Country Report

Vietnam

February 2010

Economist Intelligence Unit
26 Red Lion Square
London WC1R 4HQ
United Kingdom

The Economist Intelligence Unit

The Economist Intelligence Unit is a specialist publisher serving companies establishing and managing operations across national borders. For 60 years it has been a source of information on business developments, economic and political trends, government regulations and corporate practice worldwide.

The Economist Intelligence Unit delivers its information in four ways: through its digital portfolio, where the latest analysis is updated daily; through printed subscription products ranging from newsletters to annual reference works; through research reports; and by organising seminars and presentations. The firm is a member of The Economist Group.

London
The Economist Intelligence Unit
26 Red Lion Square
London
WC1R 4HQ
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
E-mail: london@eiu.com

New York
The Economist Intelligence Unit
The Economist Building
111 West 57th Street
New York
NY 10019, US
Tel: (1.212) 554 0600
Fax: (1.212) 586 0248
E-mail: newyork@eiu.com

Hong Kong
The Economist Intelligence Unit
60/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
E-mail: hongkong@eiu.com

Website: **www.eiu.com**

Electronic delivery

This publication can be viewed by subscribing online at www.store.eiu.com.

Reports are also available in various other electronic formats, such as CD-ROM, Lotus Notes, online databases and as direct feeds to corporate intranets. For further information, please contact your nearest Economist Intelligence Unit office.

ISSN 1356-403X

Symbols for tables

"n/a" means not available; "–" means not applicable

Printed and distributed by PurePrint Group, Bellbrook Park, Uckfield, East Sussex TN22 1PL, UK.

Vietnam

Executive summary

Outlook for 2010-11

Monthly review: February 2010

Data and charts

Country snapshot

Editors: Hilary Ewing (editor); Danny Richards (consulting editor)
Editorial closing date: February 4th 2010
All queries: Tel: (44.20) 7576 8000 E-mail: london@eiu.com
Next report: To request the latest schedule, e-mail schedule@eiu.com


CHINA
LAOS
THAILAND
CAMBODIA
VIETNAM
Gulf of Tonkin
SOUTH CHINA SEA
Gulf of Thailand
Paracel Is. (disputed)
Dao Phu Quoc
Con Dao
Black R.
Red R.
Mekong R.
Ha Giang
Cao Bang
Lao Cai
Lai Chau
Yen Bai
Tuyen Quang
Lang Son
Thai Nguyen
Phu Tho
Dien Bien Phu
Bac Giang
Song Tay
HANOI
Cam Pha
Ha Dong
Hong Gai
Hai Duong
Haiphong
Nan Dinh
Ninh Binh
Thanh Hoa
Quynh Luu
Vinh
Ha Tinh
Dong Hoi
Dong Ha
Hue
Da Nang
Hoi An
Tam Ky
Quang Ngai
Kon Tum
Pleiku
Qui Nhon
Tuy Hoa
Ban Me Thuot
Ninh Hoa
Nha Trang
Da Lat
Cam Ranh
Loc Ninh
Bao Loc
Phan Rang
Tay Ninh
Thu Dau Mot
Bien Hoa
Phan Thiet
Ho Chi Minh City
Chau Doc
My Tho
Long Xuyen
Vung Tau
Vinh Long
Ben Tre
Rach Gia
Can Tho
Phu Vinh
Soc Trang
Ca Mau
Bac Lieu
0 km 100 200 300
0 miles 100 200
Main railway
Main road
International boundary
Main airport
Capital
Major town
Other town
© The Economist Intelligence Unit Limited 2010

Executive summary

Highlights

February 2010

Outlook for 2010-11

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

Monthly review

- The government's aggressive moves toward stamping out dissent and limiting religious freedom became increasingly apparent in January when three democracy activists were convicted of subversion.
- The government has prevented two foreign employees of an airline, JetStar Pacific, in which the state holds a majority stake, from leaving the country after the authorities began an investigation into its recent financial losses.
- Vietnam’s relations with China have again been strained over a perennial dispute: the contested sovereignty over the Spratly and Paracel Islands in the South China Sea.
- Given the wide budget and current-account deficits, the government took action to bolster its fiscal position in January by raising US$1bn in its second international sovereign bond issue.
- The government has indicated its intention to resume the equitisation (part-privatisation) of some of its largest state-owned enterprises.
- Consumer prices rose by 7.6% year on year in January, an acceleration from December when prices increased by 6.5%.

Outlook for 2010-11

Political outlook

Domestic politics

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

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

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

International relations

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

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

Economic policy outlook

Policy trends

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

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

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

Fiscal policy

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

Monetary policy

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

Economic forecast

International assumptions

International assumptions summary
(% unless otherwise indicated)

	2008	2009	2010	2011
Real GDP growth				
World	2.8	-1.0	3.6	3.5
OECD	0.5	-3.4	1.9	1.5
China	9.0	8.3	9.5	8.3
EU27	0.7	-4.1	0.9	1.1
Exchange rates				
¥:US$	103.4	93.7	88.0	87.0
US$:€	1.470	1.393	1.423	1.398
SDR:US$	0.629	0.646	0.635	0.638

International assumptions summary
(% unless otherwise indicated)

	2008	2009	2010	2011
Financial indicators				
¥ 3-month money market rate	0.85	0.38	0.30	0.63
US$ 3-month commercial paper rate	2.18	0.26	0.55	1.50
Commodity prices				
Oil (Brent; US$/b)	97.7	62.0	78.0	73.0
Gold (US$/troy oz)	871.8	973.0	1,186.3	1,231.3
Food, feedstuffs & beverages (% change in US$ terms)	29.5	-21.6	2.1	0.8
Industrial raw materials (% change in US$ terms)	-5.1	-25.6	31.2	0.6

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

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

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

Economic growth

Gross domestic product by expenditure
(D bn at constant 1994 prices where series are indicated; otherwise % change year on year)

	2008[a]	2009[b]	2010[c]	2011[c]
Private consumption	333,496	346,857	367,958	392,129
	9.2	4.0	6.1	6.6
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
Final domestic demand	**554,692**	**574,495**	**610,344**	**652,195**
	7.2	3.6	6.2	6.9

