

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.

July 2010

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

July 2010

Vietnam

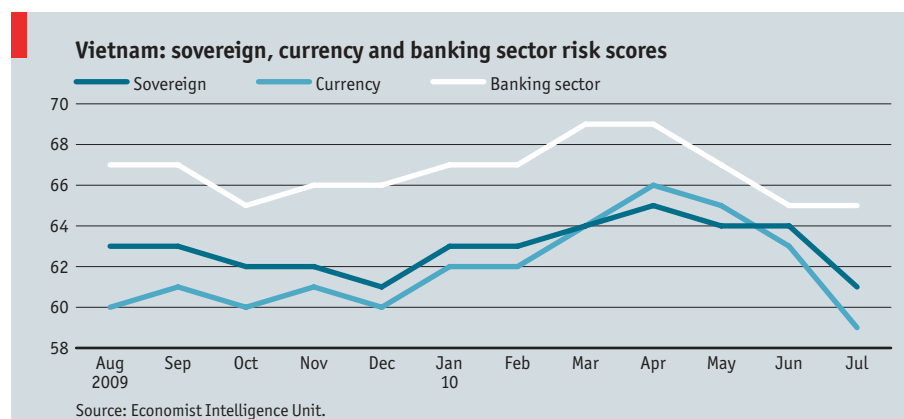
Vietnam: risk assessment

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
July 2010	CCC	CCC	CCC	B	CCC	CCC

Sovereign risk **Stable:** Although the public external debt stock is rising, there is only a small risk that the government will struggle to meet its repayment obligations. Should it encounter problems, international financial support would be forthcoming.

Currency risk **Positive:** The dong has stabilised to an extent following recent devaluations, but it could come under further downward pressure as a result of the substantial trade deficit and high inflation.

Banking sector risk **Stable:** Caps on lending interest rates have been removed, but the government, which is keen to promote domestic credit growth, has put pressure on banks to lower their lending rates. Rapid growth in credit in 2009 has given rise to concerns about the potential for a sharp rise in non-performing loans.



Political risk The Communist Party of Vietnam exerts a tight grip on power, ensuring a high degree of political stability. The leadership has embraced market-oriented reforms, but there is a risk that the pace of reform could slow, particularly if a highly conservative leadership emerges after the 2011 party congress.

Economic structure risk Although Vietnam's economy has appeared resilient amid the global downturn, there is a risk that market-oriented reforms will give way to more protectionist policies aimed at safeguarding the domestic economy.

Danny Richards (editor); Gerard Walsh (consulting editor)

July 8th 2010

Rating definitions

Sovereign risk

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

Currency risk

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

Banking sector risk

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

Political risk

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

Economic structure risk

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

Overall country risk

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

Central scenario for 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.

Key risk indicators

(% unless otherwise indicated)	Vietnam	Median of CCC-rated	Median of ASEAN	Median of emerging markets
Largest single goods export (2-digit SITC code)/total goods exports	19.7	37.6	29.8	33.9
Gross public debt/GDP	51.9	36.8	52.0	36.0
Gross external debt/GDP	31.6	35.3	25.5	27.7
Interest & principal arrears (if any)/gross external debt	4.2	4.1	0.0	0.0
Net external debt/exports	13.8	71.9	14.2	31.0
Primary fiscal balance/GDP required to stabilise public debt/GDP ratio	-3.4	-1.4	-2.9	-1.2
Foreign-exchange reserves/gross external financing requirement	159.5	146.7	231.2	108.7
Foreign-exchange reserves/external short-term debt	443.4	371.7	506.6	465.0
Foreign-exchange reserves (change over last 6 months)	-18.8	4.7	8.4	7.1
Banks' net foreign asset position/total foreign assets	5.6	17.9	8.4	22.7
Bank credit to private sector/GDP (change over last 36 months; percentage points)	41.5	4.7	4.2	6.7
Over last 12 months				
Average real money-market interest rates	0.1	1.4	0.0	0.3
Fiscal balance/GDP	-8.0	-5.0	-4.7	-3.6
US\$ export receipt growth	12.6	2.4	5.8	2.7
Current-account balance/GDP	-7.9	-5.6	2.5	-1.5
Debt-service due/exports	1.5	12.0	4.6	8.0
Interest due/exports	0.6	2.9	0.9	1.9
Average import cover (months)	2.9	4.7	6.9	6.2
Banks' loan-deposit spread (percentage points)	3.0	5.5	5.4	5.4
Change in bank credit to private sector	39.6	10.6	13.9	9.0
Over last 48 months				
Average current-account balance/GDP	-8.9	-6.7	4.1	-1.8
Average GDP growth	6.7	3.7	4.5	4.0
Average inflation rate	11.7	9.4	7.5	6.7
Change in real trade-weighted exchange rate	12.6	6.1	13.4	11.4

