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## Country Report

# Vietnam

**September 2010**

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# Executive summary

## Highlights

September 2010

- Outlook for 2010-11**
- The Communist Party of Vietnam's 11th national congress, due in January 2011, is expected to usher in a new generation of leaders and so will set the tone for the policy agenda for the next five to ten years.
  - The government will continue to give off mixed signals regarding the direction of fiscal and monetary policy as it struggles to contain inflation while simultaneously trying to achieve lofty targets for economic growth.
  - The State Bank of Vietnam (SBV, the central bank) may move to loosen monetary policy in the short term.
  - Real GDP growth is expected to reach 6.4% in 2010 and 7% in 2011.
  - Consumer price inflation will accelerate to an annual average of 8.3% in 2010-11. Global fuel prices will rise on an annual average basis in 2010, and demand-side pressures will also push up the general price level.
  - Policymakers are likely to face an ongoing battle to keep the local currency, the dong, stable against the US dollar.
  - The deficit on the current account is expected to reach 9.6% of GDP in 2010, before narrowing to 8.4% in 2011.
- Monthly review**
- The government's probe into the financial status of a state-owned company, Vietnam Shipbuilding Industry Group, has become a criminal investigation.
  - The SBV undertook another currency devaluation on August 16th 2010, surprising markets by lowering the value of the dong against the US dollar earlier than many investors had expected.
  - The Ministry of Finance has confirmed that it will go ahead with plans to introduce price controls on certain products if it is deemed that price movements are "abnormal".
  - According to government figures, the trade deficit hit US\$900m in August, compared with US\$978m in July. The deficit for the first eight months of 2010 is estimated at US\$8.2bn, compared with US\$5bn in the same period last year.
  - Inflation held steady in August, with prices rising by 8.2% year on year.
  - There is a risk of a supply crunch in the rice market, which would push up global prices for the commodity. This would affect inflation in Vietnam, although it is likely that price controls on rice would be implemented.
  - In the first eight months of 2010 crude oil production fell by 14.6% year on year to 9.8m tonnes. Meanwhile, the value of exports has fallen to US\$3.3bn, a decline of 20.5% year on year.

# Outlook for 2010-11

## Political outlook

**Domestic politics** Leading members of the ruling Communist Party of Vietnam (CPV) are showing signs of nervousness ahead of the party's next national congress, with hardliners (who appear to have the upper hand) promoting a tougher line in terms of tackling dissent. The 11th party congress, which is due to take place in January 2011, is expected to usher in a new generation of leaders and so will set the tone for the CPV's social and economic policy agenda for the next five to ten years. The party's general secretary, Nong Duc Manh, is expected to be replaced, having already served two successive terms, while the president, Nguyen Minh Triet, is likely to step down citing health problems. The prime minister, Nguyen Tan Dung, could be elected for another term, but ongoing economic instability in Vietnam, combined with the fallout from an embarrassing financial scandal involving a major state-owned enterprise means that he and his reformist allies, including two deputy prime ministers, Hoang Trung Hai and Nguyen Thien Nhan, could be eclipsed by figures with conservative tendencies. Those lining up in opposition to the prime minister include the public security minister, Le Hong Anh, the CPV's head of personnel and organisation, Ho Duc Viet, the head of the party secretariat, Truong Tan Sang and another deputy prime minister, Nguyen Sinh Hung. There will be much jockeying for position within the leadership in the coming months, but it will be largely invisible from outside of the party.

The CPV's success in promoting economic growth, even during the global downturn in 2009, has contributed to a sense of political apathy and has enabled the party to maintain its long-standing claim that it has the right to govern unchallenged. However, its legitimacy and its defence of the virtues of the one-party state are being questioned (mainly in Internet forums), especially in relation to economic uncertainty, pervasive corruption, environmental degradation and strongly felt grievances relating to land seizures. Reflecting such threats, the leadership will remain anxious about the activities of political dissidents and will not hesitate to suppress opposition activism. The regime's crackdown on opponents who advocate genuine democratic reform could intensify as the national party congress draws closer.

In the next few years the CPV's leaders will continue with their efforts to demonstrate a degree of political openness, but the sort of political reform that could threaten the party's hold on power will be eschewed. The National Assembly (the legislature) will continue to become a more effective law-making institution and shed its rubber-stamp tag. Its deputies will become increasingly assertive in calling on ministers to account for their performance and in amending, or even blocking, proposed legislation and policy. The government is likely to have been embarrassed by a recent and unprecedented decision by the assembly to block a major government proposal, in the form of a US\$56bn bullet-train project. However, given that almost all of the assembly's deputies

are CPV members, there is no suggestion that the body will evolve into a genuinely independent branch of power.

### **International relations**

Vietnam will play an important role in developments in South-east Asia this year, having taken over the revolving chair of the Association of South-East Asian Nations (ASEAN) in January. The government's stated priority during its year-long stint in the ASEAN chair is to promote co-operation within the group. Vietnam is also keen to foster closer ties with China. Although sensitive issues, such as sovereignty over disputed islands in the South China Sea, could create diplomatic tensions, on the whole Sino-Vietnamese relations will continue to strengthen. This is unlikely to damage Vietnam's links with the US, as the Economist Intelligence Unit expects the Vietnamese government to continue to maintain a balance by avoiding too close an alignment with one country at the expense of ties with the other. However, relations with the US could be strained by US allegations of human rights abuses in Vietnam, and also by trade disputes.

In the forecast period the government is expected to devote considerable energy to developing Vietnam's commercial links with other countries, and it appears eager to push ahead with free-trade agreements (FTAs). Vietnamese and EU officials have agreed to begin negotiations on an FTA, and Vietnam has also started talks with the aim of joining the Trans-Pacific Strategic Economic Partnership, which at present comprises the US, New Zealand, Singapore, Chile, Brunei, Australia and Peru.

## **Economic policy outlook**

### **Policy trends**

The government continues to give off mixed signals regarding the direction of fiscal and monetary policy, as it struggles to contain inflationary pressures while at the same time trying to achieve lofty economic growth targets. After surging in 2009, credit growth slowed sharply in early 2010 as the State Bank of Vietnam (SBV, the central bank) removed the cap on lending interest rates. However, since then the authorities have put pressure on banks to lower their rates. Such apparently contradictory moves raise concerns about the lack of a clear monetary policy strategy. The authorities appear keen to introduce more controversial moves, such as price controls on private and foreign businesses, to keep prices stable. If implemented, such drastic measures would undermine confidence in economic management in Vietnam. They would also indicate that those in the government who favour a more liberal approach to economic policymaking have been sidelined by others with a controlling mentality who aim to expand the state's involvement in the management of the economy.

### **Fiscal policy**

We expect the budget deficit (excluding on-lending) to narrow to 7.7% of GDP in 2010 and 6.8% in 2011, after widening to an estimated 8.9% of GDP last year. In part, this reflects the Economist Intelligence Unit's forecast that the government's revenue position will improve as economic growth accelerates and as global crude oil prices rise from the lows to which they sank in 2009 (the Vietnamese government derives substantial tax revenue and royalties from the oil and gas sector). However, expenditure will remain high as the government

continues to spend relatively heavily on infrastructure and social welfare programmes; the IMF recently revealed that there was considerable uncertainty as to whether a planned reduction in investment spending would be achieved. Moreover, there are concerns about how the government will finance its deficit in the next two years, as it is already borrowing heavily to fund its off-budget economic stimulus programmes. In January 2010 the government raised US\$1bn through an international sovereign bond issue, but this was at a premium, and in recent months it has struggled to sell domestic bonds, partly owing to its reluctance to meet the demand for higher yields.