Gross domestic product by expenditure

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

	2008[a]	2009[b]	2010[c]	2011[c]
Stockbuilding	27,301	32,000	31,000	29,500
	1.3[d]	1.0[d]	-0.2[d]	-0.3[d]
Total domestic demand	**581,993**	**606,495**	**641,344**	**681,695**
	8.0	4.2	5.7	6.3
Exports of goods & services	517,996[b]	486,924	521,086	570,973
	14.7[b]	-6.0	7.0	9.6
Imports of goods & services	619,298[b]	584,659	627,328	677,496
	15.0[b]	-5.6	7.3	8.0
Foreign balance	**-101,302[b]**	**-97,736**	**-106,242**	**-106,523**
	-3.2[d]	0.7[d]	-1.6[d]	-0.1[d]
GDP	**489,833**	**515,794[a]**	**547,902**	**586,172**
	6.2	5.3[a]	6.2	7.0

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

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

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

Inflation

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

Exchange rates

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

External sector

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

Forecast summary

(% unless otherwise indicated)

	2008[a]	2009[b]	2010[c]	2011[c]
Real GDP growth	6.2	5.3[a]	6.2	7.0
Industrial production growth	14.6	7.6	10.0	10.8
Gross agricultural production growth	4.4	1.8[a]	2.0	3.0
Consumer price inflation (av)	23.1	6.9[a]	10.3	9.9
Consumer price inflation (year-end)	21.6	6.5[a]	13.3	6.8
Lending rate	15.8	10.4	13.8	13.5
Government balance (% of GDP)	-5.4[b]	-9.0	-8.1	-7.4
Exports of goods fob (US$ bn)	62.7	56.6	65.1	74.0
Imports of goods fob (US$ bn)	75.5	68.8	78.4	86.7
Current-account balance (US$ bn)	-10.7	-9.8	-10.5	-10.6
Current-account balance (% of GDP)	-11.9	-10.5	-10.6	-9.6
External debt (year-end; US$ bn)	25.9[b]	26.6	33.3	37.5
Exchange rate D:US$ (av)	16,440	17,800[a]	18,745	19,073
Exchange rate D:¥100 (av)	15,905	18,983[a]	20,828	21,430
Exchange rate D:€ (year-end)	24,234	27,339[a]	26,259	27,179
Exchange rate D:SDR (year-end)	26,215	29,547[a]	29,455	30,350

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

Monthly review: February 2010

The political scene

Dissidents are sentenced to lengthy prison terms

The government's aggressive moves to stamp out dissent and limit religious freedom became increasingly apparent in January. This was demonstrated by the convictions of a human rights lawyer, Le Cong Dinh, and two other prominent democracy activists, Nguyen Tien Trung and Tran Huynh Duy Thuc, on subversion charges on January 19th. Another man, Le Thang Long, was convicted of being their accomplice. Mr Dinh is a former Fulbright Scholar and a former vice-president of the Ho Chi Minh City Bar Association. The outcome of the trial was never in much doubt. Vietnamese who are charged with political offences are rarely acquitted, and judges tend to come to their verdicts in a matter of hours after brief trials. The convictions sent a clear message to other Vietnamese that the ruling Communist Party of Vietnam will continue to punish dissenters harshly.

Mr Dinh made a remorseful admission of guilt, acknowledging his ties to a banned political party, the Democratic Party of Vietnam. The prominent lawyer said that he had been led astray by Western ideas about democracy while studying law at Tulane University in the US. He was sentenced to a five-year prison term, a relatively positive outcome considering that the charge carries a maximum penalty of death under Vietnamese law. In contrast to Mr Dinh, Mr Thuc told the court that he had done nothing wrong and that he was only interested in helping to root out corruption in Vietnam. The court disagreed, and he was handed a 16-year prison sentence.

This recent round of show trials may point to deep-rooted tensions in the government, which appears to be torn between reformers' impulses to open up the economy and allow a degree of liberalisation, and the party's default position of trampling opposition. Vietnam's leaders take differing approaches to the issue of free speech depending on the political circumstances in hand. In January 2007, when Vietnam was finalising its entry into the World Trade Organisation, the government attempted to show its best face to the rest of the world by permitting a limited degree of political dissent and pledging to allow more space for religious groups to practice freely. However, in the last couple of years the global financial crisis and domestic economic turmoil, combined with internal conflicts within the politburo, have encouraged a more repressive environment. The recent crackdown on dissent is also a reflection of the government's desire to reinforce the limits of political debate in the run-up to the next national congress, which is due to be held in January 2011. It is also a way for the party to warn potential dissenters that voicing opinions that run counter to that of the state will be punished harshly.

The crackdown on dissenting views has been strongly felt by journalists, who have been urged by the prime minister, Nguyen Tan Dung, to avoid reporting news that could harm the country's interests. Given that the government consistently applies harsh punishments to democracy activists and even journalists who report on high-level corruption, reporters are likely to be wary of publishing controversial views and will practice self-censorship.

The authorities' recent efforts to limit dissent has become a concern for several of the country's major trading partners, including the US and the EU. That said, neither the US nor the EU are likely to compromise their growing economic ties with Vietnam by imposing any significant sanctions in response to the government's policies. However, representatives from both will continue to express their dismay at what may they perceive to be human rights abuses by Vietnamese authorities. In the days following the sentencing of Mr Dinh and his associates, an EU delegation to Vietnam called the trial "a major and regrettable step backwards", while the US ambassador to Vietnam, Michael Michalak, criticised the "apparent lack of due process" and called for the prisoners' release. The US has also been particularly strident in its criticism of a ban on a social networking website, Facebook. Mr Michalak has said that the ban hinders business operations, as many firms now use the website to market products. The US secretary of state, Hillary Clinton, also singled out Vietnam's ban on Facebook during a speech that urged countries around the world to allow Internet freedom. Many young Vietnamese, who use the site to post messages and chat with friends, are now using a simpler version of the website called Facebook Lite, which the authorities have not yet banned.