Ratings summary

	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010
Sovereign risk score ^a	63	63	64	65	64	64	61
Sovereign risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Currency risk score	62	62	64	66	65	63	59
Currency risk rating	B	B	CCC	CCC	CCC	CCC	CCC
Banking sector risk score	67	67	69	69	67	65	65
Banking sector risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Political risk score	62	62	62	62	62	62	62
Political risk rating	B	B	B	B	B	B	B
Economic structure risk score	63	63	63	63	63	63	63
Economic structure risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Country risk score	64	64	66	67	65	64	62
Country risk rating	CCC	CCC	CCC	CCC	CCC	CCC	CCC

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

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

Quarterly indicators

	2008	2009				2010	
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Exchange rate (D:US\$)							
Average	16,898	17,499	17,785	17,820	18,094	18,742	18,993
End-period	17,433	17,756	17,801	17,841	18,472	19,080	19,065
Domestic indicators (% change)							
Consumer prices (av)	23.6	15.5	6.2	2.6	4.6	7.5	-
Money supply M1	-0.4	16.7	48.5	60.2	-	-	-
External sector (US\$ m)							
Total exports fob	14,163	14,059	13,431	13,873	15,179	14,456	17,644
Total imports cif	15,757	12,560	17,027	18,547	20,787	17,772	20,877
Trade balance	-1,594	1,499	-3,596	-4,674	-5,608	-3,316	-3,233
Foreign direct investment inflows	2,856	1,152	2,148	3,300	-	-	-
International liquidity (US\$ m)							
Total reserves	24,176	23,308	20,566	19,091	16,803	-	-
Foreign-exchange reserves	23,890	23,008	20,260	18,769	16,447	-	-
Gold, national valuation	286	300	306	323	356	-	-
Assets with BIS-reporting banks	16,081	10,929	10,751	11,949	12,380	-	-
Liabilities to BIS-reporting banks	3,438	4,264	3,447	2,897	4,086	-	-
Liabilities due within 1 year to BIS-reporting banks	4,785	5,407	4,979	4,331	5,766	-	-
Commercial banks' foreign assets	5,234	5,988	6,229	4,940	7,280	-	-
Commercial banks' foreign liabilities	5,132	4,531	4,554	5,033	6,873	-	-
Commercial banks' net foreign assets	102	1,457	1,675	-92	406	-	-
IMF credits & loans outstanding	121	111	103	98	84	-	-
Net flow of IMF credits & loans	-13	-6	-13	-7	-13	-	-
Banking indicators (D bn)							
Commercial banks' claims on:							
Public sector	152,519	159,656	162,568	170,653	-	-	-
Central government	152,519	159,656	162,568	170,653	-	-	-
Private sector	1,339,260	1,419,800	1,619,230	1,769,474	-	-	-
Non-financial private sector	1,339,260	1,419,800	1,619,230	1,769,474	-	-	-
Lending interest rate (%; av)	14.1	9.5	-	-	-	-	-
Deposit interest rate (%; av)	11.0	6.9	-	-	-	-	-
Money market interest rate (%; av)	10.3	8.0	-	-	-	-	-

Symbols0, 0.0 *nil or negligible*- *not applicable or not available*

International assumptions summary

(% unless otherwise indicated)

	2005	2006	2007	2008	2009	2010	2011
Real GDP growth							
World	4.4	5.0	5.1	2.8	-0.8	4.2	3.6
China	10.4	11.7	13.0	9.6	8.7	9.9	8.2
EU27	2.0	3.2	2.8	0.9	-4.2	0.8	1.0
Exchange rates							
¥:US\$	110.08	116.22	117.78	103.36	93.70	93.20	93.00
US\$:€	1.25	1.26	1.37	1.47	1.39	1.25	1.19
Financial indicators							
¥ 3-month money market rate	0.0	0.3	0.7	0.9	0.4	0.2	0.3
US\$ 3-month commercial paper rate	3.4	5.0	5.1	2.2	0.3	0.2	0.5
Commodity prices							
Oil (Brent; US\$/b)	54.4	65.4	72.7	97.7	61.9	80.2	78.5
Food, feedstuffs & beverages (% change in US\$ terms)	-0.5	16.1	30.9	28.3	-20.4	-3.7	-1.6
Industrial raw materials (% change in US\$ terms)	10.2	49.6	11.2	-5.1	-25.6	35.6	3.5