### Monetary policy

The SBV will continue to take a short-term view with regard to monetary policy. It will take adequate steps to adjust policy when this is made necessary by rising inflation or overly tight financing conditions, but it will do so on an ad hoc basis. There will be no clear medium- or long-term policy stance on inflation or the maintenance of a stable exchange rate. The mainstay of the SBV's policy approach will be to ensure that the cost of financing does not undermine economic growth. Meanwhile, the SBV's exchange rate policy, or the seeming lack thereof, will continue to add to the perception that the authorities are struggling to maintain stability in the domestic economy.

After raising its main policy interest rate, the prime rate, by 1 percentage point to 8% in December 2009 (having lowered it from 14% to 7% between mid-2008 and early 2009), the SBV has since kept the rate on hold. Although the central bank has removed the cap on commercial bank lending rates (which were previously limited to 1.5 times the prime rate), the government has recently called for lending rates to be cut to spur credit growth, as the scrapping of the cap led to an immediate rise in commercial bank lending rates of 2-3 percentage points. As inflation has yet to return to double-digit rates, the authorities may delay further tightening or might even loosen policy. Now that the direct link between the prime rate and commercial bank lending rates has been severed, any future tightening may come not in the form of increases in policy rates through the use of other instruments.

## Economic forecast

### International assumptions

#### International assumptions summary

(% unless otherwise indicated)

	2008	2009	2010	2011
<b>Real GDP growth</b>				
World	2.7	-0.8	4.5	3.6
China	9.6	9.1	9.9	8.3
EU27	0.6	-4.2	1.4	1.1
<b>Exchange rates</b>				
¥:US\$	103.4	93.7	89.5	89.5
US\$:€	1.47	1.39	1.29	1.24
SDR:US\$	0.63	0.65	0.66	0.67
<b>Financial indicators</b>				
¥ 3-month money market rate	0.85	0.38	0.19	0.31
US\$ 3-month commercial paper rate	2.18	0.26	0.22	0.35



**International assumptions summary**

(% unless otherwise indicated)

	2008	2009	2010	2011
<b>Commodity prices</b>				
Oil (Brent; US\$/b)	97.7	61.9	80.0	78.5
Gold (US\$/troy oz)	871.8	973.0	1,179.8	1,238.8
Food, feedstuffs & beverages (% change in US\$ terms)	28.3	-20.4	0.4	0.8
Industrial raw materials (% change in US\$ terms)	-5.1	-25.6	32.9	3.4

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

The flow of data in recent months continued to point to a softening of the global economic recovery, with developments in the US and China giving particular cause for concern. In the case of the former, the labour market has remained stubbornly lacklustre. Housing data have also weakened and retail sales have been disappointing. In China the massive official stimulus package has boosted demand but has also inflated a property bubble that the government is now trying to deflate in an orderly fashion. There is a risk that the tightening of policy will trigger a property crash that undermines consumption in that country. On a more positive note, a degree of calm has returned to debt markets in the euro zone, following the announcement of a €440bn (US\$500bn) financial stability facility.

Asia will witness strong economic growth in 2010-11, although the need to scale down the massive credit expansion in China that has been implemented in the past year could cause instability. A downturn in China would hit Vietnam's export sector, as it is the country's third-largest export market after the US and Japan. Vietnam's export sector could also face difficulties as a result of the expected slowdown in the US economy in 2011 and the ongoing sluggishness of the recovery in Europe. Although Vietnam will benefit from a rise in international demand, increases in the global prices for crude oil, industrial raw materials and rice will contribute to domestic inflationary pressures.

**Economic growth****Gross domestic product by expenditure**

(D bn at constant 1994 prices where series are indicated; otherwise % change year on year)

	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>c</sup>	2011 <sup>c</sup>
Private consumption	333,496	346,671	372,561	400,767
	9.2	4.0	7.5	7.6
Public consumption	32,549	35,218	38,035	41,002
	7.5	8.2	8.0	7.8
Gross fixed investment	188,647	192,420	204,350	219,063
	3.8	2.0	6.2	7.2
<b>Final domestic demand</b>	<b>554,692</b>	<b>574,309</b>	<b>614,946</b>	<b>660,832</b>
	7.2	3.5	7.1	7.5
Stockbuilding	27,301	32,000	31,000	29,500
	1.3 <sup>d</sup>	1.0 <sup>d</sup>	-0.2 <sup>d</sup>	-0.3 <sup>d</sup>
<b>Total domestic demand</b>	<b>581,993</b>	<b>606,309</b>	<b>645,946</b>	<b>690,332</b>
	8.0	4.2	6.5	6.9

**Gross domestic product by expenditure**

(D bn at constant 1994 prices where series are indicated; otherwise % change year on year)

	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>c</sup>	2011 <sup>c</sup>
Exports of goods & services	522,413 <sup>b</sup> 15.0 <sup>b</sup>	492,031 -5.8	564,241 14.7	627,028 11.1
Imports of goods & services	620,995 <sup>b</sup> 15.1 <sup>b</sup>	586,309 -5.6	669,571 14.2	738,193 10.2
<b>Foreign balance</b>	<b>-98,583<sup>b</sup></b> -2.8 <sup>d</sup>	<b>-94,278</b> 0.9 <sup>d</sup>	<b>-105,331</b> -2.1 <sup>d</sup>	<b>-111,165</b> -1.1 <sup>d</sup>
<b>GDP</b>	<b>489,833</b> 6.2	<b>519,299<sup>a</sup></b> 6.0 <sup>a</sup>	<b>552,616</b> 6.4	<b>591,168</b> 7.0

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts. <sup>d</sup> Contribution to real GDP growth (as a percentage of real GDP in the previous year).

Economic growth in Vietnam is expected to be strong in 2010-11, averaging 6.7% a year. Nevertheless, this will still be below the rates of real GDP growth that were witnessed prior to the global economic downturn in 2008-09. Growth in economic activity in Vietnam will be underpinned by rises in consumption, investment and exports. Exports will be boosted by solid growth in global trade throughout the forecast period, and by demand for Vietnamese goods and services from the US, China and European markets. However, growth in imports will also be strong, acting as a drag on real GDP growth in 2010-11.

Our GDP forecast for Vietnam is subject to both upside and downside risks. The negative scenario entails a weaker global recovery than we currently expect, with subdued growth in Vietnam's major export markets. This could be the result of a number of factors, including unexpected economic shocks in other emerging markets in Asia or a deepening of the European financial crisis. If either of these two developments were to occur, it would mean weaker demand and prices for Vietnam's exports, hitting incomes. This in turn would have a knock-on impact on consumer and business spending, and act as a drag on growth. On the positive side, there could be an unexpectedly strong rise in domestic demand, driven by high confidence levels on the part of both businesses and consumers. Moreover, if Vietnam's main trading partners enjoy stronger economic growth than we currently forecast, this could provide additional support for the country's exports of goods and services.

On the supply side, growth in the industrial sector will accelerate in 2010-11. There will be an improvement in manufacturing output compared with 2009, but growth in demand for Vietnam's manufactured exports will remain lacklustre in the next two years compared with the period that preceded the 2008-09 global recession. Growth in the services sector, which was the main engine of economic expansion in 2009, will also accelerate, with retailing and financial services making major contributions to growth.

**Inflation**

Consumer price inflation will accelerate to an annual average of 8.3% in 2010-11, having slowed to 7% in 2009 as a result of a drop in food and fuel prices. Global fuel prices will rise on an annual average basis in 2010, and demand-side pressures will also push up the general price level. Moreover, global rice prices are expected to increase, which is likely to have an impact on domestic rice prices in Vietnam. However, the government could introduce

price controls on rice (a staple food in Vietnam) to prevent price hikes from having a serious impact on the population's living standards.

By making credit cheaper and actively encouraging domestic banks to lend, the government has successfully boosted demand for credit. Assuming that the authorities continue to maintain a policy bias towards supporting growth rather than stabilising prices, we forecast that the outstanding stock of domestic credit will rise by an average of nearly 30% a year in 2010-11. The risks to our inflation forecast therefore remain on the upside.