JetStar employees come under scrutiny for big losses

The government has prevented two foreign employees of an airline, JetStar Pacific, from leaving the country after the authorities began an investigation into its recent financial losses. The Vietnamese government holds a majority stake in JetStar, while Australia's Qantas Airlines holds a 27% share. The dispute arose after JetStar lost A$34m (US$26.6m) on fuel hedging contracts in 2008. Vietnamese authorities have prevented the chief operating officer, Daniela Marsilli, and the chief financial officer, Tristan Freeman, both of whom are Australian citizens, from leaving the country while an investigation is undertaken to determine how the airline made such a large loss on the contracts. Although Ms Marsilli and Mr Freeman have not been charged with any offence and are not currently being detained, the airline's Vietnamese former chief executive officer, Luong Hoia Nam, has been arrested on charges relating to the airline's financial losses. JetStar's losses are not unique: numerous airlines suffered from fuel hedging losses in 2008 as the price of oil slumped amid the onset of the global financial crisis.

Surprisingly, the case has not created alarm among the majority of foreign investors in Vietnam. However, it is a reminder that the country's authorities are not fully equipped to regulate modern business practices, including hedging and foreign-exchange transactions. The JetStar case is reminiscent of a 2006 dispute between a Dutch bank, ABN Amro, and a then state-owned bank, Incombank. ABN Amro paid US$4.5m in compensation to Incombank for losses that the latter sustained as a result of foreign-currency trading. The Dutch bank was accused by the Vietnamese authorities of executing trades with an Incombank employee who was allegedly not authorised to undertake such transactions. The trades cost Incombank a reported US$5.4m. The multi-million dollar payment was made to accelerate the release from jail of four local ABN-Amro employees, three of whom were accused by Vietnamese authorities of conspiring to lose money for the government—a charge that holds stiff penalties in Vietnam. The Incombank trader, Nguyen Thi Quynh, could have faced a firing squad for her involvement.

The government's relations with religious groups are poor

Relations between the government and various religious groups have continued to deteriorate. In late December 2009 followers of a well-known Zen Buddhist master, Thich Nhat Hanh, alleged that they were violently forced from their monastery at Phuoc Hue in the southern province of Lao Dong by a government-sponsored mob. The incident came just months after the same monastics were allegedly forced from a monastery at Bat Nha. In a letter to his followers written in late December, Mr Hanh accused government authorities of hiring the mobs at both Bat Nha and Phuoc Hue, and paying individuals D200,000 (around US$11) a day to help to evict the monks and nuns. In early January government officials claimed that the evictions of Mr Hanh's followers were a result of a dispute between rival Vietnamese Buddhist groups. The Zen master has repeatedly called on the government to abolish its control over religion and to respect human rights, which has not won him many friends in the government. Mr Hanh stated in his letter that "the Buddhist Church is helpless, unable to protect its own children".

There have also been further clashes between local authorities and the Roman Catholic church. Unrest broke out in Dong Chiem after police destroyed a crucifix on property belonging to the church on January 6th. In response, parishioners and religious figures staged a non-violent protest that was reportedly met with a harsh response from the authorities. Church officials claim that many of those who attended the protest were beaten and arrested. The church subsequently accused the authorities of "besieging" the area, in some cases restricting the access of parishioners to the church at Dong Chiem and making arbitrary arrests. Disputes between the state and the church are relatively commonplace in Vietnam, and are regularly a topic of back-door and formal discussions between Vietnam's leadership and the Vatican.

Conflict with China arises over the Paracel Islands

Vietnam's relations with China have again been strained over a perennial dispute—the contested sovereignty over the Spratly and Paracel Islands in the South China Sea. In December China included the Paracels in its plans for promoting tourism in its province of Hainan, which outraged Vietnam. The Paracels boast fine beaches, but are wholly populated by China's People's Liberation Army. Vietnamese officials are deeply concerned about China's plans to develop the islands into a tourist destination in the next ten years, as well as China's intentions to expand its oil and gas exploration activities in the area. China claims that the Spratly and Paracel chain of atolls and islets, which are believed to be rich in oil and gas deposits, fall under Hainan's control, but the Vietnamese government is just as adamant that they are Vietnamese territory.

Economic policy

The government raises US$1bn in a sovereign bond sale

Struggling with a wide budget deficit, in January the government took action to bolster its fiscal position by issuing its second international sovereign bond. A ten-year US$1bn sovereign bond was tendered on January 25th at a yield of 6.95%. The bond offered a higher yield than recent comparable issues from Indonesia and the Philippines, which offered 6% and 5.67% respectively. Investors' concerns over the stability of Vietnam's financial system necessitated a higher yield. This was in contrast to the relative cost of Vietnam's inaugural bond issuance in 2005, when US$750m was tendered with a yield of 7.125%. This yield was lower than those offered on comparable sovereign bond issues from the Philippines in that year. Vietnam's latest bond sale was fully subscribed, reflecting the eagerness of institutional investors to gain exposure to the country without dipping into its frequently chaotic stockmarket. However, in late December, a credit-rating agency, Moody's, assigned a negative outlook to Vietnam's foreign-currency rating owing to the country's current difficulties in maintaining macroeconomic stability.

The bond issuance was in part an effort to boost the country's stock of foreign-exchange reserves. IMF figures show that Vietnam's foreign-exchange reserves fell to US$18.8bn in August 2009, down from a high of US$26.4bn in March 2009 (latest available data). It is estimated that foreign-exchange reserves could have dipped as low as US$15bn prior to the bond issue. Besides shoring up the country's foreign reserves, the State Bank of Vietnam (SBV, the central bank) has revealed that the funds raised by the bond issue will be used to support the growth of a number of state-owned enterprises (SOEs), including Vietnam Oil and Gas Group (PetroVietnam), Vietnam National Shipping Lines (Vinalines), a state-owned construction conglomerate, Song Da Corporation, and another state-owned firm, Vietnam Machinery Erection Corporation (Lilama).

Equitisation of state-owned firms may resume this year

The government has indicated that it intends to resume the equitisation (part-privatisation) of some of its largest SOEs. On January 4th 2010 Mr Dung suggested that two early candidates for equitisation would be the country's largest fuel importer, Vietnam National Petroleum Corporation (Petrolimex), and a steelmaker, Vietnam Steel Corporation. However, the prime minister did not indicate a timeline for equitisation, which raises questions about whether or not the government is serious about making significant progress in this area.

