Negative factors

- Vinashin's failure to meet its debt-repayment obligations continues to undermine investor sentiment towards the Vietnamese sovereign. The SOE has asked the foreign creditors involved in the US$600m syndicated loan to write off up to 90% of the total owed.

Rating outlook

Stable. The public debt to GDP ratio will remain high in 2012-13. However, given that much of this debt has been granted on concessional terms, the government is not expected to run into repayment problems. Moreover, even if it were to encounter such difficulties, international financial support would be forthcoming. The government is unlikely to carry out additional US dollar-denominated international bond issues to finance its deficit or to pay for infrastructure developments, as downgrades to Vietnam's credit rating by international rating agencies have made this a difficult and expensive means of raising money. Instead, it will attempt to finance continued high levels of spending in the next two years by means of grants and further concessional loans. The substantial fiscal deficit means that the government would have only a limited ability to support the domestic economy should the global economic situation continue to deteriorate.

Currency risk

Vietnam: currency risk

	Rating
February 2012	CCC

Current assessment

The dong has continued to oscillate between periods of stability and weakness. The currency held its value against the US dollar between March and July 2011, before depreciating from D20,555:US$1 at end-July to D21,014:US$1 at end-October. Since then it has hovered around the D21,000:US$1 mark. This volatility reflects the fact that policymakers have proved unable to set the dong at a rate that is competitive in the foreign-exchange market. Strong local demand for US dollars, underpinned by Vietnam's substantial trade deficit and by high inflationary expectations, has put the currency under significant pressure in the past few years, forcing the State Bank of Vietnam (SBV, the central bank) to devalue it on a number of occasions. The most recent devaluation, when the dong's value was lowered by 8.5% against the US dollar, took place in February 2011. High inflation in particular has contributed to a loss of confidence in the value of the dong, and the widespread belief that there will be further downward adjustments by the central bank has driven up demand in Vietnam for gold and US dollars. In October the SBV submitted a proposal to the National Assembly (the legislature) in which it asked for greater powers to control the flow of gold into and out of the country, but it is not yet clear whether the government is prepared to grant it greater autonomy.

Positive factors

- Were Vietnam to encounter external financing difficulties or to be in urgent need of foreign exchange, support from the IMF would be forthcoming.

Negative factors

- Downward pressure on the dong is coming partly from rapid consumer price inflation. The annual rate of inflation has now slowed for five consecutive months but remains very rapid, at 17.3% in January.

Rating outlook

Stable. The SBV has so far proved unable to return the dong to long-term stability. Inflation will stay high, and this will continue to undermine confidence in the dong and encourage consumers and investors to hold US dollars and gold (even at premium prices) to protect their wealth. Foreign-exchange reserves are believed to have grown in the second half of 2011 but still provide cover for less than two months of imports. This low level of reserves means that the Vietnamese authorities would be unable to intervene in currency markets with sufficient weight to offset any downward pressure on the dong.

Foreign-exchange regime

The government has operated a crawling peg since 1999, allowing the dong's exchange rate against the US dollar to adjust to changing market conditions. The State Bank of Vietnam (SBV, the central bank) sets the official exchange rate on a daily basis. The interbank market rate (the rate at which banks exchange dong for foreign exchange among themselves) cannot deviate from the official rate by more than 1%. In recent years the SBV has been moved to lower the dong's reference rate against the US dollar several times in order to maintain economic stability.

Banking sector risk

Vietnam: banking sector risk

	Rating
February 2012	CCC

Current assessment

Source: Economist Intelligence Unit.

The SBV is attempting to push through long-term reforms to the banking sector aimed at improving the regulatory environment and the overall resilience of the sector. However, the target date for the conclusion of the reforms, namely 2020, is unambitious, even to complete complex processes such as mergers and acquisitions, and the government's continued intervention in the sector is creating much uncertainty. This was demonstrated by the saga of Circular 13—a regulation that was promulgated by the SBV in 2010 and which introduced a new maximum loan-deposit ratio of 80%. The government called for the measure to be revised, and it was then scrapped as part of Circular 22, which was issued in September 2011. The SBV has, however, maintained other aspects of Circular 13: the capital adequacy ratio was lifted from 8% to 9% from October 2010, despite the fact that for some banks (particularly state-owned ones) the requirement is proving difficult to meet. Under a separate regulatory change, banks were supposed to have amassed minimum chartered capital of D3trn (US$155m) by the end of 2010. But owing to the fact that a number of banks failed to do so, a 12-month extension until end-2011 was granted, and it is not yet clear whether another extension will be required. The SBV's apparent desire to take a more assertive approach to managing the economy was evident in October 2011 when it issued Decree 95, which raised the maximum fine for illegal domestic currency trading to D500m (US$24,000), from D70m previously, in a fresh effort to deter the use of US dollars in preference to dong.

Positive factors

- The government holds stakes in all major banks, and this increases the likelihood that it will provide financial support should any bank come under pressure. This limits the likelihood of a run on bank deposits.