**Exchange rates** Policymakers will continue to face a challenge in terms of maintaining stability in the currency's exchange rate against the US dollar. The SBV has devalued the dong on three occasions recently: in November 2009, February 2010 and again in mid-August. The devaluations resulted in a cumulative drop of over 7% in the dong's value against the US dollar. Until there are clear signs that the trade deficit is narrowing and inflationary pressures are receding, it is unlikely that downward pressure on the dong will ease. In the next two years the SBV may try to engineer a controlled, gradual fall in the value of the local currency, but it will probably have to opt for further devaluations, a widening of the currency's trading band or both. The dong is forecast to depreciate to an average of D19,107:US\$1 in 2010 and D19,612:US\$1 in 2011.

**External sector** The current account will remain in deficit in 2010-11. Despite a recovery in exports, the release of pent-up demand for imports and an acceleration in consumption and investment growth will mean that the merchandise trade deficit will remain worryingly wide in 2010-11. The services and income accounts will also stay in the red. Capital and financial inflows (including official foreign borrowing) will increase from the low levels to which they sank in 2009. Vietnam has already succeeded in raising US\$1bn through a ten-year sovereign bond issue in January 2010, and foreign direct investment inflows are picking up, albeit modestly. The country's international reserves position will therefore improve in 2010-11, having deteriorated sharply in 2009. However, reserves are not expected to return to their 2008 highs in the next two years.

#### Forecast summary

(% unless otherwise indicated)

	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>b</sup>	2011 <sup>b</sup>
Real GDP growth	6.2	6.0	6.4	7.0
Industrial production growth	14.6	7.6	14.0	14.5
Gross agricultural production growth	4.4	1.8	3.3	3.0
Consumer price inflation (av)	23.1	7.0	8.5	8.0
Consumer price inflation (end-period)	20.0	6.5	8.5	7.6
Lending rate	15.8	10.4 <sup>c</sup>	11.9	11.4
Government balance (% of GDP)	-5.4 <sup>c</sup>	-8.9 <sup>c</sup>	-7.7	-6.8
Exports of goods fob (US\$ bn)	62.7	57.1 <sup>c</sup>	69.5	80.7
Imports of goods fob (US\$ bn)	75.5	65.4 <sup>c</sup>	80.4	91.3

**Forecast summary**

(% unless otherwise indicated)

	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>b</sup>	2011 <sup>b</sup>
Current-account balance (US\$ bn)	-10.8	-7.4 <sup>c</sup>	-9.5	-9.3
Current-account balance (% of GDP)	-11.9	-8.0 <sup>c</sup>	-9.6	-8.4
External debt (year-end; US\$ bn)	26.2	27.8 <sup>c</sup>	33.2	36.5
Exchange rate D:US\$ (av)	16,440	17,800	19,107	19,612
Exchange rate D:US\$ (end-period)	17,433	18,472	19,410	19,821
Exchange rate D:¥100 (av)	15,905	18,995	21,351	21,913
Exchange rate D:€ (end-period)	24,234	26,474	24,262	23,884

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Economist Intelligence Unit estimates.

# Monthly review: September 2010

## The political scene

### **Mr Dung is scandalised by the failure of Vinashin**

The condition of Vietnam's state-owned sector became a hot political issue in August. A government probe into the financial status of a state-owned enterprise (SOE), Vietnam Shipbuilding Industry Group (Vinashin), has escalated into a criminal investigation. A former chairman and chief executive of Vinashin, Pham Thanh Binh, was arrested and detained on August 4th for allegedly violating state management regulations and contributing to the near bankruptcy of the firm. It will not have helped Mr Binh's cause that the scandal has embarrassed his ally, the prime minister, Nguyen Tan Dung. Mr Binh's replacement, Tran Quang Vu, was subsequently removed from his position on August 29th at the urging of investigators; a financial restructuring specialist, Nguyen Quoc Anh, has taken over his duties.

Since assuming the premiership in 2006 Mr Dung has pushed for the expansion of SOEs, in part because of an inherited ideology within the top ranks of government. For nearly two decades Vietnam has aimed to create powerful SOEs in order to keep key parts of the economy in Vietnamese hands. The country's political rulers believe that local firms are not yet ready to compete head-to-head with foreign companies. During his time as prime minister, Mr Dung has brought many of the biggest SOEs under his direct control, sidelining several of the government ministries that previously supervised important firms, such as PetroVietnam and Vinashin. This helped to channel more power directly to Mr Dung, who then encouraged these firms to re-model themselves as diversified conglomerates. This strategy allowed both the SOEs and the prime minister to amass still more influence. But it also fuelled resentment among Mr Dung's detractors in the ruling Communist Party of Vietnam, a number of whom previously had powerful roles overseeing the state-owned sector.

The very public arrest of Mr Binh is being viewed in some quarters as an attempt to clip the wings of Mr Dung ahead of the 11th party congress, where a second term for the prime minister is by no means assured. Notably, a deputy prime minister, Nguyen Sinh Hung, who is leading the investigation into Vinashin, was previously the finance minister and the direct supervisor of several big SOEs before Mr Dung took control of them. Mr Hung is also seen as a possible rival for the premiership. These two factors raise serious questions about Mr Hung's impartiality regarding the Vinashin case. It is possible that if it were not for Mr Dung's personal connections to Vinashin and Mr Binh that the company's financial problems may have been dealt with behind the scenes and with comparatively little fanfare.

Nevertheless, the extent of Vinashin's financial problems would still have been likely to emerge. The shipbuilder has borrowed as much as US\$3bn in recent years in order to finance its rapid expansion into cargo transport, hotels and brewing. According to the government's initial report, the global economic downturn severely hit demand for ships and cargo services as global trade

dwindled, leaving Vinashin in a perilous state. The government is now in the process of breaking up the company, putting large chunks of it under the control of two other SOEs: an oil and gas firm, PetroVietnam, and a transport company, Vinalines. This will not do much to appease Vinashin's creditors, who worry that a lack of oversight and regulation played a much larger role in Vinashin's problems than the government has so far admitted. Those concerns are adding to fears that Vinashin might not be the last of Vietnam's SOEs to face financial problems.

Some members of the party fear that inefficient and incompetent SOEs are out-muscling private businesses in the race for resources and credit. A number of SOEs have branched out beyond their core businesses, even opening banks to lend to the parent company and building luxury hotels in an attempt to tap into Vietnam's property boom. These expansions have been permitted with little or no regulatory supervision, which has called into question the efficacy and enforcement of existing regulations.

### **Vietnam's relations with the US strengthen**

The US and Vietnam quietly continued to cement military ties in August 2010. A new high-level channel for military discussions was created, while negotiations also began on assisting Vietnam to develop a civilian nuclear programme by enriching its own uranium. The growing co-operation between the two countries points to a shared concern about the rising diplomatic and commercial influence of China in South-east Asia. In recent years US attention has been focused on the Middle East and South Asia, but the administration of the current US president, Barack Obama, has placed a renewed emphasis on South-east Asia. In particular, the US is steadily courting Indonesia and Vietnam in order to add to its stable of existing allies, including Thailand, Singapore and the Philippines. Building ties in the region might present a useful way for the US to contain the influence of China, which is becoming increasingly assertive.

China has tried to step up its claim to the fish-rich shipping lanes that traverse the South China Sea. The Chinese government maintains a policy of attempting to negotiate individually its access to the region with other claimant nations, including Malaysia, Taiwan, Brunei and the Philippines. The US, with Vietnam's quiet support, recently angered China by advocating a multilateral approach to determining jurisdiction in the South China Sea, which, in addition to fish stocks, is also believed to harbour oil and natural-gas deposits. On August 10th China drew a line in the water, as it were, by warning the US and South Korean navies to keep out of the Yellow Sea (where it claims exclusivity) at the same time as a US naval vessel, the *USS John S McCain*, made a port call in central Vietnam. The growing security ties between the US and Vietnam—which are now a decade old—are likely to provide further consternation for Chinese officials. Chinese warships could be seen monitoring the movements of the *USS John S McCain* as helicopters flew senior members of the Vietnamese military to visit the vessel.

