

---

## Country Report

# Vietnam

**July 2010**

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

---

## **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**

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**

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 2470  
Fax: (41) 22 346 93 47  
E-mail: geneva@eiu.com

This report can be accessed electronically as soon as it is published by visiting [store.eiu.com](http://store.eiu.com) or by contacting a local sales representative.

The whole report may be viewed in PDF format, or can be navigated section-by-section by using the HTML links. In addition, the full archive of previous reports can be accessed in HTML or PDF format, and our search engine can be used to find content of interest quickly. Our automatic alerting service will send a notification via e-mail when new reports become available.

## **Copyright**

© 2010 The Economist Intelligence Unit Limited. All rights reserved. Neither this publication nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, by photocopy, recording or otherwise, without the prior permission of The Economist Intelligence Unit Limited.

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.

ISSN 1356-403X

## **Symbols for tables**

"0 or 0.0" means nil or negligible; "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

- 3 Highlights

## Outlook for 2010-11

- 4 Political outlook
- 5 Economic policy outlook
- 6 Economic forecast

## Monthly review: July 2010

- 10 The political scene
- 11 Economic policy
- 14 Economic performance

## Data and charts

- 16 Annual data and forecast
- 17 Quarterly data
- 18 Monthly data
- 19 Annual trends charts
- 20 Monthly trends charts
- 21 Comparative economic indicators

## Country snapshot

- 22 Basic data
- 23 Political structure

**Editors:** Danny Richards (editor); Gerard Walsh (consulting editor)  
**Editorial closing date:** July 8th 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



© The Economist Intelligence Unit Limited 2010

# Executive summary

## Highlights

July 2010

- Outlook for 2010-11**
- 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 (SBV, the central bank) is likely to tighten monetary policy further in 2010 as inflationary pressures build, but it will move cautiously to ensure that a lack of available financing does not hit 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, consumer price 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.
- Monthly review**
- Vietnam's leadership suffered a rare setback in June, when the country's normally pliant legislature, the National Assembly, demonstrated its increased assertiveness by opposing a major government spending initiative.
  - The prime minister, Nguyen Tan Dung, recently pledged to continue with Vietnam's *doi moi* (renovation) policies, in effect reaffirming the government's strong bias in favour of a high-growth approach.
  - Financial markets have remained jittery about the soundness of Vietnam's economy, while in June the IMF revealed that the country's international reserves were sufficient to cover just seven weeks of imports.
  - Rising demand, adverse weather and years of underinvestment in the power sector have combined to leave large parts of Vietnam badly short of electricity, as shown by recent rolling power cuts.
  - The economy showed signs of strengthening in the second quarter of 2010, when GDP grew by 6.4% year on year, compared with 5.8% in the first quarter.
  - Year-on-year inflation has continued to edge downwards, with the consumer price index rising by 8.7% in June, compared with 9.1% in May.
  - Raising fears about increasing downward pressure on the dong, the merchandise trade deficit widened to US\$1.2bn in June, from US\$871m in May.

# 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

#### International assumptions summary

(% unless otherwise indicated)

	2008	2009	2010	2011
<b>Real GDP growth</b>				
World	2.8	-0.8	4.2	3.6
US	0.4	-2.4	3.3	2.0
China	9.6	8.7	9.9	8.2
EU27	0.9	-4.2	0.8	1.0
<b>Exchange rates</b>				
¥:US\$	103.4	93.7	93.2	93.0
US\$:€	1.47	1.39	1.25	1.19
SDR:US\$	0.63	0.65	0.68	0.69
<b>Financial indicators</b>				
¥ 3-month money market rate	0.85	0.38	0.20	0.31
US\$ 3-month commercial paper rate	2.18	0.26	0.22	0.50

**International assumptions summary**

(% unless otherwise indicated)