Nonetheless, the government has indicated that it will retain a stake of at least 75% in Petrolimex and 65% in Vietnam Steel after the firms are equitised. PetroVietnam also intends to equitise one of its subsidiaries, PetroVietnam Gas Corporation, as well as sell shares in some of its electricity generation plants. Again, no timeframe for equitisation has been provided. Meanwhile, the state-owned national airline, Vietnam Airlines, has postponed plans to equitise in 2010. The national carrier was widely expected to be one of Vietnam's most notable equitisations, but the company's lacklustre performance as a result of a slump in air travel in 2009 has set back its plans. In mid-January 2010 the airline's spokesman, Le Hoang Dung, indicated that the company still intends to equitise in the future, but that it will not happen this year.

Meanwhile, the pressure on many SOEs to improve efficiency is growing in line with greater competition from domestic and foreign rivals. Petrolimex now faces competition from local oil refiners, while Vietnam Steel Corporation's foreign-owned rivals, such as South Korea's Posco and Taiwan's Formosa, are increasing their levels of steel production in the country. Equitisation of SOEs is expected to lead to better management practices, which will improve efficiency and allow Vietnamese companies to better compete with foreign-owned and domestic privately-owned firms.

The SBV tries to ease liquidity constraints

A number of domestic banks are reportedly lending at interest rates that are approaching 20%, significantly above the 12% maximum level set by the SBV. (The ceiling on lending interest rates is set at 1.5 times the base rate, which is currently 8%.) The banks are able to charge higher interest by adding on additional "management" fees in periods when there is strong demand for financing. However, this raises the threat of continuing liquidity problems in the banking system. This will be a particular problem in the run-up to Tet, Vietnam's Lunar New Year, in mid-February, when demand for financing from businesses and households increases significantly in line with higher spending.

On January 19th the SBV moved to help to improve the liquidity positions of domestic banks by lowering the ratio of compulsory foreign reserves to 4%, from 7% previously. The change, which came into effect on February 1st, makes US dollars easier to source for firms and households, while also lifting banks' holdings of dong. The SBV's move came after the government requested that several large SOEs sell a chunk of their substantial stash of foreign currency to the government, in part to help to improve liquidity in the banking sector. The sale of the US$1bn sovereign bond should also help to increase the supply of US dollars in the market.

The SBV is now targeting credit growth of 25% in 2010, down from an estimated 45.6% in 2009. However, the central bank is limited in its ability to enforce this directive, except in regard to wholly state-owned banks. In the past foreign-owned or part-privatised banks have largely ignored the SBV's targets. Thus, there is a risk that actual credit growth could significantly exceed the desired level in 2010.

In January the SBV continued its efforts to limit gold trading. In December the SBV ordered the closure of the country's 20 gold trading floors by March 30th, and ordered banks to stop lending for gold investments. As bank lending was responsible for over 90% of gold trading, the SBV's directive demolished trading volumes. As a result, in early February the gold exchanges indicated that they would be likely to close before the deadline. In a separate move, on January 7th the SBV announced that Vietnamese banks and firms would have to stop trading gold offshore and wind down their positions by March 30th. This will further curtail the use of the commodity as a store of value, helping to relieve some of the downward pressure on the dong.

Economic performance

Inflation continues to accelerate

Year-on-year comparisons may not be an accurate reflection of the state of the economy in January 2010, given the fact that the important Tet celebrations took place in January 2009 but are in February in 2010. Tet has a significant impact on various economic indicators, including inflation and the value of exports and imports. Consumer price inflation continues to be the most watched indicator in Vietnam. Figures from the General Statistics Office (GSO, the national statistics office) show that consumer prices rose by 7.6% year on year in January, an acceleration from the 6.5% increase that was registered in December. In month-on-month terms, inflation rose by 1.4% in January, unchanged from the increase that was recorded in December.

The acceleration of year-on-year inflation in January was largely a reflection of elevated prices for food and foodstuffs (which together account for over 40% of the basket of goods used to compile the consumer price index), which increased by 7.6%. Food prices alone rose by 12.3% in the period. Prices for housing and building materials also rose sharply in January, by 13.6%. The rising cost of fuel also made a big impact on headline inflation. The GSO includes fuel prices in the "traffic" category, which rose by 12.7% in the first month of the year. As Vietnam relies on imported refined petroleum for a large proportion of its fuel needs, fluctuations in global prices for fuel will continue to have a marked impact on inflation.

The trade deficit narrows in January, but remains wide

Despite rapid growth in the value of imports in January, Vietnam's trade deficit narrowed from the level that was recorded in December. The GSO estimates that the merchandise trade account posed a deficit of US$1.3bn in January, compared with US$1.9bn in December. Export receipts increased by an estimated 28.1% year on year, reaching US$4.9bn. The rise in exports was largely a reflection of massive year-on-year increases in the values of a number of important commodity exports, including crude oil, seafood and forestry products. The value of electronics and machinery exports also posted solid growth in January, rising to US$230m (up by 56.4% year on year) and US$110m (up by 140%) respectively.

Meanwhile, the import bill soared by 86.6% year on year in January, to an estimated US$6.2bn. Petroleum prices have risen sharply from January 2009, which means that it was no surprise to see that the value of refined petroleum imports increased by 53% year on year to US$540m in January 2010. The rapid rise in the value of important manufacturing inputs, such as plastics and electronics, in recent months could be an indication of an emerging recovery in the manufacturing sector, which was badly hit by the global economic downturn in 2009. Meanwhile, imports of intermediate goods also grew strongly in January. The value of imports of machinery, tools and spare parts rose by 42.3% year on year to US$1.1bn, while electronics, computers and spare parts imports grew by a massive 123.5% to US$380m.

