Country Forecast

Vietnam

Vietnam at a glance: 2010-11

OVERVIEW

The ruling Communist Party of Vietnam is due to hold its next national congress in January 2011. As a result, there will be considerable jockeying for position within the current leadership in the months ahead. 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 2010. The State Bank of Vietnam (the central bank) is likely to tighten monetary policy further in 2010 as inflationary pressures build, but it will move cautiously so as to ensure that a lack of available financing does not undermine growth. The Economist Intelligence Unit forecasts that GDP growth will accelerate to 6.4% in 2010 and 6.9% in 2011, from 5.4% in 2009. Owing in large part to higher fuel prices, inflation will accelerate to an annual average of 9.2% in 2010-11. Until there are clear 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.

Key changes from last month

Political outlook

- The recent, unprecedented decision by the National Assembly (the legislature) to block a major government proposal is likely to have embarrassed the government, but the assembly will continue its trend towards becoming a more effective institution.

Economic policy outlook

- The prime minister, Nguyen Tan Dung, recently pledged to continue Vietnam's doi moi (renovation) policies, in effect reaffirming the government's commitment to a high-growth approach.

Economic forecast

- Vietnam's economy showed signs of improvement in the second quarter of 2010, when GDP rose by 6.4% year on year, up from 5.8% in the first quarter. We have revised up our GDP growth forecast for 2010 to 6.4%, from 6.2% previously.

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Economist Intelligence Unit

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Country forecast overview

Highlights

- The ruling Communist Party of Vietnam (CPV) will maintain its firm grip on power and will continue to dictate the political agenda in the forecast period (2010-14). However, political stability is not assured. Although the government will continue to crack down on dissidents, ongoing economic troubles could boil over into social unrest.

- The CPV is due to hold its next national congress in January 2011. This means that there will be considerable jockeying for position within the current leadership in the preceding months, albeit largely invisible from the outside. Although there will be major changes in personnel within the higher echelons of the party, the organisation's central tenets will remain unchanged and its overriding objective will be to maintain its position of dominance.

- Improvements in Vietnam's relations with China are unlikely to damage its relations with the US; the Economist Intelligence Unit expects the government to continue to maintain a balance whereby it avoids too close an alignment with one country at the expense of its ties with the other. However, relations with the US could be strained by the latter's allegations of human rights abuses in Vietnam, as well as by a trade dispute between the two countries that Vietnam has brought before the World Trade Organisation.

- The fiscal position will remain weak throughout the forecast period, owing to continuing high expenditure. Vietnam will continue to receive funds from international donors, and is likely to tender international bonds in 2010-14.

- Although Vietnam's long-term economic growth prospects remain positive, the early part of the forecast period will be challenging. In 2010-11 annual real GDP growth is forecast to average 6.7%. Growth will accelerate to an annual average of around 7.3% in 2012-14.

- Inflation will rise in 2010 on the back of supply-side pressures and higher global commodity prices. We forecast that year-on-year inflation will average 9.2% in 2010-11 and will then slow to an average of 7.3% during the remainder of the forecast period.

- The current-account deficit will contract as a percentage of GDP during the forecast period as the trade gap narrows. After falling in 2009, Vietnam's foreign-exchange reserves will rise in 2010-14 as capital and financial inflows pick up.

Key indicators	2009	2010	2011	2012	2013	2014
Real GDP growth (%)	5.4	6.4	6.9	7.3	7.1	7.4
Consumer price inflation (av; %)	7.0	9.3	9.1	8.2	7.8	7.2
Budget balance (% of GDP)	-8.9	-7.7	-6.7	-5.9	-5.5	-4.9
Current-account balance (% of GDP)	-8.3	-7.7	-6.6	-6.0	-5.7	-4.7
Commercial banks' prime rate (av; %)	10.4	13.8	13.5	13.5	11.1	10.5
Exchange rate D:US$ (av)	17,800	19,044	19,443	19,857	20,239	20,642
Exchange rate D:¥100 (av)	18,995	20,433	20,906	21,467	21,999	22,559

Business environment rankings

Value of index[a]		Global rank[b]		Regional rank[c]	
2005-09	2010-14	2005-09	2010-14	2005-09	2010-14
4.94	5.66	70	65	15	14

[a] Out of 10. [b] Out of 82 countries. [c] Out of 17 countries: Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

- Vietnam moves up to 65th place out of 82 countries in our global business environment rankings for 2010-14, but the country remains near the bottom of the regional rankings.

Vietnam's business environment at a glance

Policy towards private enterprise and competition

2010-11: The government makes an effort to reform state-owned enterprises (SOEs), but progress is slow. There are signs that the competition law will be applied more forcefully.
2012-14: More SOEs undertake reforms and are equitised (part-privatised). Progress is made on removing market distortions in terms of access to opportunities and resources.