	2008	2009	2010	2011
<b>Commodity prices</b>				
Oil (Brent; US\$/b)	97.7	61.9	80.2	78.5
Gold (US\$/troy oz)	871.8	973.0	1,160.9	1,213.8
Food, feedstuffs & beverages (% change in US\$ terms)	28.3	-20.4	-3.7	-1.6
Industrial raw materials (% change in US\$ terms)	-5.1	-25.6	35.6	3.5

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

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****Gross domestic product by expenditure**

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

	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>c</sup>	2011 <sup>c</sup>
Private consumption	333,496	346,671	372,274	399,367
	9.2	4.0	7.4	7.3
Public consumption	32,549	35,218	38,035	41,002
	7.5	8.2	8.0	7.8
Gross fixed investment	188,647	192,420	204,350	219,063
	3.8	2.0	6.2	7.2
<b>Final domestic demand</b>	<b>554,692</b>	<b>574,309</b>	<b>614,659</b>	<b>659,433</b>
	7.2	3.5	7.0	7.3
Stockbuilding	27,301	32,000	31,000	29,500
	1.3 <sup>d</sup>	1.0 <sup>d</sup>	-0.2 <sup>d</sup>	-0.3 <sup>d</sup>
<b>Total domestic demand</b>	<b>581,993</b>	<b>606,309</b>	<b>645,659</b>	<b>688,933</b>
	8.0	4.2	6.5	6.7
Exports of goods & services	519,439 <sup>b</sup>	488,798	560,534	622,941
	14.8 <sup>b</sup>	-5.9	14.7	11.1
Imports of goods & services	620,835 <sup>b</sup>	586,055	668,768	736,537
	15.1 <sup>b</sup>	-5.6	14.1	10.1
<b>Foreign balance</b>	<b>-101,396<sup>b</sup></b>	<b>-97,257</b>	<b>-108,233</b>	<b>-113,597</b>
	-3.2 <sup>d</sup>	0.8 <sup>d</sup>	-2.1 <sup>d</sup>	-1.0 <sup>d</sup>
<b>GDP</b>	<b>489,833</b>	<b>516,320<sup>a</sup></b>	<b>549,426</b>	<b>587,336</b>
	6.2	5.4 <sup>a</sup>	6.4	6.9

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

<sup>d</sup> Contribution to real GDP growth (as a percentage of real GDP in the previous year).

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.

#### Forecast summary

(% unless otherwise indicated)

	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>b</sup>	2011 <sup>b</sup>
Real GDP growth	6.2	5.4	6.4	6.9
Industrial production growth	14.6	7.6	10.0	10.8
Gross agricultural production growth	4.4	1.8	2.0	3.0
Consumer price inflation (av)	23.1	7.0	9.3	9.1
Consumer price inflation (year-end)	21.6	6.5	11.3	6.6
Lending rate	15.8	10.4 <sup>c</sup>	13.8	13.5
Government balance (% of GDP)	-5.4 <sup>c</sup>	-8.9 <sup>c</sup>	-7.7	-6.7
Exports of goods fob (US\$ bn)	62.7	57.1 <sup>c</sup>	69.7	77.8
Imports of goods fob (US\$ bn)	75.5	66.9 <sup>c</sup>	79.4	87.1
Current-account balance (US\$ bn)	-10.7	-7.7 <sup>c</sup>	-7.9	-7.6
Current-account balance (% of GDP)	-11.9	-8.3 <sup>c</sup>	-7.7	-6.6
External debt (year-end; US\$ bn)	26.2	27.8 <sup>c</sup>	32.7	36.0
Exchange rate D:US\$ (av)	16,440	17,800	19,044	19,443
Exchange rate D:¥100 (av)	15,905	18,995	20,433	20,906
Exchange rate D:€ (year-end)	24,234	26,474	22,959	23,383
Exchange rate D:SDR (year-end)	26,215	29,127	27,980	28,589