However, the relationship between Vietnam and the US also faces challenges. In mid-August lawmakers in the US called on its government to put Vietnam back on a religious freedom blacklist and avoid building further ties with the country. The proposal came after a series of conflicts between Vietnamese

security forces and Roman Catholic worshippers earlier this year. The cause of religious freedom in Vietnam is beginning to gain traction among some politicians in the US. The lawmakers also urged a UN probe into an incident in May when Vietnamese officials allegedly prevented a Roman Catholic parish near the city of Danang from burying a Catholic woman. Residents in the area, who testified before Congress (the US legislature), said that government authorities want to build a resort in the area and seized the woman's body for cremation before beating other villagers. One man died after allegedly being beaten by the police while in custody in the aftermath of the incident. The Vietnamese government described the allegations as an attempt to blacken the country's name.

## Economic policy

### **The dong is devalued again**

The State Bank of Vietnam (SBV, the central bank) undertook another currency devaluation on August 16th, surprising markets by lowering the value of the dong against the US dollar earlier than many investors had expected. By devaluing the dong by around 2%, the SBV hoped to head off the threat of a larger devaluation later in the year, and also to lend support to Vietnam's exporters. However, it will be difficult for the authorities to draw a line under a devaluation programme, which has included three reductions in the value of the dong in the past nine months. Vietnamese are getting used to devaluations and buy US dollars or gold to preserve their savings, which puts further downward pressure on the dong. A weaker local currency increases the country's import bill (thereby further widening the huge trade deficit), and threatens to push inflation higher. Moreover, there is a widespread expectation that demand for US dollars will rise later in the year as SOEs accrue the US currency in order to pay back dollar-denominated loans. These factors, in turn, will contribute to additional downward pressure on the dong.

The SBV also indicated that it will do little to try and defend the dong at its new, lower level. Policymakers in Vietnam have long taken a pro-growth bias, even at the risk of higher inflation, and on September 1st the government lifted this year's GDP growth forecast to 6.7%, from 6.5% previously. The country's political leaders prefer to see the economy hit its growth targets and maintain a relatively high level of unemployment, rather than face the risk of widespread job losses, which could threaten social stability.

Vietnamese authorities also believe that they have a reasonable amount of leeway to devalue the dong at present, as they believe that inflation is under control. They have a point: from a high of 9.2% year on year in April, inflation moderated to 8.2% in both July and August, according to the General Statistics Office (GSO, the national statistics office). Relatively benign inflation around the world could encourage the authorities to devalue again in a few months. Nevertheless, they are maintaining a risky balancing act. The devaluation policy could cause more problems than it solves if exports do not benefit as much from a weaker dong as the government hopes. If the trade deficit continues to widen, it raises the possibility that inflationary pressures will build

(as the prices of imported goods become more costly), causing the cycle of high inflation, a wide trade deficit and devaluation to continue.

**The government appears serious about price controls**

Foreign businesses in Vietnam are growing increasingly concerned by government proposals to introduce price controls to help to limit inflation. In August the Ministry of Finance confirmed that it is to proceed with plans to introduce new powers that will enable the government to impose price controls on certain products if it is deemed that price movements are "abnormal". The new powers take effect on October 1st. Previously, the government was only able to impose price controls on SOEs, but the new measures extend its powers to force pricing rules on foreign businesses and locally owned private firms. For some businesses and foreign investors the new measures are a warning sign that Vietnam is slipping back into the ways of a command economy. As the new policy will be implemented ahead of the 11th party congress in January 2011, it is also being interpreted in some quarters as further evidence that Vietnam is taking a more conservative stance after years of gradual economic liberalisation.

Many diplomats and businesses were dismissive when news of the price control measures first emerged in December 2009. Some thought that the finance ministry's price control agency was operating without higher sanction when it first proposed the measures. Since then, however, the political backing for price controls has become clear, despite the possibility of legal challenges to the policy at the World Trade Organisation. A wide range of products will be included in the measures, including chemical fertilisers, animal vaccines, salt, milk powder, rice, sugar, animal feeds, coal, paper, textbooks, railway tickets, cement, steel, liquefied petroleum gas and filtered water for commercial use.

However, much remains unclear about the new measures. The original version also required companies to hand over details of their pricing structures and the cost of component goods, which some firms privately criticised as state appropriation of proprietary information. It is uncertain whether Vietnamese authorities will press further on this point, but foreign diplomats are already privately warning the government that writing price controls into law will harm business sentiment in the country. The US and EU chambers of commerce, which represent business interests, have been lobbying the local authorities to abandon the notion of price controls. It is perhaps indicative of the government's resolve that the trade missions' approaches have thus far been ignored.

The government's move to implement price controls underscores the its concern about inflation and the need to contain price increases without resorting to the sort of monetary policy measures that might jeopardise economic growth rates. The price control law was purportedly drafted shortly after Vietnam's bout of rapid inflation in 2008, which saw consumer prices rise by over 28% year on year, before the global economic crisis helped to temper soaring demand and high food prices.



## Economic performance

### **The trade account continues to post enormous deficits**

Vietnam's economic performance in August 2010 was defined by the latest data for trade and inflation. The trade deficit is a problem for policymakers. Although the country maintains a healthy surplus with most of its trading partners, its deficit with China helps to drag the trade balance to a wide deficit. According to figures from the GSO, the overall trade deficit hit US\$900m in August, compared with US\$978m in July. However, the August figure is likely to be revised upwards, as the GSO bases its provisional trade data on the first three weeks of the month. The government currently estimates that the trade deficit for the first eight months of the year reached US\$8.2bn, compared with US\$5bn in the same period last year. The deficit is getting close to the government's full-year cap of US\$12bn. (The cap is the arbitrary level that government deems that the trade deficit should not exceed.) The preliminary export figures indicate that the value of exports in August fell by 0.3% month on month to US\$6bn, while imports fell by 1.5% to US\$6.9bn. For the first eight months of the year, the value of exports rose by 19.7% year on year to US\$44.5bn. Growth in exports was outpaced by that of imports, which increased by 24.4% to US\$52.7bn in the same period.

### **Prices rise by 8.2% year on year in August**

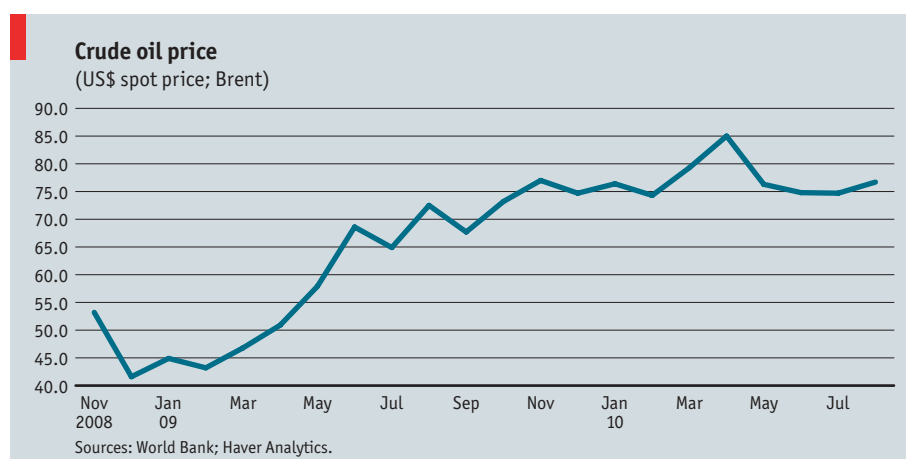
Inflation held steady in August, with prices rising by 8.2% year on year. In month-on-month terms, prices picked up by 0.2%. Most of the increase in the annual inflation figure reflects higher prices for food and foodstuffs, and housing and construction materials. The latter is a telling indication that Vietnamese investors still see property as a more secure investment than bank deposits or equities. Prices for these materials, which rose by 12.6% year on year in August, have been driven up by both strong demand and higher prices on international markets for key commodities. However, in month-on-month terms the increase, at just 0.1%, indicates that the cost of these goods may have stabilised and could even come down in the coming months. Meanwhile, the other major contributors to inflation in Vietnam—food and foodstuffs—saw price rises of over 10% year on year in August. Again, in month-on-month terms food price inflation appears to be tempering, with prices for food rising by just 0.7% and foodstuffs by 0.1%. This is a positive sign, given that food and foodstuffs still make up over 40% of the basket of goods and services that is used to calculate the consumer price index in Vietnam.