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

Economic structure

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^a	2010 ^b	2011 ^b
GDP at market prices							
Nominal GDP (US\$ bn)	52.9	61.0	71.1	90.3	93.2	101.8	114.7
Nominal GDP (D bn)	839,211	974,266	1,143,720	1,485,040	1,658,390	1,938,552	2,229,835
Real GDP (D bn at 1994 prices)	392,989	425,373	461,344	489,833	516,320	549,426	587,336
Expenditure on GDP (% real change)							
GDP	8.4	8.2	8.5	6.2	5.4	6.4	6.9
Private consumption	7.3	8.3	10.8	9.2	4.0 ^c	7.4	7.3
Government consumption	7.9	8.8	8.9	7.5	8.2 ^c	8.0	7.8
Gross fixed investment	9.8	9.9	24.2	3.8	2.0 ^c	6.2	7.2
Exports of goods & services	20.5	17.5 ^c	15.6 ^c	14.8 ^c	-5.9 ^c	14.7	11.1
Imports of goods & services	15.9	18.7 ^c	27.8 ^c	15.1 ^c	-5.6 ^c	14.1	10.1
Origin of GDP (% real change)							
Agriculture	4.0	3.4	3.7	4.4	1.8	2.0	3.0
Industry	10.7	10.4	10.6	5.7	5.5	7.0	6.8
Services	8.5	8.3	8.7	7.3	6.6	7.6	8.5
Ratios, GDP at market prices (%)							
Gross fixed investment/GDP	32.9	33.4	38.3	34.6	34.5	35.7	34.9
Exports of goods & services/GDP	69.4	73.6	76.9	77.9	68.3	75.7	75.0
Imports of goods & services/GDP	73.5	78.2	92.7	93.1	78.7	86.5	85.8
Gross national savings/investment	97.0	99.3	77.3	70.2	78.3 ^c	79.5	81.9
Ratios, GDP at factor cost (%)							
Agriculture/GDP	21.0	20.4	20.3	22.0	21.2	20.4	19.6
Industry/GDP	41.0	41.5	41.6	39.9	39.9	40.2	40.1
Services/GDP	38.0	38.1	38.1	38.1	38.8	39.5	40.2
Population and income							
Population (m)	83.5	84.4 ^c	85.3 ^c	86.2 ^c	87.0 ^c	87.8	88.7
Labour force (m)	42.5	43.6	44.5 ^c	45.6 ^c	46.6 ^c	47.6	48.6
GDP per head (US\$ at PPP)	2,132 ^c	2,358 ^c	2,604 ^c	2,793 ^c	2,953 ^c	3,145	3,374

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

Public finances

	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b	2010 ^c	2011 ^c
Fiscal indicators (D bn)							
Budget revenue	228,287	279,472	315,915	398,852	392,605	469,330	539,431
Budget expenditure	262,697	308,058	399,402	479,326	540,041	618,052	689,455
Budget balance	-34,410	-28,586	-83,487	-80,474	-147,436	-148,722	-150,024
Public debt	368,992	447,578 ^b	571,065 ^b	721,539	858,975	1,007,697	1,137,722
Fiscal indicators (% of GDP)							
Budget revenue	27.2	28.7	27.6	26.9	23.7	24.2	24.2
Budget expenditure	31.3	31.6	34.9	32.3	32.6	31.9	30.9
Budget balance	-4.1	-2.9	-7.3	-5.4	-8.9	-7.7	-6.7
Public debt	44.0	45.9 ^b	49.9 ^b	48.6	51.8	52.0	51.0

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Exchange rates, interest rates and prices