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

## Monthly review: July 2010

### The political scene

#### **The National Assembly asserts itself, blocking a large project**

Vietnam's leadership suffered a rare setback in June, when the country's normally pliant legislature, the National Assembly, demonstrated its increased assertiveness by opposing a major government spending initiative. By 178 votes against to 157 in favour, the legislature blocked a proposed US\$56bn bullet-train project that would involve building a 1,570-km line between the capital, Hanoi, and the country's main commercial centre, Ho Chi Minh City, by 2035. The decision is likely to have embarrassed the government and leaders of the ruling Communist Party of Vietnam (CPV). It was the first time that the assembly, in which nearly 91% of seats are occupied by CPV members, has rejected a major government proposal. The legislature usually acts as a rubber stamp, quickly approving government spending plans. This time, however, it appears that the assembly judged the government's plans to be risky and inappropriate for the country's current stage of development.

Some of its more conservative members questioned why the government, led by the prime minister, Nguyen Tan Dung, seemed so willing to stretch the country's finances to promote projects that would bring few benefits to ordinary Vietnamese. The rail project, which would cut the travel time between Hanoi and Ho Chi Minh City to six hours, from more than a day currently, would have cost around one-half of the country's annual GDP. The government backed the project, arguing that private investors, and especially foreigners, would have covered much of the investment. Some officials have also said that, in addition to improving transport links between the country's two main cities, a bullet train would help to support the expansion of the tourism industry. However, many provinces would not have benefited from the project.

The National Assembly's decision to block the rail project appeared to be related mainly to the desire of deputies to restrain government spending at a time when the state's finances are coming under close scrutiny in financial markets. However, the decision may also have been related to the wish of some CPV members to clip the wings of the relatively liberal-minded Mr Dung. Given that the party's next national congress is set to take place in January 2011, the vote against the grandiose bullet-train plan may indicate that a more conservative mindset is permeating Vietnam's economic policymaking organs.

Vietnam has already taken steps in a more conservative direction in the past year, with a markedly reduced tolerance for dissent and fresh efforts to police the Internet. In June a US Internet firm, Google, expressed concern that new regulations in Vietnam require Internet cafes to install software that has the potential to prevent users from gaining access to politically sensitive material. The authorities have also already ordered Internet service providers to place a periodic block on social-networking websites, such as Facebook, as well as an array of less familiar sites that are critical of the government or its policies. Despite such controls, Vietnam has one of the fastest-growing Internet penetration rates in the developing world. According to the General Statistics

Office (GSO), at the end of June the country had 3.4m Internet subscribers, representing a year-on-year increase of 33.5%.

### **Two JetStar executives are allowed to leave the country**

Although Vietnam continues to attract substantial foreign investment, thanks partly to its high degree of political stability, there are some issues relating to the authoritarian nature of the leadership and its involvement in business that have given investors cause for concern. In early July two executives at Australia's largest airline, Qantas, were allowed to leave Vietnam after local authorities had concluded an investigation into fuel-price hedging losses incurred by JetStar Pacific, a joint venture between Qantas and two Vietnamese state-owned firms. JetStar's chief operating officer, Daniela Marsilli, and its chief financial officer, Tristan Freeman, were prevented from leaving Vietnam in December 2009 (despite not having been charged with any offence) after JetStar, like many other airlines around the world, made huge losses on fuel-price hedging contracts in 2008. The recent release of Ms Marsilli and Mr Freeman is not entirely reassuring. In Vietnam, causing the state to lose money can land an individual in jail. JetStar's former chief executive, Luong Noai Nam, who is Vietnamese, is still in custody, having been arrested in January for allegedly failing to supervise adequately the company's hedging practices.

## **Economic policy**

### **Economic policy remains biased towards growth**

When opening the World Economic Forum on Asia in Ho Chi Minh City in early June, Mr Dung pledged to continue Vietnam's *doi moi* (renovation) policies. In so doing, he appears in effect to have been reaffirming the government's strong bias towards high-growth economic policies, which have often been pursued at the cost of high inflation and increased nervousness about the resilience of the dong. This is a useful short-term strategy for Mr Dung, who is not assured of being reappointed as prime minister after the next national CPV congress, which will set the country's economic and political direction for the next five years. Promoting high-growth policies, such as low interest rates and aggressive government spending, may smooth his path to a second term. At the same time, Vietnam's strong emphasis on such policies appears appropriate, given the risks that threaten the current global economic recovery. In addition, domestic inflationary pressures are currently moderating, providing Mr Dung and other policymakers with some leeway to crank up the rate of GDP growth further.