Policy towards foreign investment

2010-11: The government further reduces restrictions on foreign investment and seeks to promote such investment in listed firms. Uncertainty persists regarding the implementation of the unified legal system for foreign and domestic firms.
2012-14: Red tape remains a hindrance. The government opens up more services sectors to foreign investors.

Foreign trade and exchange controls

2010-11: Membership of the World Trade Organisation leads to a lowering of trade barriers and a reduction in tariffs. Negotiations begin towards a free-trade agreement (FTA) with the EU.
2012-14: Trade barriers are lowered further. Vietnam pursues additional FTAs.

Taxes

2010-11: Progress is made on improving the efficiency of tax collection, but distortions persist.
2012-14: The tax base is broadened, but the tax regime remains overly complicated. The government fails to meet some demands of foreign investors regarding the tax regime, particularly in relation to the foreign-contractor withholding tax.

Financing

2010-11: State-owned commercial banks undertake reforms. The government directs lending towards priority sectors.
2012-14: The availability of financing improves as limits on the activities of foreign banks are relaxed further. As the regulatory environment strengthens, the stockmarket emerges as an important source of finance.

The labour market

2010-11: Wages for unskilled labour remain low, and there are shortages of skilled labour.
2012-14: Wages stay low relative to other countries in the region. The education system remains poorly equipped to train the next generation of young professionals to meet the needs of foreign-invested enterprises.

Infrastructure

2010-11: Transport infrastructure remains weak. Capacity constraints also affect energy supply and telecommunications as demand rises sharply.
2012-14: Infrastructure improves markedly as a result of heavy investment. Ongoing investment in electricity-generating plants improves the reliability of the power supply.

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Fact sheet

Annual data	2009[a]	Historical averages (%)	2005-09
Population (m)	87.0	Population growth	1.0
GDP (US$ bn; market exchange rate)	93.2[b]	Real GDP growth	7.3
GDP (US$ bn; purchasing power parity)	256.8	Real domestic demand growth	9.2
GDP per head (US$; market exchange rate)	1,070	Inflation	10.6
GDP per head (US$; purchasing power parity)	2,950	Current-account balance (% of GDP)	-6.2
Exchange rate (av) D:US$	17,800[b]	FDI inflows (% of GDP)	7.4

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

Background: For much of its history Vietnam has fought against domination by outside powers. In 1945 Ho Chi Minh declared independence from France after nearly 60 years of colonial rule. Vietnam was divided between the communist north and the US-backed south in 1954. The country's war of independence finally ended in 1975 with victory for the north. The Vietnamese invasion of Cambodia in 1978-79 led to more than a decade of isolation from the West and to dependence on the Soviet Union. This state of affairs ended with the Cambodian settlement of 1991, which allowed Vietnam to implement more fully the government's *doi moi* (economic renovation) policy.

Political structure: Vietnam is one of the few surviving communist countries to be organised along traditional Leninist lines. It is a one-party state, within which the Communist Party of Vietnam maintains a tight grip on power. Efforts are under way to make local government more accountable and transparent and to restructure government ministries to reduce bureaucratic inefficiency, but broader political change is not on the agenda.

Policy issues: The government has made progress on reducing poverty, but tough challenges lie ahead, notably in terms of ensuring the stability of the economy, improving the conduct of monetary policy and strengthening the legal framework. The government will continue to focus on supporting the domestic economy, keeping inflationary pressures in check and shoring up confidence in Vietnam's currency, the dong. Economic reforms will improve the operating environment for local and foreign investors, as will Vietnam's membership of the World Trade Organisation.

Taxation: A reformed personal income tax system was introduced in July 2009. The new income tax structure applies the same tax rates to Vietnamese and foreign workers and has broadened the tax base significantly. A corporate tax rate of 25% applies to both domestic and foreign-invested enterprises. Certain preferential rates still apply.

Foreign trade: On a balance-of-payments basis, exports reached US$62.7bn in 2008, up by 29% year on year, while the import bill increased by around 28%, to US$75.5bn. As a result, the merchandise trade deficit widened to US$12.8bn in that year, from US$10.4bn in 2007 and only US$2.8bn in 2006.