Negative factors

- According to government data, non-performing loans (NPLs) as a proportion of total loans rose from 2.2% at end-2010 to 3.6-3.8% at end-2011. It is likely that these figures significantly underestimate the actual bad-loan ratio.

Rating outlook

Stable. Although the authorities tightened monetary policy and engineered a slowdown in the pace of domestic credit growth in 2011, rapid credit expansion in recent years—at around 45% in 2009 and 32% in 2010—has increased the potential for a big jump in NPLs. The SBV has allowed commercial banks a greater degree of flexibility in setting lending interest rates since early 2010, but banks do not have completely free rein in setting interest rates, and this impedes their ability to price in risk fully. Banking-sector reserve requirements are currently low (at just 2-4% for US dollar reserves, for example), and although the SBV recently dismissed speculation that it intended to raise the overall reserve requirement to 10%, it has not ruled out further incremental increases if credit growth returns to the supercharged rates seen in 2009-10.

Generic risks

The assessment of *political risk* and *economic structure risk* informs our assessment of *sovereign risk*, *currency risk* and *banking sector risk*.

Political risk assessment

Rating: CCC

The ruling Communist Party of Vietnam (CPV) maintains a tight grip on power, thereby ensuring a high degree of political stability, but political effectiveness continues to be damaged by endemic corruption. One of the challenges facing the CPV as it strives to maintain control is the need to tackle graft within its own ranks: foreign investors and donors regularly voice concern over the extent to which corruption permeates the government. Prospects for political reform and improved protection of human rights in Vietnam remain poor. Despite strengthening diplomatic and economic ties with China, an ongoing major point of disagreement is the sovereignty of the Spratly and Paracel islands in the South China Sea (also known as the East Sea). Both countries claim the island archipelagos and, more importantly, the surrounding seabed, which is believed to hold rich oil and gas deposits.

Economic structure risk assessment

Rating: CCC

In 2011 interest rate rises and rapid inflation exerted a drag on real GDP growth, which came in below the government's target at 5.9%. Owing to the fact that Vietnam's economy is an open one (as indicated by the high ratio of external trade to GDP), it is exposed to changes in global demand, and a forecast subdued year for the world economy in 2012 means that domestic growth will again be unimpressive again this year, at 5.8%. There have been a number of structural shifts in the Vietnamese economy in the past decade, with the importance of agriculture diminishing and private and foreign-invested firms accounting for an expanding share of industrial output. But reform of SOEs has been slow, and there are still many inefficient state-owned companies that enjoy better access to capital and land than their more efficient private-sector rivals. Low income levels limit the extent to which the government can borrow from domestic investors, while the cost of borrowing internationally is likely to have risen amid concerns about policy uncertainty and structural weaknesses. Vietnam's dependence on imports of intermediate and capital goods has contributed to the large merchandise trade deficits that have been recorded in recent years. A weakening of sentiment towards Vietnam has led to a decline in foreign direct investment (FDI) in 2011. Any increase in FDI in 2012 will be contingent on the ability of the authorities to stabilise the economy.

Country risk

Overall country risk

Rating: CCC

The country risk rating is derived by taking a simple average of the scores for *sovereign risk*, *currency risk* and *banking sector risk*.

Rating definitions

Sovereign risk

This risk category measures the risk of a build-up in arrears of principal and/or interest on foreign- and/or local-currency debt that is the direct obligation of the sovereign or guaranteed by the sovereign. The *sovereign risk* rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Currency risk

This risk category measures the risk of a devaluation against the reference currency (usually the US dollar, occasionally the euro) of 25% or more in nominal terms over the next 12-month period. The *currency risk* rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Banking sector risk

This risk category gauges the risk of a systemic crisis whereby bank(s) holding 10% or more of total bank assets become insolvent and unable to discharge their obligations to depositors and/or creditors. A banking crisis is deemed to occur even if governments restore solvency through large bail-outs and/or nationalisation. A run on banks facing a temporary lack of liquidity rather than underlying solvency problems is not deemed to constitute a crisis, provided that public confidence in the banking system is quickly restored. Banking crises are typically associated with payment difficulties in the corporate or household sectors; bursting of asset price bubbles; currency and/or maturity mismatches. The rating can therefore serve as a proxy for the risk of a systemic crisis in the private sector. The *banking sector risk* rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Political risk

This risk category evaluates a range of political factors relating to political stability and effectiveness that could affect a country's ability and/or commitment to service its debt obligations and/or cause turbulence in the foreign-exchange market. The *political risk* rating informs the ratings for *sovereign risk*, *currency risk* and *banking sector risk*.

Economic structure risk

This risk category is derived from a series of macroeconomic variables of a structural rather than a cyclical nature. Consequently, the rating for *economic structure risk* will tend to be relatively stable, evolving in line with structural changes in the economy. The *economic structure risk* rating informs the ratings for *sovereign risk*, *currency risk* and *banking sector risk*.