However, trouble could loom on the horizon. Global rice prices are steadily rising on the back of unexpectedly weak production levels. Rice output in both Vietnam and Thailand—the world's two largest exporters—has dipped on the back of lower water levels in the Mekong river. In the south of Vietnam (where water from the Mekong river is crucial to rice farms), output fell by 16.6% between January to August 15th this year, compared with the same period in 2009. Floods in Pakistan and drought in the Philippines will also have an impact on production in these countries. The UN's rice price index, which follows 16 global rice export prices, hit a five-month high in August, reflecting forecasts for weaker output this year. Meanwhile, the UN's agricultural agency, the Food and Agriculture Organisation, has also cut its forecast for global rice production this year. There is a risk of a supply crunch in the rice market, which

would push up global prices for the commodity. Despite being a net exporter of rice, rising global prices would cause domestic prices to increase. This would have a serious impact on inflation, although the government would be likely to impose price controls on rice to lessen the blow to the population.

### Crude oil output is slumping as oil fields age

Production of crude oil is also slumping in Vietnam. Given that the government relies heavily on the oil and gas industry for its tax intake, and the significant contribution to export receipts that oil provides, this is worrying news for policymakers. In the first eight months of this year, crude oil production fell by 14.6% year on year to 9.8m tonnes. Meanwhile, the value of exports has fallen to US\$3.3bn, a decline of 20.5% year on year. The primary culprit for lower production levels is the ageing of Vietnam's oil fields. Meanwhile, weaker export receipts reflect both the dip in production, and the fact that supplies are now being diverted to the local Dung Quat oil refinery, which came on stream in late 2009 and is expected to refine 5m tonnes of crude oil in 2010. One positive aspect of the refining at Dung Quat is that the import bill for refined petroleum products will also fall.



# Data and charts

## Annual data and forecast

	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>a</sup>	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>c</sup>	2011 <sup>c</sup>
<b>GDP</b>							
Nominal GDP (US\$ bn)	53.0	61.0	71.1	90.3	93.2 <sup>a</sup>	99.1	110.1
Nominal GDP (D trn)	839.2	974.3	1,143.7	1,485.0	1,658.4 <sup>a</sup>	1,892.6	2,159.7
Real GDP growth (%)	8.4	8.2	8.5	6.2	6.0 <sup>a</sup>	6.4	7.0
<b>Expenditure on GDP (% real change)</b>							
Private consumption	7.3	8.3	10.8	9.2	4.0	7.5	7.6
Government consumption	7.9	8.8	8.9	7.5	8.2	8.0	7.8
Gross fixed investment	9.8	9.9	24.2	3.8	2.0	6.2	7.2
Exports of goods & services	20.5	17.6 <sup>b</sup>	15.9 <sup>b</sup>	15.0 <sup>b</sup>	-5.8	14.7	11.1
Imports of goods & services	15.9	18.8 <sup>b</sup>	27.8 <sup>b</sup>	15.1 <sup>b</sup>	-5.6	14.2	10.2
<b>Origin of GDP (% real change)</b>							
Agriculture	4.0	3.4	3.7	4.4	1.8 <sup>a</sup>	3.3	3.0
Industry	10.7	10.4	10.6	5.7	5.5 <sup>a</sup>	6.5	7.0
Services	8.5	8.3	8.7	7.3	6.6 <sup>a</sup>	7.6	8.5
<b>Population and income</b>							
Population (m)	83.5	84.4 <sup>b</sup>	85.3 <sup>b</sup>	86.2 <sup>b</sup>	87.1	88.1	89.1
GDP per head (US\$ at PPP)	2,132 <sup>b</sup>	2,358 <sup>b</sup>	2,604 <sup>b</sup>	2,793 <sup>b</sup>	2,966	3,154	3,382
Recorded unemployment (av; %)	5.3	4.8	4.6 <sup>b</sup>	4.7 <sup>b</sup>	11.1	10.7	10.6
<b>Fiscal indicators (% of GDP)</b>							
Central government balance	-4.1	-2.9	-7.3	-5.4 <sup>b</sup>	-8.9	-7.7	-6.8
Net public debt	44.0	45.9 <sup>b</sup>	49.9 <sup>b</sup>	48.6 <sup>b</sup>	51.8	53.1	52.4
<b>Prices and financial indicators</b>							
Exchange rate D:US\$ (end-period)	15,900	16,055	16,010	17,433	18,472 <sup>a</sup>	19,410	19,821
Exchange rate D:€ (end-period)	18,756	21,188	23,379	24,234	26,474 <sup>a</sup>	24,262	23,884
Consumer prices (end-period; %)	8.7	6.6	12.6	20.0	6.5 <sup>a</sup>	8.5	7.6
Stock of money M1 (% change)	22.2	20.7	48.9	-0.4	30.4	15.7	19.8
Stock of money M2 (% change)	30.9	29.7	49.1	20.7	26.2	19.7	20.9
Lending interest rate (av; %)	11.0	11.2	11.2	15.8	10.4	11.9	11.4
<b>Current account (US\$ m)</b>							
Trade balance	-2,439	-2,776	-10,438	-12,782	-8,306	-10,930	-10,589
Goods: exports fob	32,447	39,826	48,561	62,685	57,096	69,506	80,730
Goods: imports fob	-34,887	-42,602	-58,999	-75,467	-65,402	-80,435	-91,319
Services balance	-296	-8	-755	-915	-1,129	-1,298	-1,119
Income balance	-1,205	-1,429	-2,190	-4,401	-4,532	-4,403	-5,484
Current transfers balance	3,380	4,049	6,430	7,311	6,527	7,137	7,935
Current-account balance	-560	-164	-6,953	-10,787	-7,440	-9,493	-9,257
<b>External debt (US\$ m)</b>							
Debt stock	19,114	20,126	23,865	26,158	27,842	33,213	36,455
Debt service paid	954	949	1,249	1,344	1,114	1,212	1,466
Principal repayments	519	495	640	776	710	733	829
Interest	434	454	609	568	404	479	636
<b>International reserves (US\$ m)</b>							
Total international reserves	9,217	13,591	23,748	24,176	16,803 <sup>a</sup>	15,901	17,303

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts.

Source: IMF, *International Financial Statistics*.