Major exports 2009	% of total	Major imports 2009	% of total
Textiles & garments	16.0	Machinery, equipment & parts	17.6
Crude oil	10.9	Refined petroleum	8.9
Fisheries products	7.5	Steel	7.7
Footwear	7.2	Materials for textile industry	2.8

Leading markets 2009	% of total	Leading suppliers 2009	% of total
US	21.0	China	19.2
Japan	11.2	Singapore	11.2
China	7.1	Japan	10.4
Australia	4.3	South Korea	9.1

Outlook for 2010-11

Political outlook

Domestic politics

Leading members of the ruling Communist Party of Vietnam (CPV) are showing increasing signs of nervousness ahead of the party's next national congress, with hardliners (who appear to be in the ascendant) 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 the ongoing economic instability in Vietnam means that he and his reformist allies, including two deputy prime ministers, Hoang Trung Hai and Nguyen Thien Nhan, could be eclipsed by those 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, and the head of the party secretariat, Truong Tan Sang. There will be much jockeying for position within the leadership in the coming months, but it will be largely invisible from outside 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, 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 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 political reform that could threaten the party's hold on power will be eschewed. The National Assembly (the legislature) will continue the trend towards becoming a more effective law-making institution and shedding its rubber-stamp tag, as its deputies become increasingly assertive in calling on ministers to account for their performance and in taking the initiative 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 nearly all assembly 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, which involved the hosting of a leadership summit in April, 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 become warmer. This is not likely 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.

The government is also expected to focus on developing Vietnam's commercial links with other countries, given that it appears eager to push ahead with free-trade agreements. Vietnamese and EU officials have agreed to begin negotiations on a free-trade deal, and Vietnam has also started talks with the aim of joining the Trans-Pacific Partnership, which includes New Zealand, Singapore, Chile and Brunei.

Economic policy outlook

Policy trends

The government continues to give 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. It has extended its interest rate subsidy scheme for medium- and long-term loans until the end of 2010, although it now provides a subsidy of only 2 percentage points (in 2009 the subsidy was equivalent to 4 percentage points, and also applied to short-term loans). The subsidy has helped to provide firms with working capital and has thus boosted economic activity, but there have been negative side-effects, with the ensuing rapid growth in domestic credit intensifying inflationary pressures. Although credit growth slowed sharply in early 2010 as the State Bank of Vietnam (SBV, the central bank) removed the cap on lending interest rates, the authorities have since put pressure on banks to lower their rates. Such apparently contradictory moves raise concerns about a lack of a clear strategy for monetary policy. 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 moves would undermine confidence in economic management in Vietnam. They would also suggest 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

After widening to an estimated 8.9% of GDP last year, the budget deficit (excluding on-lending) will narrow to 7.7% in 2010 and 6.7% in 2011. In part, this reflects our forecast that the government's revenue position will improve as economic growth accelerates and global crude oil prices rise from the lows to which they sank in 2009 (the 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 deficits over the next two years, as it is already borrowing heavily to fund its off-budget stimulus programmes. In late January the government raised US$1bn through an international sovereign bond issue, but this was at a premium, and in recent months the government has struggled to sell domestic bonds, partly owing to a reluctance to meet the demand for higher yields.

Monetary policy

The SBV is expected to tighten monetary policy in 2010-11 as inflationary pressures build, but it will move cautiously so as to ensure that a lack of available financing does not undermine economic growth. After raising the prime rate by 1 percentage point, to 8%, in December 2009 (having reduced it from 14% to 7% between mid-2008 and early 2009), the SBV has since kept the rate on hold. Moreover, although the central bank has removed the cap on commercial bank lending rates (which were previously capped at 1.5 times the prime rate), the government has recently called for lending rates to be cut in order to spur credit growth, given that the removal 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. Now that the direct link between the prime rate and commercial bank lending rates has been severed, any tightening may come not in the form of increases in policy rates but through other instruments.

Economic forecast

International assumptions

We have made an upward revision to our forecast of Japanese GDP growth in 2010, to 2.8%, from 1.7% previously. This has helped to nudge up our world growth forecast in 2010 to 4.2% at purchasing power parity exchange rates, from 4.1% previously. We have also made a small upgrade to our US growth forecast in 2011, to 2%, from 1.8% previously, to reflect a slightly firmer outlook for the external sector. However, economic prospects remain uncertain, and global growth will slow in 2011, to 3.6%, as the impact of stimulatory measures dissipates. Although Vietnam will benefit from a rise in international demand, an increase in global prices for crude oil and industrial raw materials will contribute to rising inflationary pressures in the country, at a time when domestic price pressures are high following a prolonged period of rapid credit expansion.