The government has continued with efforts to encourage more, and cheaper, bank lending. Since the government asked the State Bank of Vietnam (SBV, the central bank) in May to encourage commercial lenders to bring down lending rates from around 14%, some banks have reduced their lending rates to the required 12-13% range. On June 14th a deputy governor of the SBV, Nguyen Dong Tien, met local bankers to discuss how to lower rates further. According to the SBV's website, the commercial bankers indicated that they would find the task easier if the central bank freed up more money by reducing government bond yields to make them less attractive. However, the government aims to raise D66trn (US\$3.5bn) from bond sales this year, and a failure to do so as a

result of a decision to keep yields low might damage investor perceptions regarding the state of Vietnam's finances.

### **Concerns persist regarding the low level of foreign reserves**

In June at the informal mid-year Consultative Group meeting between the government and foreign donors, the IMF revealed that Vietnam's foreign-exchange reserves were sufficient to cover just seven weeks of imports, a worryingly low figure for a developing economy that is still largely dependent on imports to drive growth. (Institutions such as the IMF and the World Bank generally regard foreign reserves equivalent to 12 weeks of imports as a minimum safe level of cover for a country's balance of payments.) The IMF also added that the government's primary challenge was to consolidate recent gains in the area of macroeconomic stability. According to the Fund, this will require "clear communication" from the SBV that monetary conditions will not be loosened further until inflation is on a downward trajectory, confidence in the dong has been firmly established and foreign-exchange reserves have been rebuilt to more comfortable levels.

Financial markets remain jittery regarding the soundness of Vietnam's economy. Vietnam has spent heavily defending the dong in the past year, a period during which many Vietnamese have abandoned the local currency for US dollars or gold. It has only been in the past month or so that the currency has shown signs of stabilising after a series of devaluations, the most recent of which was carried out in February. However, as apprehensiveness about further devaluations persists, the central bank has begun to counter forcefully any suggestion that additional steps may be taken to lower the value of the dong. At the central bank's prodding, local media recently strongly criticised an international news agency, Bloomberg, for reporting that a financial services firm, Saigon Securities, had warned its clients that further dong devaluations might be in the pipeline. A deputy governor at the SBV, Nguyen Van Binh, recently told state media that there was no need for further devaluations. Meanwhile, Mr Dung told donors at the mid-year meeting that foreign-exchange reserves had already recovered to a level equivalent to nine weeks of imports and could rise to 12 weeks by the end of 2010. The latest data published by the IMF show that reserves stood at US\$16.4bn at the end of 2009, down from US\$23.9bn at the end of 2008.

### **Rolling blackouts highlight concerns over power shortages**

Rising power demand, adverse weather and years of underinvestment in the power sector have combined to leave large parts of Vietnam suffering severe shortages of electricity. Power shortages in recent months have necessitated rolling blackouts in various parts of the country. Wealthier residents have sought out hotels with power generators or have thronged to swimming pools to cool down, especially in Hanoi. Some poorer Vietnamese have staged isolated protests against the authorities, in the belief that they are being subjected to power cuts unfairly in order to secure power supplies to commercial areas. The electricity shortages have encouraged the government to focus its attention on how to improve the country's power infrastructure in order to support economic growth.