Data and charts

Annual data and forecast

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]
GDP							
Nominal GDP (US$ bn)	52.9	61.0	71.1	89.9	92.6[a]	99.3	110.6
Nominal GDP (D trn)	839.2	974.3	1,143.7	1,477.7	1,648.4[a]	1,861.0	2,109.9
Real GDP growth (%)	8.4	8.2	8.5	6.2	5.3[a]	6.2	7.0
Expenditure on GDP (% real change)							
Private consumption	7.3	8.3	10.8	9.2	4.0	6.1	6.6
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	17.3[b]	15.5[b]	14.7[b]	-6.0	7.0	9.6
Imports of goods & services	15.9	18.6[b]	27.7[b]	15.0[b]	-5.6	7.3	8.0
Origin of GDP (% real change)							
Agriculture	4.0	3.4	3.7	4.4	1.8[a]	2.0	3.0
Industry	10.7	10.4	10.6	5.7	5.5[a]	7.0	6.8
Services	8.5	8.3	8.7	7.3	6.6[a]	7.2	8.7
Population and income							
Population (m)	83.5	84.4[b]	85.3[b]	86.1[b]	87.0	87.8	88.7
GDP per head (US$ at PPP)	2,132[b]	2,358[b]	2,604[b]	2,796[b]	2,946	3,130	3,355
Recorded unemployment (av; %)	5.3	4.8	4.6[b]	4.7[b]	6.5	6.2	6.0
Fiscal indicators (% of GDP)							
Central government balance	-4.1	-2.9	-7.3	-5.4[b]	-9.0	-8.1	-7.4
Net public debt	44.0	45.9[b]	49.9[b]	48.8[b]	52.1	54.2	54.3
Prices and financial indicators							
Exchange rate D:US$ (end-period)	15,916	16,055	16,010	17,433	18,472[a]	18,959	19,276
Exchange rate D:€ (end-period)	18,775	21,188	23,379	24,234	26,474[a]	26,259	27,179
Consumer prices (end-period; %)	8.7	6.6	12.6	21.6	6.5[a]	13.3	6.8
Stock of money M1 (% change)	22.2	20.7	48.9	-0.4	53.1	31.0	28.6
Stock of money M2 (% change)	30.9	29.7	49.1	20.7	36.1	49.3	33.0
Lending interest rate (av; %)	11.0	11.2	11.2	15.8	10.4	13.8	13.5
Current account (US$ m)							
Trade balance	-2,439	-2,776	-10,438	-12,782	-12,194	-13,294	-12,715
Goods: exports fob	32,447	39,826	48,561	62,685	56,612	65,143	74,005
Goods: imports fob	-34,887	-42,602	-58,999	-75,468	-68,806	-78,437	-86,720
Services balance	-296	-8	-755	-835	-782	-985	-1,028
Income balance	-1,205	-1,429	-2,190	-4,400	-3,011	-2,931	-3,965
Current transfers balance	3,380	4,049	6,430	7,311	6,236	6,685	7,117
Current-account balance	-560	-164	-6,953	-10,706	-9,752	-10,525	-10,591
External debt (US$ m)							
Debt stock	19,211	20,202	24,222	25,887[b]	26,587	33,268	37,504
Debt service paid	957	918	1,256	1,219[b]	1,072	1,166	1,474
Principal repayments	519	464	646	710[b]	673	708	824
Interest	437	453	610	509[b]	399	458	650
International reserves (US$ m)							
Total international reserves	9,217	13,591	23,748	24,176	17,132	20,234	21,901

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

Source: IMF, *International Financial Statistics*.

Quarterly data

	2007	2008				2009		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Prices								
Consumer prices (2005=100)	120.9	130.9	142.7	149.8	149.4	151.3	152.5	154.0
Consumer prices (% change, year on year)	10.7	16.4	24.5	27.7	23.6	15.5	6.9	2.8
Financial indicators								
Exchange rate D:US$ (av)	16,060	15,947	16,252	16,666	16,898	17,499	17,785	17,820
Exchange rate D:US$ (end-period)	16,010	16,105	16,842	16,575	17,433	17,756	17,801	17,841
Deposit rate (av; %)	7.3	9.1	13.8	17.0	11.0	6.9	n/a	n/a
Lending rate (av; %)	11.2	12.3	16.6	20.1	14.1	9.5	n/a	n/a
Refinancing rate (end-period; %)	6.5	7.5	15.0	15.0	10.3	8.0	n/a	n/a
Treasury bill rate (av; %)	n/a	8.2	n/a	15.5	11.2	6.8	n/a	n/a
M1 (end-period; D trn)	435.2	396.1	342.1	321.8	433.3	462.3	507.8	n/a
M1 (% change, year on year)	48.9	24.8	2.3	-8.8	-0.4	16.7	48.5	n/a
M2 (end-period; D trn)	1,254.0	1,300.2	1,295.5	1,347.5	1,513.5	1,645.3	1,776.0	n/a
M2 (% change, year on year)	49.1	37.0	25.8	21.3	20.7	26.5	37.1	n/a
Foreign trade (US$ m)								
Exports fob	13,528	13,411	15,750	17,839	14,163	14,059	13,431	13,767
Imports cif	-18,100	-19,998	-22,650	-19,087	-15,757	-12,560	-17,027	-18,124
Trade balance	-4,572	-6,587	-6,900	-1,248	-1,594	1,499	-3,596	-4,357
Foreign payments (US$ m)								
Merchandise trade balance	-4550.0	-6991.0	-4459.0	-241.0	-1092.0	2322.0	n/a	n/a
Services balance	-87	-420	-312	-291	188	-114	n/a	n/a
Income balance	-600	-627	-308	-617	-2,848	-984	n/a	n/a
Net transfer payments	1,619	1,898	1,975	1,585	1,853	1,618	n/a	n/a
Current-account balance	-3,618	-6,139	-3,104	436	-1,899	2,842	n/a	n/a
Reserves excl gold (end-period)	23,479	26,436	22,262	23,848	23,890	23,008	20,253	n/a

Sources: IMF, *International Financial Statistics*.