Economic growth

Growth in Vietnam's real GDP will accelerate from 5.4% in 2009, but it will not return to the heady annual rates of more than 8% that were recorded in the years preceding the 2008-09 slowdown. In the first half of 2010 year-on-year growth in real GDP was still fairly slow by Vietnamese standards, at 6.2%, and in the year as a whole it is forecast to reach 6.4%. On the positive side, the recovery in the global economy bodes well for the country's export sector, and the recent rise in imports suggests that consumer and investor demand is strengthening. On the negative side, the proactive approach taken by the government in order to keep the economy afloat in 2009, notably through fiscal and monetary loosening, is likely to prove inflationary, limiting policy flexibility in the next two years. The government will hesitate to tighten monetary policy sharply in 2010, as to do so would starve the economy of funds, putting a damper on economic activity. Moreover, rising inflation and relatively high unemployment (owing to slowing rates of job creation) could constrain future consumer spending growth.

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. Foreign investors remain positive about Vietnam's long-term prospects, but growth in manufacturing investment will be relatively slow in the next two years owing to low capacity utilisation rates in 2009. The construction sector has been growing rapidly, having received a boost last year from low interest rates and reduced prices for materials. The construction industry will be supported in 2010-11 by state investment in infrastructure development projects, as well as by an expansion of office space. Growth in the services sector, which functioned as 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 9.2% 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. 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 around 30% a year in 2010-11. The risks to our inflation forecast therefore remain on the upside.

Exchange rates

The dong remains under downward pressure stemming from the wide trade deficit and concerns about inflation. The SBV has devalued the dong twice recently, in November 2009 and February 2010, resulting in a cumulative drop of 6.4% in its value against the US dollar. The SBV's moves have helped to stabilise the currency market, but 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 diminish significantly. During the next two years the SBV may try to engineer a controlled, gradual fall in the value of the dong, but it will probably have to opt for further one-off devaluations, a widening of the currency's trading band or both. The dong is forecast to depreciate to an average of D19,044:US$1 in 2010 and D19,443:US$1 in 2011.

External sector

The current account will remain in the red 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 remains worryingly large in 2010-11. The services and income accounts will also stay in the red. Despite continuing to run a deficit on the current account, 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. Vietnam'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.

Data summary

Global outlook

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
International assumptions (%)										
World GDP growth	3.6	4.0	3.9	1.7	-2.2	3.2	2.5	2.8	3.0	3.1
US GDP growth	3.1	2.7	2.1	0.4	-2.4[a]	3.3	2.0	1.9	2.2	2.4
EU27 GDP growth	2.0	3.2	2.8	0.9	-4.2	0.8	1.0	1.6	1.8	1.9
Asia & Australasia growth	5.1	5.5	6.1	2.8	0.5	5.5	4.2	4.4	4.4	4.3
World trade growth	7.5	9.1	7.6	3.7	-11.2	6.8	5.3	6.3	6.4	6.3
US CPI	3.4	3.2	2.9	3.8	-0.3[a]	1.7	1.3	1.9	2.5	2.8
EU27 CPI	2.0	2.1	2.3	3.4	0.7	1.6	1.8	2.0	2.0	2.1
Manufactures export price	3.6	3.7	8.7	8.5	-3.3	0.4	-1.4	1.6	2.4	2.9
Oil price (Brent; US$/b)	54.4	65.4	72.7	97.7	61.9[a]	80.2	78.5	82.3	78.3	75.5
US$ 3-month commercial paper rate	3.4	5.0	5.1	2.2	0.3[a]	0.2	0.5	1.9	3.9	5.1
¥:US$ (av)	110.1	116.2	117.8	103.4	93.7[a]	93.2	93.0	92.5	92.0	91.5
¥:€ (av)	137.1	145.9	161.2	151.9	130.5[a]	116.3	110.9	109.4	108.8	110.5