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^a	2010 ^b	2011 ^b
Exchange rates							
Exchange rate D:US\$ (av)	15,859	15,981	16,078	16,440	17,800	19,044	19,443
Exchange rate D:US\$ (end-period)	15,916	16,055	16,010	17,433	18,472	19,293	19,650
Exchange rate D:¥100 (av)	14,407	13,750	13,651	15,905	18,995	20,433	20,906
Exchange rate D:¥100 (end period)	13,495	13,489	14,332	19,201	19,845	20,635	21,129
Exchange rate D:€ (av)	19,756	20,066	22,005	24,167	24,795	23,772	23,186
Exchange rate D:€ (end-period)	18,775	21,188	23,379	24,234	26,474	22,959	23,383
Black market exchange rate D:US\$ (av)	16,652 ^c	16,780 ^c	16,882 ^c	17,591 ^c	19,224 ^c	19,996	20,415
Real effective exchange rate (consumer prices)	90.5	93.3	93.9	104.3	105.3	105.7	111.2
Real effective exchange rate (producer prices)	88.8 ^c	89.9 ^c	89.9 ^c	97.1 ^c	103.7 ^c	103.2	108.7
Real effective exchange rate (unit labour costs)	75.7 ^c	75.5 ^c	73.5 ^c	80.8 ^c	74.4 ^c	73.8	77.0
Interest rates							
Lending interest rate (%; av)	11.0	11.2	11.2	15.8	10.4 ^c	13.8	13.5
Deposit interest rate (%; av)	7.1	7.6	7.5	12.7	8.2 ^c	10.5	10.5
Money market interest rate (%; av)	5.0	6.5	6.5	10.3	7.5 ^c	9.3	9.0
Money market spread over US T-bills (basis points)	179	165	203	891	735 ^c	915	861
Real money market rate (%; av)	-3.1	-0.8	-1.7	-11.6	0.5	0.0	-0.1
Prices							
Consumer prices (% change; av)	8.3	7.4	8.3	23.1	7.0	9.3	9.1
Consumer prices (% change; end-period)	8.7	6.6	12.6	21.6	6.5	11.3	6.6

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

Financial sector

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c
Banking sector (US\$ bn)							
Bank loans	22.2	32.8	50.8	48.0	67.6	82.7	103.8
Bank deposits	22.6	37.4	57.4	54.2	68.1	88.0	115.5
Banking assets	32.3	56.8	87.2	81.4	100.0	124.8	161.1
Loans/assets (%)	68.6 ^b	57.6 ^b	58.3 ^b	59.0 ^b	67.6	66.3	64.4
Financial sector (US\$ bn)							
Total lending by banking & non-banking financial sector	40.2	49.8	74.3	86.3	123.0	151.2	187.8
Total lending to the private sector	34.7	43.2	66.7	76.8	100.8	127.4	162.6
Total lending per head (US\$)	482	590 ^b	872 ^b	1,001 ^b	1,415	1,722	2,118
Total lending/GDP (%)	76.3	82.0 ^b	104.0 ^b	101.3 ^b	137.0	150.5	165.5
Money and credit (D bn)							
Stock of domestic credit	597,715	734,391	1,100,080	1,403,750	2,101,941	2,774,937	3,569,964
Domestic credit growth (%)	34.9	22.9	49.8	27.6	49.7	32.0	28.7
Stock of money M1	242,002	292,215	435,168	433,318	673,900	852,746	1,100,877
Stock of quasi-money	406,572	548,796	818,830	1,080,230	1,345,370 ^a	1,782,487	2,194,391
Stock of money M2	648,574	841,011	1,253,998	1,513,548	2,019,270	2,635,233	3,295,269
M1 (% change)	22.2	20.7	48.9	-0.4	55.5	26.5	29.1
M2 (% change)	30.9	29.7	49.1	20.7	33.4	30.5	25.0

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Current account

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c
Current-account balance (US\$ m)							
Current-account balance	-560	-164	-6,953	-10,706	-7,697	-7,867	-7,626
Goods: exports fob	32,447	39,826	48,561	62,685	57,061	69,686	77,828
Goods: imports fob	-34,887	-42,602	-58,999	-75,468	-66,920	-79,383	-87,137
Trade balance	-2,439	-2,776	-10,438	-12,782	-9,859	-9,697	-9,309
Services: credit	4,176	5,100	6,030	7,096	5,633	6,752	7,699
Services: debit	-4,472	-5,108	-6,785	-7,931	-6,423	-7,681	-8,777
Services balance	-296	-8	-755	-835	-790	-929	-1,077
Income: credit	364	668	1,166	1,357	851	1,473	1,827
Income: debit	-1,569	-2,097	-3,356	-5,757	-4,230	-5,631	-6,516
Income balance	-1,205	-1,429	-2,190	-4,400	-3,379	-4,158	-4,689
Current transfers balance	3,380	4,049	6,430	7,311	6,331	6,917	7,449