Overall country risk

This risk rating is derived by taking a simple average of the scores for *sovereign risk*, *currency risk* and *banking sector risk*.

Central scenario 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 (SOEs), 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.

External financing requirement

Vietnam's gross external financing requirement (including repayments of short-term debt) is estimated to increase substantially in 2012-13, from an estimated US$8.7bn at the end of 2011 to US$15.3bn at the end of 2013. The main driver of this widening of the financing deficit will be trends in merchandise trade. An impressive export performance in 2011 reduced the current-account deficit to an estimated US$913m, from US$4.2bn in 2010, but a subdued global economy will not permit exports to expand at the same rate in 2012. The pace of import growth will also slow in 2012, but not to the same extent, resulting in a widening of the current-account deficit to US$2.5bn this year. In 2013 the merchandise trade deficit, the current-account deficit and the external financing requirement will all increase in absolute terms, owing to continued growth in imports and despite a forecast acceleration in the rate of export expansion.

As a proportion of GDP new commitments of foreign direct investment (FDI) have declined steadily since 2008, from 10.6% in that year to an estimated 6.4% in 2011. Foreign investors remain concerned about Vietnam's macro-economic instability. After soaring in 2007 inflows of foreign portfolio investment slumped in 2008-09, reflecting the deterioration in both Vietnam's economy and globally in that period. A renewed acceleration in the rate of inflation, a debt default by Vinashin and a series of devaluations of the local currency have all served to deter investors from entering Vietnam in recent years. The decline in the FDI to GDP ratio will bottom out at 6% in 2012, after which we expect the authorities to re-establish economic stability, thereby attracting investors back into the country.

In 2010 the government successfully issued its second sovereign bond, worth US$1bn. Although the issue was fully subscribed, the government had to offer a relatively high yield, and in the wake of recent downgrades to Vietnam's sovereign credit rating by international rating agencies, future bond issues will be difficult and costly. However, foreign donors remain keen to provide funds to the country on a concessional basis. Owing to intervention in the foreign-exchange market as the government seeks to support the dong, in 2012-13 reserves will remain below the high that they reached in early 2008.

External debt

The external debt stock is forecast to reach US$45.1bn by the end of 2013, up from US$28.7bn at end-2009 (latest actual data from the World Bank). However, as a proportion of GDP external debt will continue the declining trend that began in 2010, to reach 30% at end-2013. The government has been promised generous amounts of aid (in the form of both grants and concessional loans) by international donors, but it could face greater difficulties obtaining other forms of international finance. It is unlikely to tap the global debt markets in 2012-13, as this would be a relatively expensive form of borrowing. The overall rise in public medium- and long-term debt (obtained through official creditors) will reflect the need of the government to finance ongoing projects, including major infrastructure development. The forecast increase in short-term debt will occur as a result of growth in demand for international trade financing, in line with an expansion in external trade. But the main component of Vietnam's external debt stock will continue to be debt provided on a concessional basis. Given that low interest rates apply to most of its existing debt, Vietnam is unlikely to struggle to fulfil its debt-servicing obligations: the debt-service ratio is forecast to hold steady in 2012-13, at around 1.3%.

Key risk indicators

(% unless otherwise indicated)	Vietnam	Median of CCC-rated	Median of ASEAN	Median of emerging markets
Largest single goods export (2-digit SITC code)/total goods exports	19.7	40.6	29.8	34.5
Gross public debt/GDP	51.1	44.8	49.4	37.1
Gross external debt/GDP	31.9	31.1	24.0	26.3
Interest & principal arrears (if any)/gross external debt	0.0	2.6	0.0	0.0
Net external debt/exports	19.1	57.2	6.6	26.5
Primary fiscal balance/GDP required to stabilise public debt/GDP ratio	-1.0	-3.0	-1.4	-0.6
Foreign-exchange reserves/gross external financing requirement	179.3	91.2	239.4	100.4
Foreign-exchange reserves/external short-term debt	187.2	285.9	400.5	357.9
Foreign-exchange reserves (change over last 6 months)	-13.3	-1.9	5.4	3.7
Banks' net foreign asset position/total foreign assets	-9.8	52.7	0.5	15.5
Bank credit to private sector/GDP (change over last 36 months; percentage points)	23.7	2.3	9.4	2.1
Equity market (change over last 24 months)	-28.9	7.7	29.9	5.5
Over last 12 months				
Average real money-market interest rates	-2.8	-0.6	-2.6	-0.7
Fiscal balance/GDP	-5.1	-4.1	-4.8	-3.5
US$ export receipt growth	24.4	12.8	13.4	14.7
Current-account balance/GDP	-1.0	-5.7	0.3	-1.4
Debt-service due/exports	1.3	7.1	3.7	7.8
Interest due/exports	0.6	1.5	0.8	1.6
Average import cover (months)	1.9	4.5	6.8	5.3
Banks' loan-deposit spread (percentage points)	4.3	4.6	4.2	5.4
Change in bank credit to private sector	33.5	17.4	21.8	14.0
Over last 48 months				
Average current-account balance/GDP	-5.4	-4.2	3.1	-2.1
Average GDP growth	6.0	3.1	5.0	3.4
Average inflation rate	13.6	8.6	6.0	5.7
Change in real trade-weighted exchange rate	-0.9	0.9	4.8	4.5