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

Gross domestic product, at current market prices

	2005[a]	2006[a]	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]	2012[b]	2013[b]	2014[b]
Expenditure on GDP (D trn at current market prices)										
GDP	839.2	974.3	1,143.7	1,485.0	1,658.4	1,938.6	2,229.8	2,566.1	2,898.9	3,302.8
Private consumption	533.1	617.2	740.6	1,001.0	1,102.3	1,275.3	1,487.0	1,719.0	1,976.9	2,273.4
Government consumption	51.7	58.7	69.2	90.9	104.5	123.4	145.1	169.2	196.4	225.2
Gross fixed investment	275.8	324.9	437.7	514.0	572.5	691.5	778.4	882.7	1,002.8	1,148.8
Exports of goods & services	582.1	717.1	879.5	1,157.2	1,132.7	1,466.8	1,672.0	1,928.6	2,233.3	2,639.4
Imports of goods & services	617.2	761.5	1,060.8	1,383.0	1,304.4	1,676.4	1,912.7	2,195.4	2,572.4	3,044.0
Stockbuilding	22.7	33.7	55.6	75.8	59.8	38.0	40.0	42.0	42.0	40.0
Domestic demand	883.3	1,034.5	1,303.2	1,681.6	1,839.1	2,128.2	2,450.5	2,812.9	3,218.0	3,687.4
Expenditure on GDP (US$ bn at current market prices)										
GDP	52.9	61.0	71.1	90.3	93.2	101.8	114.7	129.2	143.2	160.0
Private consumption	33.6	38.6	46.1	60.9	61.9	67.0	76.5	86.6	97.7	110.1
Government consumption	3.3	3.7	4.3	5.5	5.9	6.5	7.5	8.5	9.7	10.9
Gross fixed investment	17.4	20.3	27.2	31.3	32.2	36.3	40.0	44.5	49.5	55.7
Exports of goods & services	36.7	44.9	54.7	70.4	63.6	77.0	86.0	97.1	110.3	127.9
Imports of goods & services	38.9	47.7	66.0	84.1	73.3	88.0	98.4	110.6	127.1	147.5
Stockbuilding	1.4	2.1	3.5	4.6	3.4	2.0	2.1	2.1	2.1	1.9
Domestic demand	55.7	64.7	81.1	102.3	103.3	111.8	126.0	141.7	159.0	178.6
Economic structure (% of GDP at current market prices)										
Private consumption	63.5	63.3	64.8	67.4	66.5	65.8	66.7	67.0	68.2	68.8
Government consumption	6.2	6.0	6.1	6.1	6.3	6.4	6.5	6.6	6.8	6.8
Gross fixed investment	32.9	33.4	38.3	34.6	34.5	35.7	34.9	34.4	34.6	34.8
Exports of goods & services	69.4	73.6	76.9	77.9	68.3	75.7	75.0	75.2	77.0	79.9
Imports of goods & services	73.5	78.2	92.7	93.1	78.7	86.5	85.8	85.6	88.7	92.2
Memorandum items										
Oil production ('000 b/d)	398.0	367.0	340.0[c]	400.0[c]	415.0[c]	435.0	440.0	445.0	450.0	450.0
National savings ratio (%)	34.5	36.5	33.4	27.9	29.9[c]	29.9	30.1	30.0	30.4	31.3

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

Gross domestic product, at constant prices

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Real expenditure on GDP (D trn at constant 1994 market prices)										
GDP[d]	393.0	425.4	461.3	489.8	516.3[a]	549.4	587.3	629.9	674.9	725.0
Private consumption	254.5	275.7	305.5	333.5	346.7	372.3	399.4	429.6	463.1	502.5
Government consumption	25.6	27.8	30.3	32.5	35.2	38.0	41.0	44.2	47.6	50.9
Gross fixed investment	133.1	146.3	181.7	188.6	192.4	204.3	219.1	236.6	256.0	279.3
Exports of goods & services	333.2	391.5[b]	452.6[b]	519.4[b]	488.8	560.5	622.9	693.9	776.6	871.2
Imports of goods & services	355.5	422.1[b]	539.3[b]	620.8[b]	586.1	668.8	736.5	806.4	898.5	1,008.9
Domestic demand	423.3	463.8	539.0	582.0	606.3	645.7	688.9	730.4	786.7	852.7
Real expenditure on GDP (% change)										
GDP	8.4	8.2	8.5	6.2	5.4[a]	6.4	6.9	7.3	7.1	7.4
Private consumption	7.3	8.3	10.8	9.2	4.0	7.4	7.3	7.6	7.8	8.5
Government consumption	7.9	8.8	8.9	7.5	8.2	8.0	7.8	7.8	7.7	7.0
Gross fixed investment	9.8	9.9	24.2	3.8	2.0	6.2	7.2	8.0	8.2	9.1
Exports of goods & services	20.5	17.5[b]	15.6[b]	14.8[b]	-5.9	14.7	11.1	11.4	11.9	12.2
Imports of goods & services	15.9	18.7[b]	27.8[b]	15.1[b]	-5.6	14.1	10.1	9.5	11.4	12.3
Domestic demand	8.6	9.6	16.2	8.0	4.2	6.5	6.7	6.0	7.7	8.4
Real contribution to GDP growth (%)										
Private consumption	4.8	5.4	7.0	6.1	2.7	5.0	4.9	5.2	5.3	5.8
Government consumption	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Gross fixed investment	3.3	3.4	8.3	1.5	0.8	2.3	2.7	3.0	3.1	3.5
External balance	2.2	-2.1[b]	-13.2[b]	-3.2[b]	0.8	-2.1	-1.0	0.2	-1.5	-2.4

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts. [d] Components of GDP may not sum to total because of statistical discrepancy.