Foreign investors have long been concerned about whether domestic power supplies can keep up with growing electricity demand in Vietnam; this issue is

one of the main infrastructure concerns for firms operating in Vietnam (the other main worry is the capacity of the country's ports). To some extent, the problem is a symptom of Vietnam's economic success. The spectacular growth of the power-hungry manufacturing sector in recent years is testament to the country's appeal as a manufacturing base for foreign firms. But the development of the power sector has not been able to keep up with rising demand. The government appears to understand that it needs to move quickly to add to power-generation capacity if the country is to avoid blackouts in the future, but the problem remains that the process of planning a new power plant, building it and finally bringing it on stream typically takes many years. This means that even if the government puts in motion plans for several new large power stations immediately, the next few years could still be blighted by blackouts as demand continues to outstrip supply. Vietnam's recent power shortages also reflect the country's reliance on hydropower; adverse weather has resulted in unusually low rainfall, causing river levels to fall and thus hitting hydro-power output.

Rigid government policies have also contributed to the problem of energy shortages. Vietnam's power-generation, transmission and distribution sector is controlled by state-owned Electricity of Vietnam (EVN). Private participation in the industry is currently limited to the wholesale supply of electricity to EVN by privately owned power plants. Such facilities can operate as independent power plants or under build-transfer or build-operate-transfer schemes; joint ventures and joint-stock companies are also allowed to operate such plants. In addition, electricity pricing issues are adding to the country's power supply woes. The current pricing structure does not allow EVN to cover the full cost of producing and distributing electricity. As a result, EVN is often in poor financial health, and lacks the funds needed to improve its network and build new power plants. The government has been hesitant about allowing market forces to determine electricity prices, as doing so would lead to a significant—and highly unpopular—increase in the cost of electricity to firms and households. However, the impediments to foreign participation in power generation may diminish in the near future as the government confronts the scale of the problem.

In the longer term, the government is pushing to develop the country's nuclear power capacity. In June government officials said that the country planned to have 13 nuclear reactors operating by 2030, an ambitious goal that could see increasing clashes between the government and Vietnam's increasingly vocal environmental lobby. The Vietnam Atomic Energy Commission estimates that nuclear power could provide 15-20% of the country's energy requirement by 2030. Construction of the first plant is expected to commence in 2014, and the facility is expected to start supplying power in 2020. The plant is expected to cost at least US\$8bn. In the meantime, the government will push ahead with other power projects. In June a Japanese conglomerate, Marubeni, secured a US\$990m contract to build a coal-fired power station in Vietnam. The government of Japan will provide 85% of the funds for the construction of the plant, which is expected to begin operation in 2013 or 2014.

## Economic performance

### Economic growth picks up pace in the second quarter

Vietnam's economy showed signs of improvement in the second quarter of 2010, when real GDP grew by 6.4% year on year, up from 5.8% in the first quarter, according to the latest data release from the GSO. This took GDP growth in the first half of the year to 6.2%. Value-added output from manufacturing expanded by 9.1% year on year in the second quarter, accelerating from 6% in the first, while construction activity grew by 11.5%, following a 7.1% gain in the first quarter. Services output expanded by 7.4% in April-June, up from 6.2% in January-March, reflecting a broad-based improvement. Within this component, trade activity (the largest services subsector in terms of share of GDP) grew by 8.4%, while hotel and restaurant output also gained momentum, growing by 9.8%. Agriculture, meanwhile, expanded by 3% year on year in the second quarter. As Vietnam presses ahead with pro-growth policies, the World Bank recently forecast that the country's GDP could expand by 7% in 2010, outstripping the government's target of 6.5%.

Growth in industry is being driven mainly by the foreign-invested sector. In the first six months of 2010 the value of industrial output grew by 13.6% year on year (at constant prices), with the foreign-invested sector posting growth of 17% (or 20.5% excluding the oil and gas industry), while the output of the state sector rose by 9.5% and the domestic private-sector output expanded by 12.6%. Most manufacturers enjoyed continued growth. Output of garments rose by 15.7% year on year in January-June, while that of footwear (mainly consisting of sports shoes) increased by 13.3%. The number of motorcycles produced during the first half of 2010 jumped by nearly 30% year on year, and there was also strong growth in the white-goods sector—output of refrigerators, for example, rose by 23%, and production of airconditioners increased by 27%. Reflecting strong growth in the construction industry, output of cement grew by 19.2% year on year in the first half of 2010, while brick production increased by 14.4%.