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

International liquidity

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^a	2010 ^b	2011 ^b
Total reserves (US\$ m)	9,217	13,591	23,748	24,176	16,803	21,538	24,502
Foreign-exchange reserves	9,051	13,384	23,479	23,890	16,447	21,258	24,232
Total reserves (net of IMF credits & loans outstanding)	9,013	13,410	23,584	24,055	16,715	21,483	24,476
Months of import cover	2.8	3.4	4.3	3.5	2.7	3.0	3.1
Commercial banks' foreign assets	4,469	6,188	4,981	5,234	7,280	7,176	7,849
Commercial banks' foreign liabilities	1,458	2,045	3,469	5,132	6,873	6,804	7,032
Commercial banks' net foreign assets	3,011	4,143	1,512	102	406	371	817

^a Actual. ^b Economist Intelligence Unit forecasts.

Foreign payment and liquidity indicators

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c
Foreign payment indicators (% of GDP)							
Current-account balance	-1.1	-0.3	-9.8	-11.9	-8.3	-7.7	-6.6
Trade balance	-4.6	-4.6	-14.7	-14.2	-10.6	-9.5	-8.1
Services balance	-0.6	0.0	-1.1	-0.9	-0.8	-0.9	-0.9
Income balance	-2.3	-2.3	-3.1	-4.9	-3.6	-4.1	-4.1
Current transfers balance	6.4	6.6	9.0	8.1	6.8	6.8	6.5
Liquidity indicators (ratios)							
Foreign-exchange reserves/short-term debt	3.5	5.3	5.0	5.4	4.2	4.5	4.5
Foreign-exchange reserves/gross external financing requirement ^d	2.8	4.1	2.3	1.5	1.3	1.7	1.8

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

External trade

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^a	2010 ^b	2011 ^b
Main destinations of exports (% share)							
US	18.7	19.8	20.9	19.4	21.0	–	–
Japan	13.7	13.2	12.6	14.0	11.2	–	–
China	10.2	8.2	7.5	7.4	7.1	–	–
Australia	8.6	9.5	7.9	6.9	4.3	–	–
Main origins of imports (% share)							
China	16.2	16.6	20.9	20.2	19.2	–	–
Singapore	12.3	14.1	12.5	12.1	11.2	–	–
Japan	11.2	10.6	10.2	0.0	10.4	–	–
South Korea	9.9	8.8	8.8	9.1	9.1	–	–
Principal exports (% share)							
Textiles & garments	15.3	14.7	16.5	15.2	16.0	15.0	15.0
Crude oil	22.4	20.4	16.8	16.7	10.9	15.2	18.5
Fisheries products	8.6	8.2	7.9	7.4	7.5	7.5	7.5
Footwear	9.5	8.9	8.4	7.7	7.2	7.7	8.0
Principal imports (% share)							
Machinery, equipment & parts	14.4	14.8	15.7	17.5	17.6	17.0	16.3
Refined petroleum	13.6	13.9	11.2	13.0	8.9	12.4	12.0
Steel	8.1	6.8	7.7	8.3	7.7	7.0	8.2
Materials for textile industry	6.2	4.6	3.7	3.0	2.8	3.0	4.2
Volume and prices (% change)							
Export volume of goods	20.5 ^c	19.4 ^c	16.5 ^c	18.6 ^c	-6.2 ^c	15.9	11.7
Import volume of goods	15.9	20.6 ^c	30.9 ^c	15.9 ^c	-6.5 ^c	15.0	10.6
Export prices	13.0	6.5	6.6	22.0	-14.6 ^c	6.2	-0.9
Import prices	7.0	3.0	4.5	15.6	-4.1 ^c	5.7	0.6
Terms of trade (1990=100)	115.6	119.5	121.9	128.7	114.5 ^c	115.1	113.3