Gross domestic product by sector of origin

	2005[a]	2006[a]	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]	2012[b]	2013[b]	2014[b]
Origin of GDP (D trn at constant prices)										
GDP at factor cost	393.0	425.1	461.4	489.8	515.9	549.0	586.9	629.4	674.3	724.4
Agriculture	76.9	79.5	82.4	86.1	87.7	89.4	92.1	94.8	97.5	99.8
Industry	157.8	174.2	192.7	203.8	215.0	230.1	245.7	265.4	291.9	322.6
Services	158.3	171.4	186.3	200.0	213.2	229.5	249.0	269.3	284.9	301.9
Origin of GDP (real % change)										
Agriculture	4.0	3.4	3.7	4.4	1.8	2.0	3.0	2.9	2.9	2.4
Industry	10.7	10.4	10.6	5.7	5.5	7.0	6.8	8.0	10.0	10.5
Services	8.5	8.3	8.7	7.3	6.6	7.6	8.5	8.1	5.8	6.0
Origin of GDP (% of factor cost GDP)										
Agriculture	21.0	20.4	20.3	22.0	21.2	20.4	19.6	18.8	18.1	17.2
Industry	41.0	41.5	41.6	39.9	39.9	40.2	40.1	40.4	41.5	42.7
Services	38.0	38.1	38.1	38.1	38.8	39.5	40.2	40.8	40.4	40.1
Memorandum item										
Industrial production (% change)	12.1	17.7	17.0	14.6	7.6	10.0	10.8	11.0	12.0	14.0

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

Growth and productivity

	2005[a]	2006[a]	2007[a]	2008[a]	2009[a]	2010[b]	2011[b]	2012[b]	2013[b]	2014[b]
Growth and productivity (%)										
Labour productivity growth	5.6	6.7	6.2	4.5	5.4	4.1	4.2	5.0	5.0	5.3
Total factor productivity growth	2.9	3.6	2.6	2.7	3.5	3.8	3.1	3.8	2.8	3.1
Growth of capital stock	10.9	10.7	12.9	11.3	9.8	9.2	8.9	8.8	8.7	8.8
Growth of potential GDP	8.1	8.9	8.5	8.2	8.3	8.4	7.7	8.1	7.1	7.6
Growth of real GDP	8.4[c]	8.2[c]	8.5[c]	6.2[c]	5.4[c]	6.4	6.9	7.3	7.1	7.4
Growth of real GDP per head	7.3[c]	7.1	7.4	5.0	4.5	5.4	5.9	6.2	6.1	6.4

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

Economic structure, income and market size

	2005[a]	2006[b]	2007[b]	2008[b]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Population, income and market size										
Population (m)	83.5	84.4	85.3	86.2	87.0	87.8	88.7	89.5	90.4	91.3
GDP (US$ bn at market exchange rates)	52.9	61.0[a]	71.1[a]	90.3[a]	93.2[a]	101.8	114.7	129.2	143.2	160.0
GDP per head (US$ at market exchange rates)	630	720	830	1,050	1,070	1,160	1,290	1,440	1,580	1,750
Private consumption (US$ bn)	33.6	38.6[a]	46.1[a]	60.9[a]	61.9[a]	67.0	76.5	86.6	97.7	110.1
Private consumption per head (US$)	400	460	540	710	710	760	860	970	1,080	1,210
GDP (US$ bn at purchasing power parity)	178.1[b]	199.0	222.0	240.8	256.8	276.2	299.1	326.2	358.0	394.7
GDP per head (US$ at purchasing power parity)	2,130[b]	2,360	2,600	2,790	2,950	3,150	3,370	3,640	3,960	4,330
Personal disposable income (D trn)	421.1	459.5	534.1	714.1	745.5	843.9	983.3	1,123.5	1,270.4	1,433.1
Personal disposable income (US$ bn)	26.6	28.8	33.2	43.4	41.9	44.3	50.6	56.6	62.8	69.4
Growth of real disposable income (%)	-1.1	2.1	7.3	8.0	-1.5	5.1	7.2	6.3	6.0	6.4
Memorandum items										
Share of world population (%)	1.30	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.28	1.28
Share of world GDP (% at market exchange rates)	0.12	0.13[a]	0.13[a]	0.15[a]	0.17[a]	0.17	0.18	0.19	0.20	0.21
Share of world GDP (% at purchasing power parity)	0.31[b]	0.32	0.33	0.35	0.37	0.38	0.39	0.40	0.41	0.43
Share of world exports of goods (%)	0.30	0.32[a]	0.34[a]	0.39[a]	0.45	0.48	0.50	0.53	0.56	0.60