### Year-on-year inflation continues to edge downwards

Consumer price inflation has continued to edge downwards, enabling policy-makers to adhere to a pro-growth stance without undue concern about any possible inflationary implications in the short term. The benchmark consumer price index (CPI), as calculated by the GSO, was up by 8.7% year on year in

June, following rises of 9.1% in May and 9.2% in April. On a month-on-month basis prices rose by 0.2% in June, slowing from an increase of nearly 0.3% in May. Transport costs and housing and building materials recorded the biggest increases in June, and the government has already taken steps to reduce petrol prices by instructing state-owned retailers to cut prices; petrol prices have a strong knock-on effect on the other components of the CPI basket. Housing costs rose by 16.2% year on year in June, and transport costs were up by 14.8%, while food costs rose by 9.3% and prices for beverages and cigarettes rose by 8%. Prices for garments, shoes and hats increased by 6.9%, while prices for household appliances rose by 5.1% and pharmaceutical prices were up by 3.3%. By contrast, post and telecommunications costs fell by 1.8%.

### **The merchandise trade deficit widens in June**

Raising fears about increasing downward pressure on the value of the dong, the merchandise trade deficit widened to US\$1.2bn in June, from US\$871m in May, according to data from the GSO, which is subject to revision. (The May deficit represents a revision from an initial figure of US\$750m.) Exports reached US\$6bn in June, down slightly from US\$6.3bn in May, but in the first six months of the year export revenue was up by 15.7% year on year. Crude oil exports dropped by 17.8% year on year in value terms in January-June, to US\$2.6bn, but all other leading export categories recorded solid growth. Exports of textiles jumped by 17.2%, to US\$4.8bn, while footwear exports were up by 10.9%, to US\$2.3bn. Vietnam's high-technology exports also continue to grow, with exports of electronics and computers increasing by 31% in the first half of 2010, to US\$1.5bn. The import bill has also continued to rise sharply. In June imports reached US\$7.2bn, while in the first six months of the year the cost of imports amounted to US\$38.9bn, representing a year-on-year increase of 29.4%. Imports of petroleum products were up by 11.6% in January-June, at US\$3.3bn. Steel imports meanwhile soared by 29%, to US\$2.8bn, and imports of machinery and tools reached US\$6.1bn, to record a year-on-year rise of 13%.