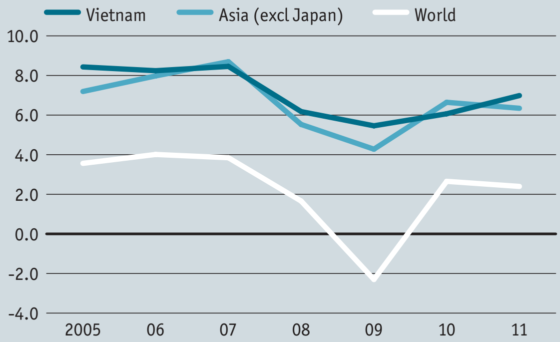
Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate D:US$ (av)												
2007	16,056	15,991	16,011	16,038	16,054	16,101	16,120	16,192	16,196	16,083	16,062	16,034
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
Exchange rate D:US$ (end-period)												
2007	16,036	15,990	16,023	16,046	16,079	16,113	16,127	16,226	16,092	16,083	16,044	16,010
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
Money supply M1 (% change, year on year)												
2007	16.2	35.4	31.3	35.7	37.4	40.4	43.1	41.9	49.2	55.4	53.7	48.9
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	n/a	n/a	n/a	n/a
Money supply M2 (% change, year on year)												
2007	28.8	34.0	35.6	39.0	40.6	41.6	43.7	43.2	47.5	50.5	49.8	49.1
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	n/a	n/a	n/a	n/a
Deposit rate (av; %)												
2007	7.7	7.7	7.7	7.7	7.7	7.4	7.4	7.4	7.4	7.4	7.2	7.2
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
Lending rate (av; %)												
2007	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
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
Consumer prices (av; % change, year on year)												
2007	6.4	6.5	6.7	7.1	7.2	7.8	8.4	8.6	8.8	9.3	10.0	12.6
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	9.9	6.3	4.6	4.0	2.0	2.4	3.0	n/a	n/a
Goods exports fob (US$ m)												
2007	3,759	2,925	3,881	3,650	4,066	4,185	4,278	4,313	3,728	4,280	4,548	4,700
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	4,700	4,700	4,523	4,544	4,750	n/a	n/a
Goods imports cif (US$ m)												
2007	4,331	3,468	4,478	4,493	5,279	5,011	5,239	5,335	4,963	5,630	6,170	6,300
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	5,900	5,900	5,848	6,376	6,650	n/a	n/a
Trade balance fob-cif (US$ m)												
2007	-572	-543	-597	-843	-1,213	-826	-961	-1,022	-1,235	-1,350	-1,622	-1,600
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	-1,200	-1,200	-1,325	-1,832	-1,900	n/a	n/a
Foreign-exchange reserves excl gold (US$ m)												
2007	15,265	16,967	18,317	19,300	20,267	20,793	21,701	21,925	22,575	23,036	23,428	23,479
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	n/a	n/a	n/a	n/a

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

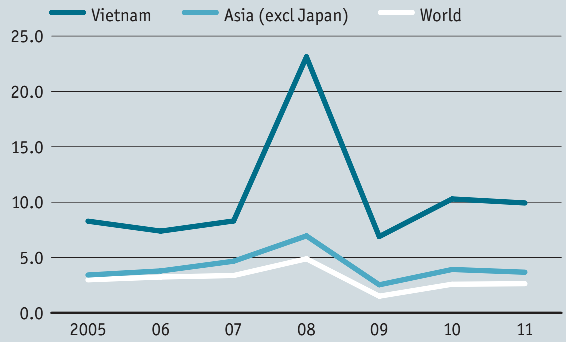
Annual trends charts

Real GDP growth
(% change)



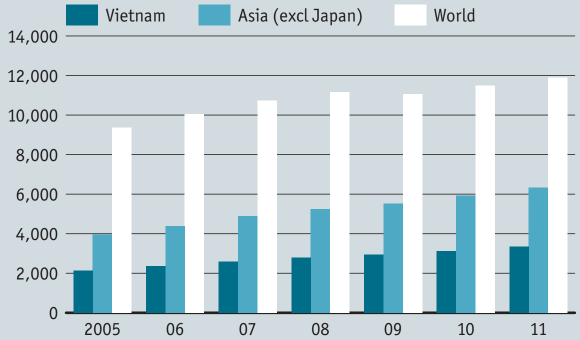
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



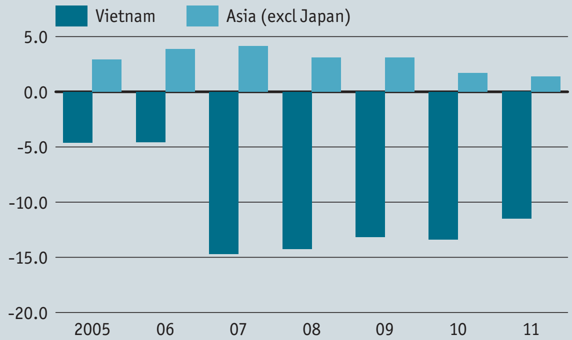
Source: Economist Intelligence Unit.

GDP per head
(US$; PPP)



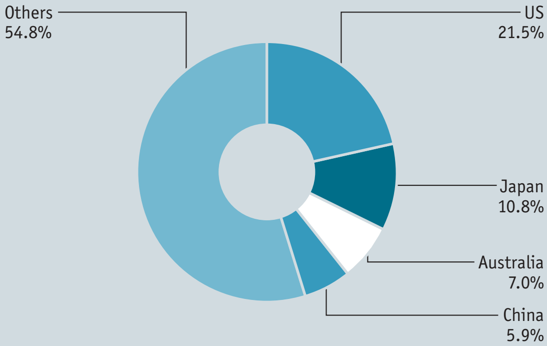
Source: Economist Intelligence Unit.

Trade balance
(% of GDP)



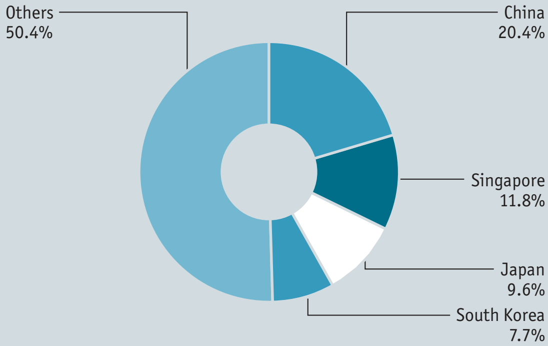
Source: Economist Intelligence Unit.

Main origins of exports, 2007
(share of total)



Source: Economist Intelligence Unit.