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

Fiscal indicators

	2005[a]	2006[a]	2007[a]	2008[b]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Fiscal indicators (% of GDP)										
Government expenditure	31.3	31.6	34.9	32.3	32.6	31.9	30.9	30.1	30.0	29.9
Government revenue	27.2	28.7	27.6	26.9	23.7	24.2	24.2	24.1	24.5	25.0
Budget balance	-4.1	-2.9	-7.3	-5.4	-8.9	-7.7	-6.7	-5.9	-5.5	-4.9
Government debt	44.0	45.9[b]	49.9[b]	48.6	51.8	52.0	51.0	49.5	48.6	47.0

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

Monetary indicators

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Monetary indicators										
Exchange rate D:US$ (av)	15,859	15,981	16,078	16,440	17,800[a]	19,044	19,443	19,857	20,239	20,642
Exchange rate D:US$ (year-end)	15,916	16,055	16,010	17,433	18,472[a]	19,293	19,650	20,044	20,441	20,843
Exchange rate D:¥100 (av)	14,407	13,750	13,651	15,905	18,995	20,433	20,906	21,467	21,999	22,559
Exchange rate D:¥100 (year-end)	13,495	13,489	14,332	19,201	19,845	20,635	21,129	21,787	22,218	22,903
Real effective exchange rate (av), CPI-based	90.5	93.3	93.9	104.3	105.3[a]	105.7	111.2	114.8	117.6	118.8
Real effective exchange rate (av), PPI-based	88.8[b]	89.9[b]	89.9[b]	97.1[b]	103.7	103.2	108.7	112.0	115.0	116.2
Purchasing power parity D:US$ (av)	4,713	4,895	5,151	6,168	6,458[a]	7,019	7,455	7,867	8,097	8,367
Money supply (M2) growth (%)	30.9	29.7	49.1	20.7	33.4	30.5	25.0	28.1	23.4	20.9
Domestic credit growth (%)	34.9	22.9	49.8	27.6	49.7	32.0	28.7	28.7	24.5	22.7
Commercial banks' prime rate (av; %)	11.0	11.2	11.2	15.8	10.4	13.8	13.5	13.5	11.1	10.5
Deposit rate (av; %)	7.1	7.6	7.5	12.7	8.2	10.5	10.5	10.5	9.4	8.0
Money market rate (av; %)	5.0	6.5	6.5	10.3	7.5	9.3	9.0	9.0	7.6	7.3

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

Employment, wages and prices

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
The labour market										
Labour force (m)	42.5	43.6	44.5[b]	45.6[b]	46.6	47.6	48.6	49.5	50.5	51.6
Labour force (% change)	2.2	2.4	2.2[b]	2.4[b]	2.1	2.1	2.2	1.8	2.0	2.2
Price inflation (%)										
Consumer prices (av)	8.3	7.4	8.3	23.1	7.0[a]	9.3	9.1	8.2	7.8	7.2
Consumer prices (year-end)	8.7	6.6	12.6	21.6	6.5[a]	11.3	6.6	8.2	7.8	7.2
GDP deflator (av)	8.2	7.3	8.2	22.3	5.9	9.9	7.6	7.3	5.4	6.1
Private consumption deflator (av)	6.8	6.8	8.3	23.8	5.9	7.7	8.7	7.5	6.7	6.0
Government consumption deflator (av)	4.7	4.5	8.3	22.1	6.3	9.3	9.1	8.2	7.8	7.2
Fixed investment deflator (av)	5.7	7.2	8.5	13.1	9.2	13.7	5.0	5.0	5.0	5.0