Ratings summary

	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012
Sovereign risk score[a]	64	64	64	63	63	64	64
Sovereign risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Currency risk score	62	62	61	60	60	60	60
Currency risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Banking sector risk score	69	69	69	69	69	69	69
Banking sector risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Political risk score	67	67	67	67	67	67	67
Political risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Economic structure risk score	60	60	60	60	60	60	60
Economic structure risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Country risk score	65	65	65	64	64	64	64
Country risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC

Note. Ratings are derived from scores as follows: 100-89 = D; 92-79 = C; 82-69 = CC; 72-59 = CCC; 62-49 = B; 52-39 = BB; 42-29 = BBB; 32-19 = A; 22-9 = AA; 12-0 = AAA. In boundary areas, the higher or lower rating is assigned at the discretion of the analyst.

[a] For the backtesting period (1997-2005) the probability of sovereign default associated with the different score ranges is as follows: 0-10, 0%; >10-20, 0%; >20-30, 0%; >30-40, 0%; >40-50, 1.4%; >50-60, 14.1%; >60-70, 57.9%; >70-80, 90.4%; >80-90, 100%; >90-100, not available.

Quarterly indicators

	2010				2011		
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Exchange rate (D:US$)							
Average	18,756	18,993	19,278	19,495	20,234	20,683	20,709
End-period	19,080	19,065	19,485	19,498	20,908	20,565	20,822
Domestic indicators (% change)							
Consumer prices (av)	7.5	9.0	8.4	10.8	12.8	19.4	22.5
Money supply M1	12.6	8.0	9.3	10.7	15.2	–	–
External sector (US$ m)							
Total exports fob	14,345	17,961	18,984	20,366	19,386	23,130	26,514
Total imports cif	17,775	20,736	21,232	24,037	22,784	26,203	27,309
Trade balance	-3,430	-2,775	-2,248	-3,671	-3,398	-3,073	-795
Foreign direct investment inflows	1,850	2,250	2,100	1,800	1,760	–	–
International liquidity (US$ m)							
Total reserves	14,215	14,524	14,537	12,926	12,682	–	–
Foreign-exchange reserves	13,854	14,121	14,111	12,467	12,220	–	–
Gold, national valuation	361	403	426	460	461	–	–
Assets with BIS-reporting banks	12,555	12,670	14,183	15,991	–	–	–
Liabilities to BIS-reporting banks	3,776	3,901	4,047	4,847	–	–	–
Liabilities due within 1 year to BIS-reporting banks	5,981	6,353	6,864	7,670	–	–	–
Commercial banks' foreign assets	7,657	7,242	7,291	9,224	8,909	–	–
Commercial banks' foreign liabilities	7,287	7,428	7,745	9,132	9,778	–	–
Commercial banks' net foreign assets	370	-186	-454	92	-870	–	–
IMF credits & loans outstanding	75	61	58	45	39	27	19
Net flow of IMF credits & loans	-6	-12	-6	-13	-7	-13	-6
Banking indicators (D bn)							
Commercial banks' claims on:							
Public sector	156.9	202.5	202.2	201.7	225.5	–	–
Central government	156.9	202.5	202.2	201.7	225.5	–	–
Private sector	1,935.8	2,087.4	2,251.5	2,475.5	2,584.9	–	–
Non-financial private sector	1,935.8	2,087.4	2,251.5	2,475.5	2,584.9	–	–
Lending interest rate (%; av)	12.0	13.4	13.2	13.9	16.0	18.0	–
Deposit interest rate (%; av)	10.3	11.1	11.1	12.3	14.0	14.0	–
Money market interest rate (%; av)	8.0	8.0	8.0	9.0	12.0	14.0	–

Symbols

0, 0.0 *nil or negligible*

– *not applicable or not available*

International assumptions summary

(% unless otherwise indicated)

	2007	2008	2009	2010	2011	2012	2013
Real GDP growth							
World	5.2	2.5	-0.8	5.0	3.8	3.1	3.9
China	14.2	9.6	9.2	10.4	9.2	8.1	8.4
EU27	3.2	0.2	-4.2	1.9	1.6	-0.8	1.0
Exchange rates							
¥:US$	117.76	103.38	93.60	87.75	79.57	77.03	80.10
US$:€	1.37	1.47	1.39	1.33	1.39	1.27	1.24
Financial indicators							
¥ 3-month money market rate	0.7	0.8	0.3	0.1	0.2	0.1	0.2
US$ 3-month commercial paper rate	5.0	2.1	0.3	0.2	0.2	0.2	0.4
Commodity prices							
Oil (Brent; US$/b)	72.7	97.7	61.9	79.6	111.0	100.0	103.0
Food, feedstuffs & beverages (% change in US$ terms)	30.9	28.1	-20.3	10.7	30.2	-12.4	-6.5
Industrial raw materials (% change in US$ terms)	11.3	-5.3	-25.6	45.4	21.6	-13.6	2.6