## Quarterly data

	2008		2009			2010		
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
<b>Prices</b>								
Consumer prices (2005=100)	149.8	149.4	151.3	151.5	153.6	156.2	162.6	165.1
Consumer prices (% change, year on year)	27.7	23.6	15.5	6.2	2.6	4.6	7.5	9.0
<b>Financial indicators</b>								
Exchange rate D:US\$ (av)	16,666	16,898	17,499	17,785	17,820	18,094	18,742	18,993
Exchange rate D:US\$ (end-period)	16,575	17,433	17,756	17,801	17,841	18,472	19,080	19,065
Deposit rate (av; %)	17.0	11.0	6.9	n/a	n/a	n/a	n/a	n/a
Lending rate (av; %)	20.1	14.1	9.5	n/a	n/a	n/a	n/a	n/a
Refinancing rate (end-period; %)	15.0	10.3	8.0	n/a	n/a	n/a	n/a	n/a
Treasury bill rate (av; %)	15.5	11.2	6.8	n/a	n/a	n/a	n/a	n/a
M1 (end-period; D trn)	321.8	433.3	462.3	507.8	515.5	565.2	520.5	n/a
M1 (% change, year on year)	-8.8	-0.4	16.7	48.5	60.2	30.4	12.6	n/a
M2 (end-period; D trn)	1,347.5	1,513.5	1,645.3	1,776.0	1,842.3	1,910.6	1,982.4	n/a
M2 (% change, year on year)	21.3	20.7	26.5	37.1	36.7	26.2	20.5	n/a
<b>Foreign trade (US\$ m)</b>								
Exports fob	17,839	14,163	14,059	13,431	13,873	15,179	14,456	17,644
Imports cif	-19,087	-15,757	-12,560	-17,027	-18,547	-20,787	-17,772	-20,877
Trade balance	-1,248	-1,594	1,499	-3,596	-4,674	-5,608	-3,316	-3,233
<b>Foreign payments (US\$ m)</b>								
Merchandise trade balance	-241.0	-1092.0	2328.0	-2653.0	-3377.0	-4604.0	n/a	n/a
Services balance	-288	105	-114	-304	-292	-419	n/a	n/a
Income balance	-166	-2,849	-986	-846	-1,638	-1,062	n/a	n/a
Net transfer payments	1,594	1,843	1,558	1,569	1,599	1,801	n/a	n/a
Current-account balance	899	-1,993	2,786	-2,234	-3,708	-4,284	n/a	n/a
Reserves excl gold (end-period)	23,848	23,890	23,008	20,260	18,769	16,447	13,854	n/a

Sources: IMF, *International Financial Statistics*.

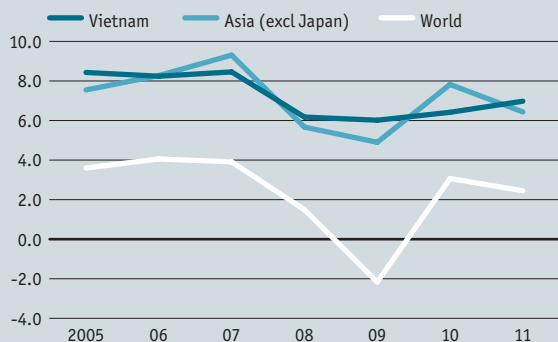
## Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exchange rate D:US\$ (av)</b>												
2008	15,992	15,951	15,898	16,094	16,171	16,490	16,798	16,605	16,596	16,679	16,936	17,079
2009	17,463	17,482	17,553	17,776	17,785	17,796	17,809	17,816	17,834	17,852	17,960	18,472
2010	18,472	18,679	19,077	19,011	18,987	18,981	19,086	19,262	n/a	n/a	n/a	n/a
<b>Exchange rate D:US\$ (end-period)</b>												
2008	15,971	15,931	16,105	16,116	16,246	16,842	16,755	16,525	16,575	16,813	16,974	17,433
2009	17,475	17,475	17,756	17,784	17,784	17,801	17,815	17,823	17,841	17,862	18,485	18,472
2010	18,472	18,925	19,080	18,960	18,980	19,065	19,095	19,485	n/a	n/a	n/a	n/a
<b>Money supply M1 (% change, year on year)</b>												
2008	56.8	35.3	24.8	17.7	10.9	2.3	-5.2	-7.3	-8.8	-12.3	-12.0	-0.4
2009	-3.8	5.2	16.7	27.1	34.7	48.5	54.9	58.4	60.2	59.2	57.5	30.4
2010	22.8	23.8	12.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Money supply M2 (% change, year on year)</b>												
2008	48.2	41.4	37.0	30.5	29.1	25.8	23.1	21.0	21.3	18.4	17.9	20.7
2009	20.8	24.1	26.5	32.5	33.9	37.1	38.5	38.6	36.7	36.5	35.1	26.2
2010	22.5	22.6	20.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Deposit rate (av; %)</b>												
2008	7.2	9.0	11.2	11.5	13.3	16.6	16.9	17.2	16.9	15.2	10.0	7.8
2009	7.0	6.5	7.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Lending rate (av; %)</b>												
2008	11.2	11.2	14.6	14.3	16.5	19.1	20.3	20.2	19.9	18.0	13.3	11.0
2009	10.1	9.4	9.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Consumer prices (av; % change, year on year)</b>												
2008	14.1	15.7	19.4	21.4	25.3	26.8	27.0	28.3	27.9	26.7	24.2	20.0
2009	19.4	15.5	12.0	9.2	5.6	3.9	3.3	2.0	2.4	3.0	4.3	6.5
2010	5.9	7.8	8.7	9.2	9.0	8.7	n/a	n/a	n/a	n/a	n/a	n/a
<b>Goods exports fob (US\$ m)</b>												
2008	4,911	3,800	4,700	5,100	5,150	5,500	6,547	6,018	5,274	5,044	4,219	4,900
2009	3,719	5,028	5,312	4,279	4,415	4,737	4,806	4,523	4,544	5,026	4,686	5,467
2010	5,013	3,740	5,592	5,332	6,312	6,000	n/a	n/a	n/a	n/a	n/a	n/a
<b>Goods imports cif (US\$ m)</b>												
2008	7,198	5,800	7,000	7,850	8,000	6,800	7,300	6,276	5,511	5,706	4,651	5,400
2009	3,329	4,188	5,043	5,456	5,669	5,902	6,323	5,848	6,376	6,625	6,767	7,395
2010	5,958	5,070	6,747	6,494	7,183	7,200	n/a	n/a	n/a	n/a	n/a	n/a
<b>Trade balance fob-cif (US\$ m)</b>												
2008	-2,287	-2,000	-2,300	-2,750	-2,850	-1,300	-753	-258	-237	-662	-432	-500
2009	390	840	269	-1,177	-1,254	-1,165	-1,517	-1,325	-1,832	-1,599	-2,081	-1,928
2010	-945	-1,330	-1,155	-1,162	-871	-1,200	n/a	n/a	n/a	n/a	n/a	n/a
<b>Foreign-exchange reserves excl gold (US\$ m)</b>												
2008	24,336	25,836	26,436	25,298	23,607	22,262	21,756	22,383	23,848	23,820	23,243	23,890
2009	22,830	22,653	23,008	20,931	20,790	20,260	19,072	18,802	18,769	18,320	17,400	16,447
2010	15,735	15,492	13,854	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

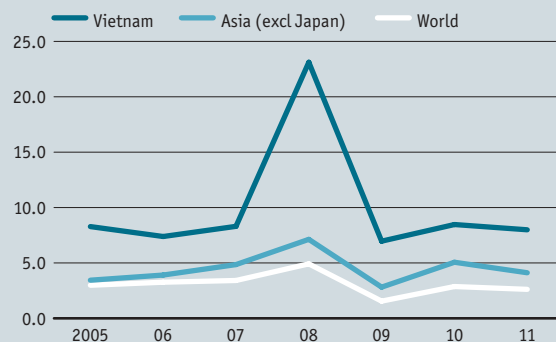
### Annual trends charts

**Real GDP growth**  
(% change)



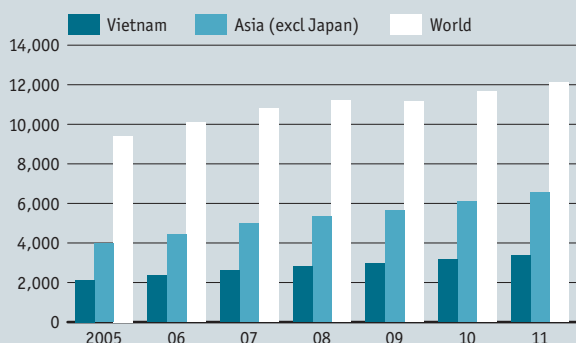
Source: Economist Intelligence Unit.