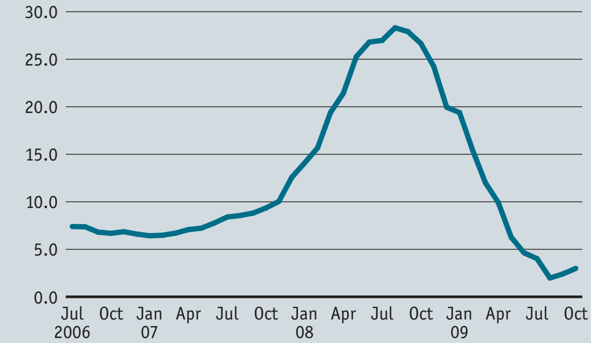
Main origins of imports, 2007
(share of total)



Source: Economist Intelligence Unit.

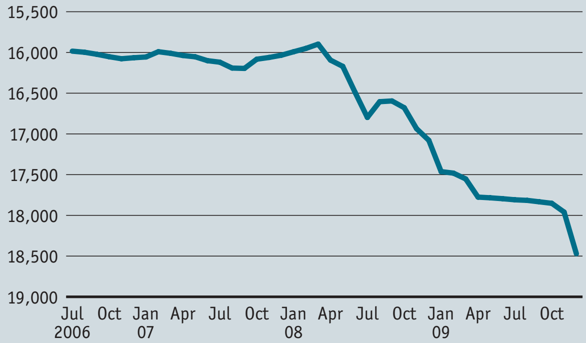
Monthly trends charts

Consumer price inflation
(% change, year on year)



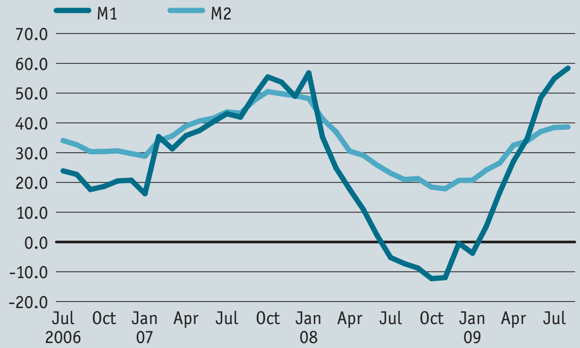
Source: Economist Intelligence Unit.

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



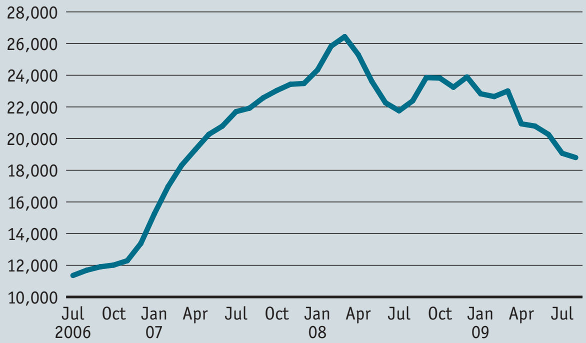
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



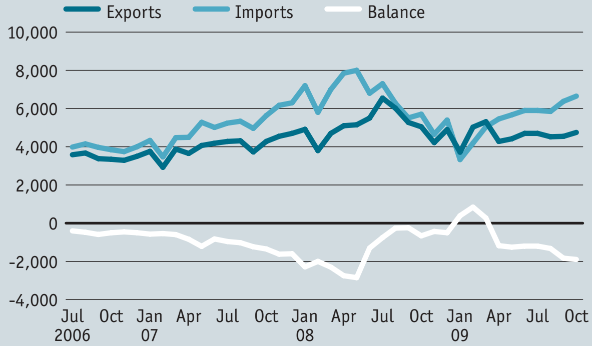
Source: Economist Intelligence Unit.

Foreign-exchange reserves
(US$ m)



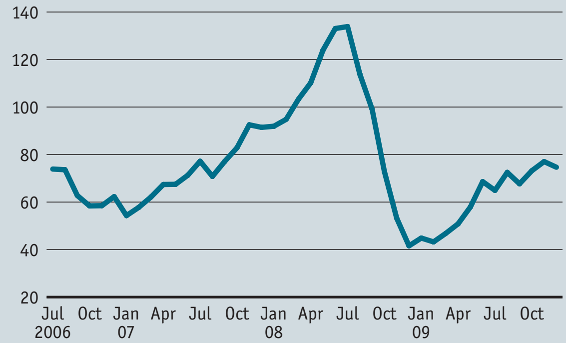
Source: Economist Intelligence Unit.

Foreign trade
(US$ m; goods only)



Source: Economist Intelligence Unit.

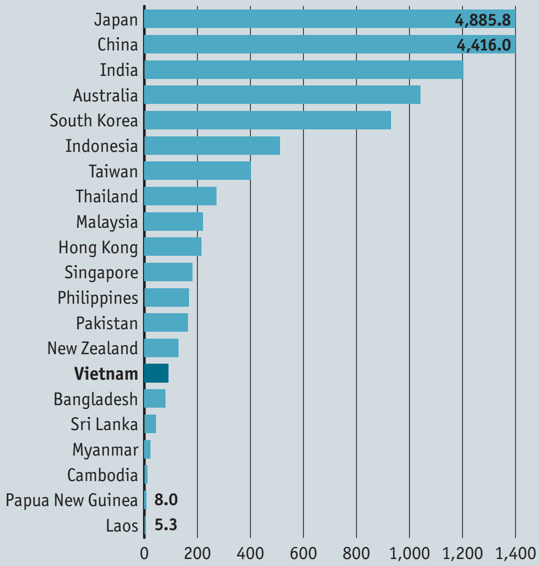
Oil: Brent crude price
(US$/b; av)



Source: Economist Intelligence Unit.