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

External financing requirement

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c
Gross financing requirement (US\$ m)	-3,220	-3,235	-10,096	-16,161	-12,826	-12,494	-13,174
Current-account balance	-560	-164	-6,953	-10,706	-7,697	-7,867	-7,626
Medium- & long-term repayments due (inc IMF debits)	-519	-496	-640	-776	-710	-732	-815
Short-term debt due	-2,141	-2,575	-2,503	-4,679	-4,419 ^a	-3,894 ^b	-4,733
Financed by:							
Medium- & long-term debt inflows	2,047	1,228	1,805	1,854	2,600	5,345	3,695
Commercial bank loans	0	0	0	0	0	0	0
Officially guaranteed loans	1,297	1,228	1,805	1,854	2,600	4,345	2,945
International bond issues	750	0	0	0	0	1,000	750
IMF credits & loans	0	0	0	0	0 ^a	0	0
Short-term borrowing	2,575	2,503	4,679	4,419	3,894	4,733	5,428
Net portfolio investment (net of external bonds)	-609	1,339	6,269	-552	-1,548	425	1,494
Inward portfolio investment (net of external bonds)	-609	1,339	6,269	-552	-1,548	425	1,494
Outward portfolio investment	0	0	0	0	0	0	0
Net direct investment flows	1,889	2,315	6,516	9,279	8,625	9,520	11,105
Inward direct investment	1,954	2,400	6,700	9,579	8,700	9,600	11,200
Outward direct investment	-65	-85	-184	-300	-75	-80	-95
Increase in interest arrears (if any)	21	2	0	0	0	0	0
Increase in principal arrears (if any)	0	1	0	0	0	0	0
Other capital flows (net)	-671	221	983	1,589	-8,117	-2,794	-5,585
Change in international reserves	-2,030	-4,375	-10,157	-428	7,373 ^a	-4,735	-2,964

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

External debt stock

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c
External debt stock (US\$ m)							
Total	19,114	20,126	23,865	26,158	27,836	32,694	35,972
Public medium- & long-term	16,336	17,442	19,022	21,618	23,854	27,906	30,518
Private medium- & long-term	0	0	0	0	0 ^a	0	0
IMF	203	181	164	121	88	55	26
Short-term	2,575	2,503	4,679	4,419	3,894	4,733	5,428
Interest arrears	75	76	49	46	46	46	46
Official creditors	72	74	47	46	46	46	46
Private creditors	3	3	2	0	0	0	0
Ratios (%)							
Total debt/exports of goods & services	46.6	39.9	39.0	33.4	39.9	38.6	38.0
Total debt/GDP	36.1	33.0	33.5	29.0	29.9	32.1	31.4
International reserves/total debt	48.2	67.5	99.5	92.4	60.4	65.9	68.1
Debt per head (US\$)	229	238 ^b	280 ^b	303 ^b	320	372	406
Net debt							
Total (US\$ m)	9,898	6,535	117	1,982	11,033	11,155	11,470
Net debt/exports of goods & services (%)	24.1	13.0	0.2	2.5	15.8	13.2	12.1
Net debt/GDP (%)	18.7	10.7	0.2	2.2	11.8	11.0	10.0
Medium- and long-term debt by lender (US\$ m)							
Total	16,336	17,442	19,022	21,618	23,854	27,906	30,518
Official creditors	14,292	15,456	17,094	19,718	22,015	25,176	27,096
Bilateral	9,148	9,596	9,988	11,741	12,258	12,966	13,909
Multilateral	5,144	5,860	7,106	7,977	9,757	12,210	13,187
Private creditors	2,044	1,986	1,928	1,900	1,839	2,729	3,422
Memorandum items (US\$ m)							
Export credits	56	68	95 ^b	121 ^b	107	127	140
Principal arrears	1,360	1,361	1,142	1,130	1,130	1,110	1,090
Official creditors	1,354	1,355	1,137	1,128	1,128	1,108	1,088
Private creditors	7	7	5	2	2	2	2