**Consumer price inflation**  
(av; %)



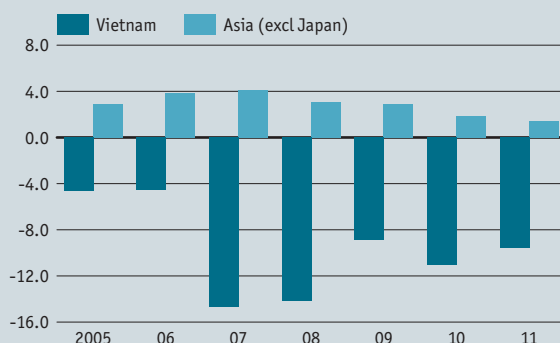
Source: Economist Intelligence Unit.

**GDP per head**  
(US\$, PPP)



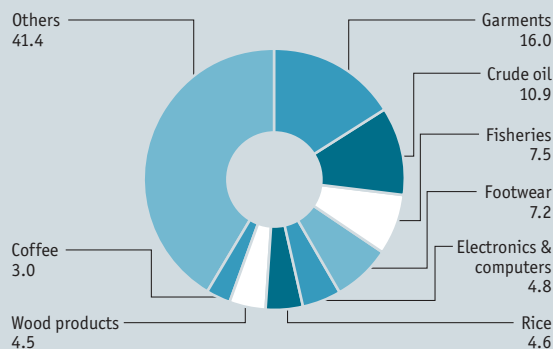
Source: Economist Intelligence Unit.

**Trade balance**  
(% of GDP)



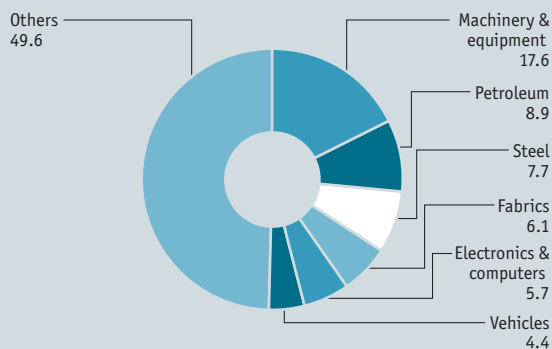
Source: Economist Intelligence Unit.

**Main exports, 2009**  
(% of total)



Source: Economist Intelligence Unit.

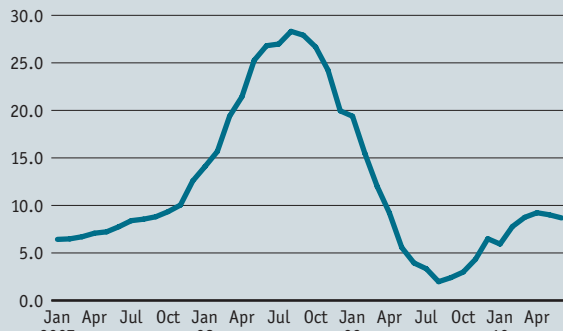
**Main imports, 2009**  
(% of total)



Source: Economist Intelligence Unit.

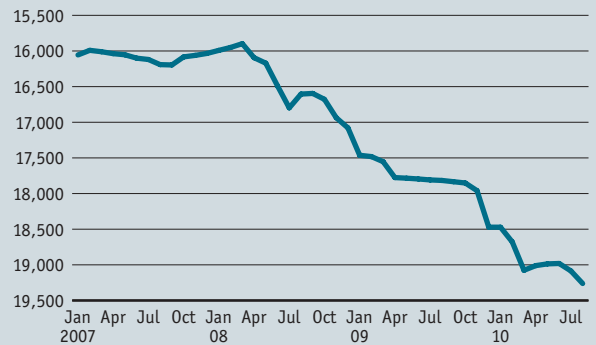
### Monthly trends charts

**Consumer price inflation**  
(% change, year on year)



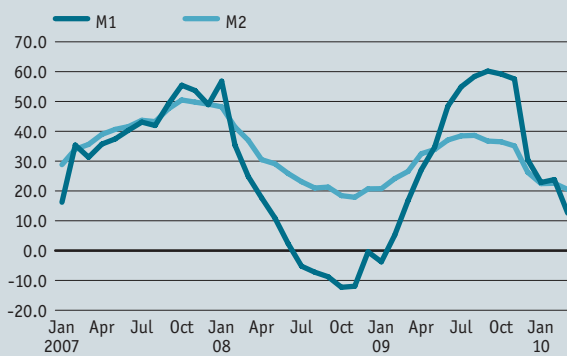
Source: Economist Intelligence Unit.

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



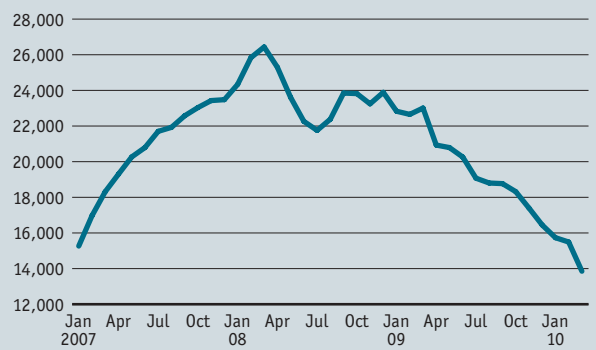
Source: Economist Intelligence Unit.

**Monetary aggregates**  
(% change, year on year)



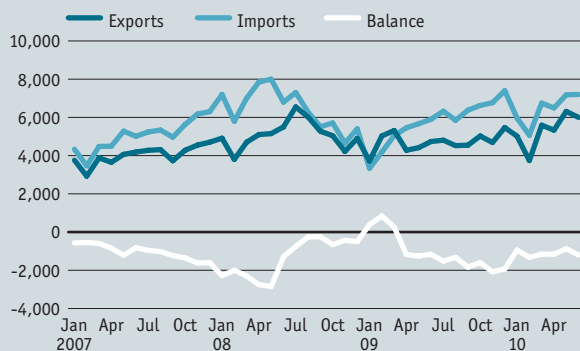
Source: Economist Intelligence Unit.

**Foreign-exchange reserves**  
(US\$ m)



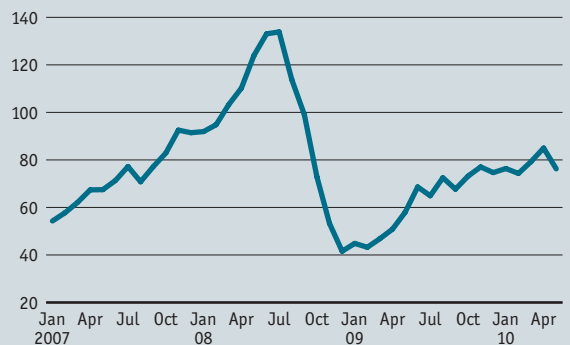
Source: Economist Intelligence Unit.

**Foreign trade**  
(US\$ m; goods only)



Source: Economist Intelligence Unit.

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

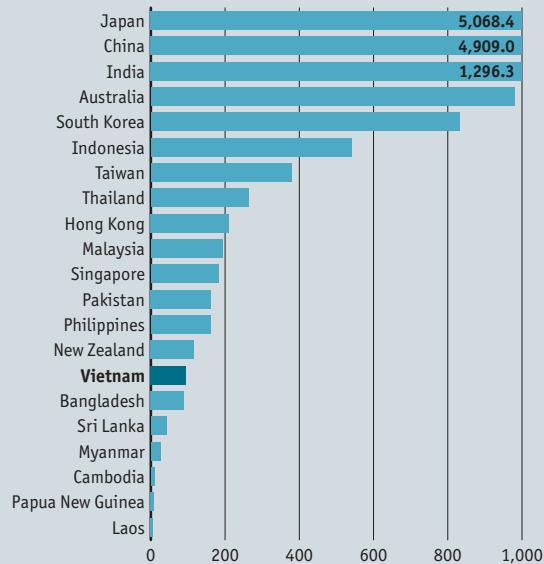


Source: Economist Intelligence Unit.