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

Economic structure

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
GDP at market prices							
Nominal GDP (US$ bn)	71.1	90.3	93.2	103.5	123.5	135.2	150.3
Nominal GDP (D trn)	1,143.7	1,485.0	1,658.4	1,980.9	2,549.9	2,941.8	3,346.1
Real GDP (D trn at 1994 prices)	461.3	490.5	516.6	551.6	584.1[a]	618.0	662.4
Expenditure on GDP (% real change)							
GDP	8.5	6.3	5.3	6.8	5.9[a]	5.8	7.2
Private consumption	10.8	9.3	3.1	10.0	3.6	5.4	6.7
Government consumption	8.9	7.5	7.6	12.3	7.8	7.8	7.7
Gross fixed investment	24.2	3.8	8.7	10.9	4.8	7.2	8.2
Exports of goods & services	16.1[b]	14.9[b]	-5.8[b]	16.1[b]	15.0	10.9	13.6
Imports of goods & services	28.2[b]	15.3[b]	-6.2[b]	18.4[b]	13.2	9.2	12.1
Origin of GDP (% real change)							
Agriculture	3.7	4.4	2.4	2.8	4.0[a]	3.0	3.2
Industry	10.6	5.7	5.4	7.7	5.5[a]	6.5	8.5
Services	8.7	7.3	6.8	7.5	7.0[a]	6.2	7.4
Ratios, GDP at market prices (%)							
Gross fixed investment/GDP	38.3	34.6	34.5	35.6	32.4	32.5	32.5
Exports of goods & services/GDP	76.9	77.9	68.3	77.9[b]	88.5	87.0	88.0
Imports of goods & services/GDP	92.7	93.1	78.7	88.2[b]	94.7	92.1	93.7
Gross national savings/investment	77.3	69.8	81.4	89.4	98.0	94.8	91.3
Ratios, GDP at factor cost (%)							
Agriculture/GDP	20.3	22.0	20.9	20.6	20.2	19.7	18.9
Industry/GDP	41.6	39.9	40.2	41.1	41.0	41.2	41.7
Services/GDP	38.1	38.1	38.8	38.3	38.8	39.1	39.3
Population and income							
Population (m)	85.3[b]	86.1[b]	87.0[b]	87.8[b]	88.7	89.5	90.4
Labour force (m)	44.5[b]	45.6[b]	46.6[b]	47.4[b]	48.2	49.2	50.1
GDP per head (US$ at PPP)	2,604[b]	2,802[b]	2,953[b]	3,159[b]	3,364	3,609	3,909

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

Public finances

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
Fiscal indicators (D trn)							
Budget revenue	315.9	416.8	468.8	559.2	711.5	837.3	931.0
Budget expenditure	399.4	494.6	584.7	668.6	833.0	1,017.4	1,128.9
Budget balance	-83.5	-77.8	-115.9	-109.5	-121.5	-180.1	-197.9
Public debt	521.5[b]	651.9[b]	826.3[b]	1,130.7[b]	1,302.3	1,507.4	1,705.3
Fiscal indicators (% of GDP)							
Budget revenue	27.6	28.1	28.3	28.2	27.9	28.5	27.8
Budget expenditure	34.9	33.3	35.3	33.8	32.7	34.6	33.7
Budget balance	-7.3	-5.2	-7.0	-5.5	-4.8	-6.1	-5.9
Public debt	45.6[b]	43.9[b]	49.8[b]	57.1[b]	51.1	51.2	51.0