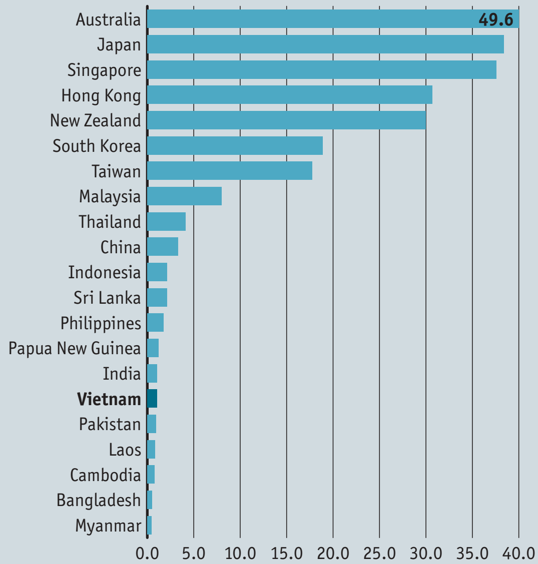
Comparative economic indicators, 2008

Gross domestic product
(US$ bn; market exchange rates)



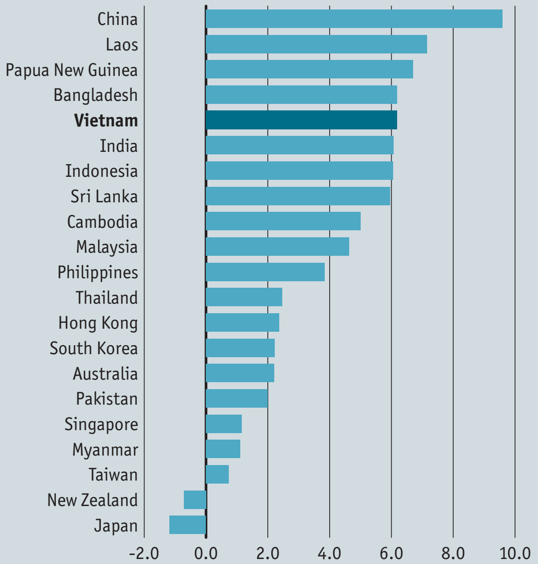
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product per head
(US$ '000; market exchange rates)



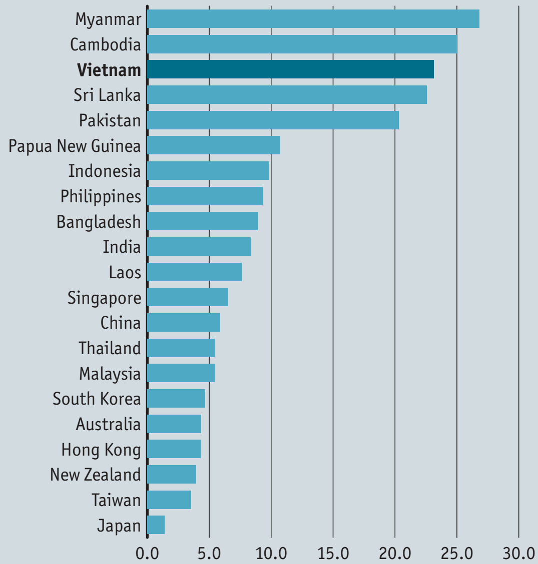
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Consumer prices
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

Land area	330,363 sq km
Population	85.2m (2007, General Statistics Office estimate)
Main towns	Population (of province) in '000 (2006) Ho Chi Minh City 6,347 Hanoi (capital) 3,289 Haiphong 1,828
Climate	Tropical monsoon; north cool and damp in winter (November-April), hot and rainy in summer; south more equable; centre most subject to typhoons. The rains are highly unpredictable
Weather in Hanoi (altitude 216 metres)	Hottest month, June, 26-33°C; coldest month, January, 13-20°C; wettest month, August, 343 mm average rainfall; driest month, January, 18 mm average rainfall
Weather in Ho Chi Minh City (altitude 9 metres)	Hottest month, April, 24-35°C; coldest month, January, 21-32°C; wettest month, September, 335 mm average rainfall; driest month, February, 3 mm average rainfall
Language	Vietnamese (spoken by about 90% of the population); English (increasingly favoured as a second language); some French; a little Russian and German; minority languages such as Hmong, Thai, Khmer in more remote rural areas
Weights and measures	Metric system. Local land measurement: 1 mau = 3,600 sq metres (north); 1 mau = 5,000 sq metres (centre)
Currency	Dong (D). Average exchange rate in 2009: D17,800:US$1
Time	7 hours ahead of GMT
Public holidays	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

Official name	Socialist Republic of Vietnam
Form of state	One-party rule
The executive	The cabinet is constitutionally responsible to the National Assembly, which is elected for a five-year term
Head of state	The president, currently Nguyen Minh Triet
National legislature	The unicameral 493-member Quoc Hoi (National Assembly) meets biannually; an election takes place every five years. The assembly appoints the president and the cabinet
Local government	Centrally controlled provinces and municipalities are subdivided into towns, districts and villages, which have a degree of local accountability through elected People's Councils
Legal system	The regional people's courts and military courts operate as courts of first and second instance, with the Supreme Court at the apex of the system
National elections	Elections for the National Assembly and People's Councils took place in May 2007; the next are due in 2012
National government	The Communist Party of Vietnam, and in particular its politburo, controls both the electoral process and the executive
Main political organisations	The Communist Party of Vietnam (general secretary: Nong Duc Manh); the Vietnam Fatherland Front

Main members of the cabinet	**Prime minister**	Nguyen Tan Dung
	Deputy prime ministers	Nguyen Sinh Hung
		Pham Gia Khiem
		Hoang Trung Hai
		Nguyen Thien Nhan
		Truong Vinh Trong
Key ministers	**Agriculture & rural development**	Cao Duc Phat
	Construction	Nguyen Hong Quan
	Culture, sports & tourism	Hoang Tuan Anh
	Education & training	Nguyen Thien Nhan
	Finance	Vu Van Ninh
	Foreign affairs	Pham Gia Khiem
	Industry & trade	Vu Huy Hoang
	Information & communications	Le Doan Hop
	Interior	Tran Van Tuan
	Justice	Ha Hung Cuong
	Labour, war invalids & social affairs	Nguyen Thi Kim Ngan
	National defence	Phung Quang Thanh
	Natural resources & environment	Pham Khoi Nguyen
	Planning & investment	Vo Hong Phuc
	Public health	Nguyen Quoc Trieu
	Transport	Ho Nghia Dung
Central bank governor	Nguyen Van Giau	