## Comparative economic indicators, 2009

### Gross domestic product

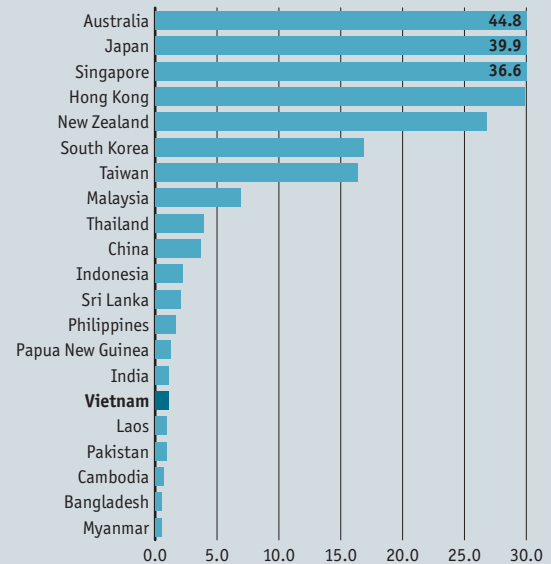
(US\$ bn; market exchange rates)



Sources: Economist Intelligence Unit estimates; national sources.

### Gross domestic product per head

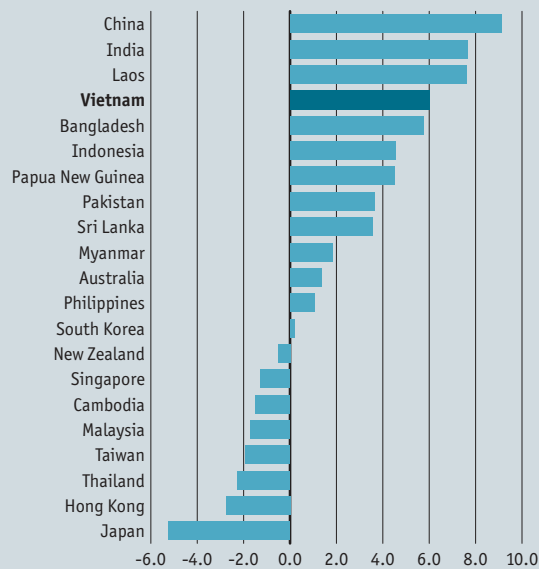
(US\$ '000; market exchange rates)



Sources: Economist Intelligence Unit estimates; national sources.

### Gross domestic product

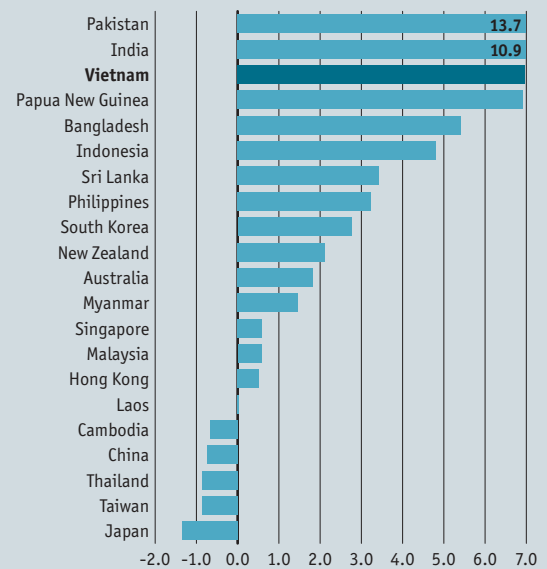
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

### Consumer prices

(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.



# Country snapshot

## Basic data

<b>Land area</b>	331,051 sq km
<b>Population</b>	86m (2009, General Statistics Office estimate)
<b>Main towns</b>	Population (of province) in '000 (2009)
	Ho Chi Minh City 7,165
	Hanoi (capital) 6,472
	Haiphong 1,842
<b>Climate</b>	Tropical monsoon; north cool and damp in winter (November-April), hot and rainy in summer; south more equable; centre most subject to typhoons. The rains are highly unpredictable
<b>Weather in Hanoi (altitude 216 metres)</b>	Hottest month, June, 26-33°C; coldest month, January, 13-20°C; wettest month, August, 343 mm average rainfall; driest month, January, 18 mm average rainfall
<b>Weather in Ho Chi Minh City (altitude 9 metres)</b>	Hottest month, April, 24-35°C; coldest month, January, 21-32°C; wettest month, September, 335 mm average rainfall; driest month, February, 3 mm average rainfall
<b>Language</b>	Vietnamese (spoken by about 90% of the population); English (increasingly favoured as a second language); some French; a little Russian and German; minority languages such as Hmong, Thai, Khmer in more remote rural areas
<b>Weights and measures</b>	Metric system. Local land measurement: 1 mau = 3,600 sq metres (north); 1 mau = 5,000 sq metres (centre)
<b>Currency</b>	Dong (D). Average exchange rate in 2009: D17,800:US\$1
<b>Time</b>	7 hours ahead of GMT
<b>Public holidays</b>	January 1st (New Year's Day); February 14th-18th (Tet, Lunar New Year); April 30th (Liberation of Saigon); May 1st (Labour Day); September 2nd (National Day)

## Political structure

<b>Official name</b>	Socialist Republic of Vietnam	
<b>Form of state</b>	One-party rule	
<b>The executive</b>	The cabinet is constitutionally responsible to the National Assembly, which is elected for a five-year term	
<b>Head of state</b>	The president, currently Nguyen Minh Triet	
<b>National legislature</b>	The unicameral 493-member Quoc Hoi (National Assembly) meets biannually; an election takes place every five years. The assembly appoints the president and the cabinet	
<b>Local government</b>	Centrally controlled provinces and municipalities are subdivided into towns, districts and villages, which have a degree of local accountability through elected People's Councils	
<b>Legal system</b>	The regional people's courts and military courts operate as courts of first and second instance, with the Supreme Court at the apex of the system	
<b>National elections</b>	Elections for the National Assembly and People's Councils took place in May 2007; the next are due in 2012	
<b>National government</b>	The Communist Party of Vietnam, and in particular its politburo, controls both the electoral process and the executive	
<b>Main political organisations</b>	The Communist Party of Vietnam (general secretary: Nong Duc Manh); the Vietnam Fatherland Front	
<b>Main members of the cabinet</b>	<b>Prime minister</b>	Nguyen Tan Dung
	<b>Deputy prime ministers</b>	Nguyen Sinh Hung Pham Gia Khiem Hoang Trung Hai Nguyen Thien Nhan Truong Vinh Trong
	<b>Key ministers</b>	
	<b>Agriculture &amp; rural development</b>	Cao Duc Phat
	<b>Construction</b>	Nguyen Hong Quan
	<b>Culture, sports &amp; tourism</b>	Hoang Tuan Anh
	<b>Education &amp; training</b>	Nguyen Thien Nhan
	<b>Finance</b>	Vu Van Ninh
	<b>Foreign affairs</b>	Pham Gia Khiem
	<b>Industry &amp; trade</b>	Vu Huy Hoang
	<b>Information &amp; communications</b>	Le Doan Hop
	<b>Interior</b>	Tran Van Tuan
	<b>Justice</b>	Ha Hung Cuong
	<b>Labour, war invalids &amp; social affairs</b>	Nguyen Thi Kim Ngan
	<b>National defence</b>	Phung Quang Thanh
	<b>Natural resources &amp; environment</b>	Pham Khoi Nguyen
	<b>Planning &amp; investment</b>	Vo Hong Phuc
	<b>Public health</b>	Nguyen Quoc Trieu
	<b>Transport</b>	Ho Nghia Dung
<b>Central bank governor</b>	Nguyen Van Giau	