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

Exchange rates, interest rates and prices

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
Exchange rates							
Exchange rate D:US$ (av)	16,078	16,440	17,800	19,131	20,649	21,755	22,270
Exchange rate D:US$ (end-period)	16,010	17,433	18,472	19,498	21,024	22,009	22,492
Exchange rate D:¥100 (av)	13,653	15,903	19,017	21,801	25,950	28,244	27,804
Exchange rate D:¥100 (end period)	14,332	19,201	19,845	23,612	27,240	27,984	27,893
Exchange rate D:€ (av)	22,041	24,175	24,799	25,398	28,743	27,520	27,615
Exchange rate D:€ (end-period)	23,379	24,265	26,474	26,111	27,624	27,401	27,665
Black market exchange rate D:US$ (av)	16,882[b]	17,591[b]	19,224[b]	20,470[b]	22,094	22,843	23,384
Real effective exchange rate (consumer prices)	93.9	104.2	105.3	101.5[b]	102.4	107.0	110.9
Real effective exchange rate (producer prices)	90.1[b]	97.2[b]	104.0[b]	98.9[b]	93.1	94.7	97.8
Real effective exchange rate (unit labour costs)	74.3[b]	81.3[b]	80.8[b]	79.0[b]	74.5	76.0	77.4
Interest rates							
Lending interest rate (%; av)	11.2	15.8	10.1	13.1	17.6	17.5	14.0
Deposit interest rate (%; av)	7.5	12.7	7.9	11.2	13.6	12.5	10.3
Money market interest rate (%; av)	6.5	10.3	8.0	9.0	13.5	13.1	10.0
Money market spread over US T-bills (basis points)	203	891	785	886	1,345	1,309	970
Real money market rate (%; av)	-1.7	-11.6	1.0	0.0	-4.5[a]	1.9	1.6
Prices							
Consumer prices (% change; av)	8.3	23.1	7.0	9.0	18.6[a]	11.0	8.3
Consumer prices (% change; end-period)	12.6	20.0	6.5	11.8	17.8[a]	10.6	5.9

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

Financial sector

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
Banking sector (US$ bn)							
Bank loans	50.8	54.2	72.3	88.5	101.1	114.9	134.5
Bank deposits	43.6	51.2	56.4	65.9	76.1	89.0	102.9
Banking assets	87.2	94.1	119.7	149.5	170.8	196.6	231.0
Loans/assets (%)	57.1	59.4	64.4	63.1	63.7	63.3	63.0
Financial sector (US$ bn)							
Total lending by banking & non-banking financial sector	74.3	86.3	109.1	131.0	149.0	172.5	202.8
Total lending to private sector	66.7	76.8	95.7	115.3	143.7	168.1	197.3
Total lending per head (US$)	872	1,002	1,242	1,476	1,706	1,989	2,306
Total lending/GDP (%)	104.0	101.3	120.3	127.4	131.2	140.4	148.6
Money and credit (D bn)							
Stock of domestic credit	1,100,080	1,403,750	2,040,050	2,689,970	2,982,745	3,529,094	4,122,440
Domestic credit growth (%)	49.8	27.6	45.3	31.9	10.9	18.3	16.8
Stock of money M1	435,168	433,318	565,213	625,451	655,103	705,785	802,789
Stock of quasi-money	818,830	1,080,230	1,345,370	1,852,860	2,091,103	2,543,443	3,222,906
Stock of money M2	1,253,998	1,513,548	1,910,583	2,478,311	2,746,207	3,249,228	4,025,695
M1 (% change)	48.9	-0.4	30.4	10.7	4.7	7.7	13.7
M2 (% change)	49.1	20.7	26.2	29.7	10.8	18.3	23.9

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

Current account

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
Current-account balance (US$ m)	**-6,953**	**-10,823**	**-6,608**	**-4,287**	**-913**	**-2,482**	**-4,598**
Goods: exports fob	48,561	62,685	57,096	72,192	96,214	106,032	122,381
Goods: imports fob	-58,999	-75,468	-64,703	-77,339	-98,397	-109,894	-128,660
Trade balance	**-10,438**	**-12,783**	**-7,607**	**-5,147**	**-2,182**	**-3,862**	**-6,278**
Services: credit	6,030	7,006	5,766	7,460	8,781	9,418	10,598
Services: debit	-6,785	-7,956	-8,187	-9,921	-11,859	-12,941	-14,637
Services balance	**-755**	**-950**	**-2,421**	**-2,461**	**-3,078**	**-3,523**	**-4,039**
Income: credit	1,166	1,357	753	456	446	1,022	1,550
Income: debit	-3,356	-5,758	-3,781	-5,020	-5,626	-6,281	-7,198
Income balance	**-2,190**	**-4,401**	**-3,028**	**-4,564**	**-5,180**	**-5,259**	**-5,648**
Current transfers balance	**6,430**	**7,311**	**6,448**	**7,885**	**9,527**	**10,162**	**11,366**

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

International liquidity

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
Total reserves (US$ m)	**23,748**	**24,176**	**16,803**	**12,926**	**17,767**	**17,602**	**22,618**
Foreign-exchange reserves	23,479	23,890	16,447	12,467	17,317	17,152	22,238
Total reserves (net of IMF credits & loans outstanding)	23,584	24,055	16,719	12,882	17,762	17,602	22,618
Months of import cover	4.3	3.5	2.8	1.8	1.9	1.7	1.9
Commercial banks' foreign assets	4,981	5,234	7,280	9,224	8,573	8,948	9,318
Commercial banks' foreign liabilities	3,469	5,132	6,873	9,132	10,477	10,427	10,775
Commercial banks' net foreign assets	**1,512**	**102**	**406**	**92**	**-1,904**	**-1,478**	**-1,457**