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

External debt service

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c
External debt service (US\$ m)							
Total paid	954	949	1,249	1,344	1,114	1,211	1,442
Medium- & long-term debt service	784	792	1,028	1,169	1,000	1,110	1,315
Paid to official creditors	563	553	774	916	850	968	1,136
Paid to private creditors	221	239	254	253	149	143	178
IMF debits & charges	55	34	26	40	40 ^a	28	30
Short-term debt (interest only)	115	123	194	135	74	72	98
Total due	974	952	1,249	1,344	1,114	1,211	1,442
Debt-service ratios (%)							
Debt-service ratio, paid	2.3	1.9	2.0	1.7	1.6	1.4	1.5
Debt-service ratio, due	2.4	1.9	2.0	1.7	1.6	1.4	1.5
Debt service paid/GDP	1.8	1.6	1.8	1.5	1.2	1.2	1.3
Principal repayments (US\$ m)							
Total paid	519	495	640	776	710	732	815
Medium- & long-term debt	466	463	615	736	672	706	786
Paid to official creditors	306	318	474	596	554	596	662
Paid to private creditors	160	145	140	140	118	109	124
IMF debits	54	33	25	39	38 ^a	27	29
Total due	519	496	640	776	710	732	815
Interest payments (US\$ m)							
Total paid	434	454	609	568	404	478	627
Medium- & long-term debt	318	329	414	433	328	404	529
Paid to official creditors	257	235	300	320	297	371	474
Paid to private creditors	61	94	114	113	31	33	54
IMF charges	1	1	1	1	2 ^a	1	1
Short-term debt (interest only)	115	123	194	135	74	72	98
Total due	455	455	609	568	404	478	627
Interest payments ratios (%)							
Interest paid/debt service paid	45.5	47.8	48.8	42.3	36.2	39.5	43.5
Interest paid/exports of goods & services	1.1	0.9	1.0	0.7	0.6	0.6	0.7
Interest due/exports of goods & services	1.1	0.9	1.0	0.7	0.6	0.6	0.7
Interest paid/GDP	0.8	0.7	0.9	0.6	0.4	0.5	0.5
Effective maturity and interest rates							
Effective interest rate (%)	2.0	2.0	2.4	2.3	1.5	1.7	1.9
Effective maturity (years)	33.6	35.3	28.4	25.8	32.2	33.8	35.5

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Data sources

Current account: IMF, *International Financial Statistics*

Economic structure: General Statistics Office, *Statistical Yearbook*; IMF, *International Financial Statistics*

External debt service: World Bank, *Global Development Finance*

External debt stock: World Bank, *Global Development Finance*

External financing requirement: IMF, *International Financial Statistics*; World Bank, *Global Development Finance*

External trade: General Statistics Office, *Statistical Yearbook*; IMF, *International Financial Statistics*

Financial sector: IMF, *International Financial Statistics*

Foreign payment and liquidity indicators: IMF, *International Financial Statistics*; World Bank, *Global Development Finance*

International liquidity: IMF, *International Financial Statistics*

Public finances: IMF, *Statistical Appendix*

Quarterly indicators: IMF, *International Financial Statistics*

Exchange rates, interest rates and prices: IMF, *International Financial Statistics*

ISSN 1354-5655

Managing Editor/Director
John Bowler

© 2010 The Economist Intelligence Unit Limited. All rights reserved. Reproduction or transmission in any form without prior permission prohibited. All information in this report is verified to the best of the author's and the publisher's ability. However, the Economist Intelligence Unit does not accept responsibility for any loss arising from reliance on it.

London

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

New York

Economist Intelligence Unit
The Economist Group
750 Third Avenue, 5th Floor
New York, NY 10017, US
Tel: (1.212) 554 0600
Fax: (1.212) 586 0248
E-mail: newyork@eiu.com

Hong Kong

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

Geneva

Economist Intelligence Unit
Boulevard des Tranchées 16
1206 Geneva
Switzerland
Tel: (41) 22 566 24 70
Fax: (41) 22 346 93 47
E-mail: geneva@eiu.com

This report can be accessed electronically by visiting store.eiu.com or by contacting a local sales representative.

Country risk ratings

The Economist Intelligence Unit's Country Risk Service produces reports on 100 emerging markets and 20 OECD countries. The reports are produced on a monthly basis for emerging markets and twice a year for OECD countries. They are written to a standard format, supplying our clients with internationally comparable risk assessments. The main focus of the ratings is on three risk categories to which clients can have direct exposure: *sovereign risk*, *currency risk* and *banking sector risk*. We also publish ratings for *political risk* and *economic structure risk*, as well as an overall country credit rating. The ratings are measured on a scale of 0-100. Higher scores indicate a higher level of risk. The scale is divided into ten overlapping bands: AAA, AA, A, BBB, BB, B, CCC, CC, C, D. For a more detailed explanation of our ratings system, please go to eiu.com/crs.

All queries: Tel: (44.20) 7576 8000 E-mail: london@eiu.com

Next report: To request the latest schedule, e-mail schedule@eiu.com