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

Current account and terms of trade

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Current account (US$ bn)										
Current-account balance	-0.6	-0.2	-7.0	-10.7	-7.7	-7.9	-7.6	-7.8	-8.1	-7.6
Current-account balance (% of GDP)	-1.1	-0.3	-9.8	-11.9	-8.3	-7.7	-6.6	-6.0	-5.7	-4.7
Goods: exports fob	32.4	39.8	48.6	62.7	57.1	69.7	77.8	88.3	101.6	119.5
Goods: imports fob	-34.9	-42.6	-59.0	-75.5	-66.9	-79.4	-87.1	-97.4	-110.0	-126.7
Trade balance	-2.4	-2.8	-10.4	-12.8	-9.9	-9.7	-9.3	-9.1	-8.4	-7.2
Services: credit	4.2	5.1	6.0	7.1	5.6	6.8	7.7	8.7	9.7	10.9
Services: debit	-4.5	-5.1	-6.8	-7.9	-6.4	-7.7	-8.8	-10.0	-11.6	-12.9
Services balance	-0.3	0.0	-0.8	-0.8	-0.8	-0.9	-1.1	-1.3	-1.9	-2.1
Income: credit	0.4	0.7	1.2	1.4	0.9	1.5	1.8	2.0	2.4	2.9
Income: debit	-1.6	-2.1	-3.4	-5.8	-4.2	-5.6	-6.5	-7.2	-8.1	-9.4
Income balance	-1.2	-1.4	-2.2	-4.4	-3.4	-4.2	-4.7	-5.1	-5.7	-6.6
Current transfers balance	3.4	4.0	6.4	7.3	6.3	6.9	7.4	7.7	7.9	8.3
Terms of trade										
Export price index (US$-based; 2005=100)	100.0	106.5	113.5	138.5	118.2	125.5	124.4	124.9	125.7	129.4
Export prices (% change)	13.0	6.5	6.6	22.0	-14.6	6.2	-0.9	0.4	0.6	2.9
Import price index (US$-based; 2005=100)	100.0	103.0	107.6	124.4	119.3	126.1	126.9	129.6	133.2	137.2
Import prices (% change)	7.0	3.0	4.5	15.6	-4.1	5.7	0.6	2.1	2.8	3.0
Terms of trade (2005=100)	100.0	103.4	105.4	111.3	99.1	99.6	98.0	96.4	94.4	94.3
Memorandum item										
Export market growth (%)	10.5[b]	9.1[b]	6.0[b]	4.4[b]	-12.0	10.7	5.6	6.1	6.4	6.4

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

Foreign direct investment

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
Foreign direct investment (US$ bn)										
Inward direct investment	1.95	2.40	6.70	9.58	8.70	9.60	11.20	11.80	12.90	14.00
Inward direct investment (% of GDP)	3.7	3.9	9.4	10.6	9.3	9.4	9.8	9.1	9.0	8.7
Inward direct investment (% of gross fixed investment)	11.2	11.8	24.6	30.6	27.0	26.4	28.0	26.5	26.0	25.2
Net foreign direct investment	1.89	2.32	6.52	9.28	8.63	9.52	11.11	11.69	12.76	13.86
Stock of inward direct investment	23.6	26.0	32.7	42.3	51.0	60.6	71.8	83.6	96.5	110.5
Stock of inward direct investment per head (US$)	283.0	308.5	384.0	490.9	586.6	690.3	810.0	934.1	1067.8	1211.1
Stock of inward direct investment (% of GDP)	44.7	42.7	46.0	46.8	54.8	59.5	62.6	64.7	67.4	69.1
Memorandum items										
Share of world inward direct investment flows (%)	0.21	0.19	0.35	0.64	0.97	0.89	0.92	0.87	0.85	0.91
Share of world inward direct investment stock (%)	0.25	0.22	0.22	0.29	0.33	0.37	0.41	0.44	0.47	0.50

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

External debt

	2005[a]	2006[a]	2007[a]	2008[a]	2009[b]	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]
External debt										
Total external debt (US$ bn)	19.1	20.1	23.9	26.2	27.8	32.7	36.0	39.4	41.7	44.4
Total external debt (% of GDP)	36.1	33.0	33.5	29.0	29.9	32.1	31.4	30.5	29.1	27.8
Debt/exports ratio (%)	46.6	39.9	39.0	33.4	39.9	38.6	38.0	37.0	34.4	31.4
Debt-service ratio, paid (%)	2.3	1.9	2.0	1.7	1.6	1.4	1.5	1.5	1.5	1.3

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

Data sources and definitions

The sources for global and domestic date refer to historical data. The source for all forecast data, unless otherwise stated, is the Economist Intelligence Unit

Global data

US & OECD GDP growth: OECD
World trade growth: Economist Intelligence Unit aggregate
US and OECD inflation: OECD
Oil prices: dated Brent Blend

Domestic data

GDP data: GSO, *Statistical Yearbook*
GDP by expenditure: Economist Intelligence Unit estimates, based on current-price data from the GSO. Components do not sum, owing to statistical discrepancy
Data for the expenditure components of GDP are available in current prices only. We have deflated these data to derive estimates for changes in the components of GDP in real terms, consistent with the published data for the overall rate of GDP growth. These estimates are therefore subject to a wide margin of error
US$ GDP: GSO, converted from current prices at annual average exchange rates
Foreign direct investment: IMF, *IFS*; UNCTAD, *World Investment Report*
Population and growth: GSO
GDP per head: US$ GDP divided by population
Inflation: IMF, *IFS*
Exchange rates: IMF, *IFS*
Money supply: IMF, *IFS*
Balance of payments: IMF, *IFS*
External debt: World Bank, *Global Development Finance*
Debt-service ratio: total debt service as a proportion of earnings from exports of goods and services

Abbreviations

GSO: General Statistics Office
IFS: *International Financial Statistics*
UNCTAD: UN Conference on Trade and Development