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

Foreign payment and liquidity indicators

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
Foreign payment indicators (% of GDP)							
Current-account balance	-9.8	-12.0	-7.1	-4.1	-0.7	-1.8	-3.1
Trade balance	-14.7	-14.2	-8.2	-5.0	-1.8	-2.9	-4.2
Services balance	-1.1	-1.1	-2.6	-2.4	-2.5	-2.6	-2.7
Income balance	-3.1	-4.9	-3.2	-4.4	-4.2	-3.9	-3.8
Current transfers balance	9.0	8.1	6.9	7.6	7.7	7.5	7.6
Liquidity indicators (ratios)							
Foreign-exchange reserves/short-term debt	5.1	5.6	3.2	1.8[b]	1.9	1.7	2.0
Foreign-exchange reserves/gross external financing requirement[d]	2.3	1.5	1.4	1.2[b]	2.0	1.4	1.4

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts. [d] A minus sign indicates a financing surplus.

External trade

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
Main destinations of exports (% share)							
US	20.9	19.0	19.9	19.9	–	–	–
Japan	12.6	13.5	11.0	10.8	–	–	–
China	7.5	7.7	8.6	10.2	–	–	–
South Korea	2.6	2.9	3.6	4.3	–	–	–
Main origins of imports (% share)							
China	20.9	19.8	23.5	23.9	–	–	–
South Korea	8.8	9.0	10.0	11.7	–	–	–
Japan	10.2	10.2	10.7	10.8	–	–	–
Thailand	6.2	6.1	6.5	6.7	–	–	–
Principal exports (% share)							
Crude oil	16.8	16.3	10.8	6.9	7.8	7.2	7.5
Textiles & garments	16.5	14.8	15.9	15.6	15.0	14.8	15.5
Footwear	8.4	7.5	7.1	7.1	8.0	7.5	7.0
Fisheries products	7.9	7.2	7.4	6.9	7.5	7.8	8.0
Principal imports (% share)							
Machinery, equipment & parts	15.7	16.8	17.4	16.1	16.3	16.0	16.5
Refined petroleum	11.2	12.4	8.8	6.9	9.2	9.2	10.2
Steel	7.7	7.9	7.6	7.4	7.5	8.0	8.0
Materials for textile industry	6.6	5.3	6.0	6.4	4.2	4.5	4.5
Volume and prices (% change)							
Export volume of goods	17.0[b]	18.7[b]	-5.9[b]	16.9[b]	14.2	9.9	13.5
Import volume of goods	31.4[b]	16.1[b]	-7.1[b]	19.7[b]	14.2	9.7	12.5
Export prices	6.6	22.0	-18.6[b]	11.0[b]	19.7	-5.1	-2.7
Import prices	4.5	15.6	-18.4[b]	9.2[b]	13.5	-3.6	0.1
Terms of trade (1990=100)	121.9	128.7	128.2[b]	130.4[b]	137.5	135.4	131.6

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

External financing requirement

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
Gross financing requirement (US$ m)	**-10,017**	**-16,208**	**-11,668**	**-10,286[b]**	**-8,713**	**-12,394**	**-15,347**
Current-account balance	-6,953	-10,823	-6,608	-4,287	-913	-2,482	-4,598
Medium- & long-term repayments due (incl IMF debits)	-637	-755	-782	-813[b]	-851	-889	-900
Short-term debt due	-2,427	-4,630	-4,279	-5,186	-6,949	-9,023[b]	-9,848
Financed by:							
Medium- & long-term debt inflows	1,945	1,878	3,891	4,437[b]	2,405	2,718	3,001
Commercial bank loans	0	0	0	0[b]	0	0	0
Officially guaranteed loans	1,945	1,878	3,891	3,437[b]	2,405	2,718	3,001
International bond issues	0	0	0	0	0	0	0
IMF credits & loans	0	0	0	0	0	0	0
Short-term borrowing	4,630	4,279	5,186	6,949[b]	9,023	9,848	11,259
Net portfolio investment (net of external bonds)	6,284	-547	-51	2,370	1,437	1,717	1,951
Inward portfolio investment (net of external bonds)	6,284	-547	148	2,383	1,237	1,837	2,026
Outward portfolio investment	0	0	-199	-13	200	-120	-75
Net direct investment flows	6,516	9,279	6,900	7,100	7,100	7,170	10,160
Inward direct investment	6,700	9,579	7,600	8,000	7,900	8,050	11,060
Outward direct investment	-184	-300	-700	-900	-800	-880	-900
Increase in interest arrears (if any)	0	1	0	0[b]	0	0	0
Increase in principal arrears (if any)	0	0	0	0[b]	0	0	0
Other capital flows (net)	799	1,747	-11,630	-14,447[b]	-6,410	-9,224	-6,009
Change in international reserves	-10,157	-428	7,373	3,877	-4,841	165	-5,015

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

External debt stock

	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]	2012[c]	2013[c]
External debt stock (US$ m)							
Total	**22,713**	**24,954**	**28,718**	**35,139**	**39,832**	**42,047**	**45,091**
Public medium- & long-term	17,919	20,554	23,447	28,145	30,804	32,199	33,832
Private medium- & long-term	0	0	0	0	0	0	0
IMF	164	121	84	45[a]	5	0	0
Short-term	4,630	4,279	5,186	6,949	9,023	9,848	11,259
Interest arrears	0	1	0	0	0	0	0
Official creditors	0	1	0	0	0	0	0
Private creditors	0	0	0	0	0	0	0
Ratios (%)							
Total debt/exports of goods & services	37.1	31.9	40.8	39.7	34.5	33.0	30.8
Total debt/GDP	31.9	27.6	30.8	33.9	32.3	31.1	30.0
International reserves/total debt	104.6	96.9	58.5	36.8	44.6	41.9	50.2
Debt per head (US$)	266[b]	290[b]	330[b]	400	449	470	499
Net debt							
Total (US$ m)	-1,035	778	11,915	22,213	22,065	24,445	22,473
Net debt/exports of goods & services (%)	-1.7	1.0	16.9	25.1	19.1	19.2	15.3
Net debt/GDP (%)	-1.5	0.9	12.8	21.5	17.9	18.1	15.0
Medium- and long-term debt by lender (US$ m)							
Total	**17,919**	**20,554**	**23,447**	**28,145**	**30,804**	**32,199**	**33,832**
Official creditors	16,117	18,789	21,643	25,255	27,856	29,321	31,019
Bilateral	8,995	10,789	11,334	12,994	14,015	14,431	14,939
Multilateral	7,122	7,999	10,309	12,262	13,841	14,890	16,080
Private creditors	1,802	1,766	1,805	2,890	2,948	2,878	2,813
Memorandum items (US$ m)							
Principal arrears	0	0	0	0	0	0	0
Official creditors	0	0	0	0	0	0	0
Private creditors	0	0	0	0	0	0	0
Debt owed to BIS banks (US$ m)							
Total	**11,587**	**11,306**	**12,956**	**16,669**[a]	**–**	**–**	**–**
0-1 year	4,901	4,785	5,523	7,670[a]	–	–	–
1-2 years	507	580	742	743[a]	–	–	–
Over 2 years	4,431	4,902	5,560	6,723[a]	–	–	–

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

External debt service

	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]	2012[c]	2013[c]
External debt service (US$ m)							
Total paid	1,245	1,321	1,217	1,334	1,475	1,630	1,729
Medium- & long-term debt service	1,025	1,148	1,117	1,255	1,283	1,413	1,496
Paid to official creditors	755	888	899	1,020	1,079	1,201	1,286
Paid to private creditors	270	260	218	235	204	212	210
IMF debits & charges	26	40	39	0[a]	40	14	0
Short-term debt (interest only)	194	134	61	79	151	203	233
Total due	1,245	1,322	1,217	1,335	1,475	1,630	1,729
Debt-service ratios (%)							
Debt-service ratio, paid	2.0	1.7	1.7	1.5	1.3	1.3	1.2
Debt-service ratio, due	2.0	1.7	1.7	1.5	1.3	1.3	1.2
Debt service paid/GDP	1.8	1.5	1.3	1.3	1.2	1.2	1.2
Principal repayments (US$ m)							
Total paid	637	755	782	814	851	889	900
Medium- & long-term debt	612	716	743	814	811	875	900
Paid to official creditors	456	569	614	693	664	723	752
Paid to private creditors	156	147	130	121	147	152	148
IMF debits	25	39	38	0[a]	40	14	0
Total due	637	755	782	813	851	889	900
Interest payments (US$ m)							
Total paid	608	566	436	521	624	741	829
Medium- & long-term debt	413	432	374	442	472	538	596
Paid to official creditors	299	319	286	327	415	478	534
Paid to private creditors	114	113	88	114	57	60	62
IMF charges	1	1	1	0[a]	1	0	0
Short-term debt (interest only)	194	134	61	79	151	203	233
Total due	608	567	436	521	624	741	829
Interest payments ratios (%)							
Interest paid/debt service paid	48.8	42.9	35.8	39.0	42.3	45.4	47.9
Interest paid/exports of goods & services	1.0	0.7	0.6	0.6	0.5	0.6	0.6
Interest due/exports of goods & services	1.0	0.7	0.6	0.6	0.5	0.6	0.6
Interest paid/GDP	0.9	0.6	0.5	0.5	0.5	0.5	0.6
Effective maturity and interest rates							
Effective interest rate (%)	2.6	2.4	1.8	1.9	1.7	1.7	1.9
Effective maturity (years)	26.1	25.0	27.7	28.8	34.7	35.2	35.8

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

Data sources

Current account: IMF, *International Financial Statistics*
Economic structure: General Statistics Office, *Statistical Yearbook*; IMF, *International Financial Statistics*
External debt service: World Bank, *Global Development Finance*
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ISSN 1354-5655

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