# Data and charts

## Annual data and forecast

	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>a</sup>	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>c</sup>	2011 <sup>c</sup>
<b>GDP</b>							
Nominal GDP (US\$ bn)	52.9	61.0	71.1	90.3	93.2 <sup>a</sup>	101.8	114.7
Nominal GDP (D trn)	839.2	974.3	1,143.7	1,485.0	1,658.4 <sup>a</sup>	1,938.6	2,229.8
Real GDP growth (%)	8.4	8.2	8.5	6.2	5.4 <sup>a</sup>	6.4	6.9
<b>Expenditure on GDP (% real change)</b>							
Private consumption	7.3	8.3	10.8	9.2	4.0	7.4	7.3
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	17.5 <sup>b</sup>	15.6 <sup>b</sup>	14.8 <sup>b</sup>	-5.9	14.7	11.1
Imports of goods & services	15.9	18.7 <sup>b</sup>	27.8 <sup>b</sup>	15.1 <sup>b</sup>	-5.6	14.1	10.1
<b>Origin of GDP (% real change)</b>							
Agriculture	4.0	3.4	3.7	4.4	1.8 <sup>a</sup>	2.0	3.0
Industry	10.7	10.4	10.6	5.7	5.5 <sup>a</sup>	7.0	6.8
Services	8.5	8.3	8.7	7.3	6.6 <sup>a</sup>	7.6	8.5
<b>Population and income</b>							
Population (m)	83.5	84.4 <sup>b</sup>	85.3 <sup>b</sup>	86.2 <sup>b</sup>	87.0	87.8	88.7
GDP per head (US\$ at PPP)	2,132 <sup>b</sup>	2,358 <sup>b</sup>	2,604 <sup>b</sup>	2,793 <sup>b</sup>	2,953	3,145	3,374
Recorded unemployment (av; %)	5.3	4.8	4.6 <sup>b</sup>	4.7 <sup>b</sup>	6.5	6.2	6.0
<b>Fiscal indicators (% of GDP)</b>							
Central government balance	-4.1	-2.9	-7.3	-5.4 <sup>b</sup>	-8.9	-7.7	-6.7
Net public debt	44.0	45.9 <sup>b</sup>	49.9 <sup>b</sup>	48.6 <sup>b</sup>	51.8	52.0	51.0
<b>Prices and financial indicators</b>							
Exchange rate D:US\$ (end-period)	15,916	16,055	16,010	17,433	18,472 <sup>a</sup>	19,293	19,650
Exchange rate D:€ (end-period)	18,775	21,188	23,379	24,234	26,474 <sup>a</sup>	22,959	23,383
Consumer prices (end-period; %)	8.7	6.6	12.6	21.6	6.5 <sup>a</sup>	11.3	6.6
Stock of money M1 (% change)	22.2	20.7	48.9	-0.4	55.5	26.5	29.1
Stock of money M2 (% change)	30.9	29.7	49.1	20.7	33.4	30.5	25.0
Lending interest rate (av; %)	11.0	11.2	11.2	15.8	10.4	13.8	13.5
<b>Current account (US\$ m)</b>							
Trade balance	-2,439	-2,776	-10,438	-12,782	-9,859	-9,697	-9,309
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
Services balance	-296	-8	-755	-835	-790	-929	-1,077
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
Current-account balance	-560	-164	-6,953	-10,706	-7,697	-7,867	-7,626
<b>External debt (US\$ m)</b>							
Debt stock	19,114	20,126	23,865	26,158	27,836	32,694	35,972
Debt service paid	954	949	1,249	1,344	1,114	1,211	1,442
Principal repayments	519	495	640	776	710	732	815
Interest	434	454	609	568	404	478	627
<b>International reserves (US\$ m)</b>							
Total international reserves	9,217	13,591	23,748	24,176	16,803 <sup>a</sup>	21,538	24,502

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

Source: IMF, *International Financial Statistics*.

## Quarterly data

	2008		2009			2010		
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
<b>Prices</b>								
Consumer prices (2005=100)	149.8	149.4	151.3	151.5	153.6	156.2	162.6	n/a
Consumer prices (% change, year on year)	27.7	23.6	15.5	6.2	2.6	4.6	7.5	n/a
<b>Financial indicators</b>								
Exchange rate D:US\$ (av)	16,666	16,898	17,499	17,785	17,820	18,094	18,742	18,993
Exchange rate D:US\$ (end-period)	16,575	17,433	17,756	17,801	17,841	18,472	19,080	19,065
Deposit rate (av; %)	17.0	11.0	6.9	n/a	n/a	n/a	n/a	n/a
Lending rate (av; %)	20.1	14.1	9.5	n/a	n/a	n/a	n/a	n/a
Refinancing rate (end-period; %)	15.0	10.3	8.0	n/a	n/a	n/a	n/a	n/a
Treasury bill rate (av; %)	15.5	11.2	6.8	n/a	n/a	n/a	n/a	n/a
M1 (end-period; D trn)	321.8	433.3	462.3	507.8	515.5	n/a	n/a	n/a
M1 (% change, year on year)	-8.8	-0.4	16.7	48.5	60.2	n/a	n/a	n/a
M2 (end-period; D trn)	1,347.5	1,513.5	1,645.3	1,776.0	1,842.3	n/a	n/a	n/a
M2 (% change, year on year)	21.3	20.7	26.5	37.1	36.7	n/a	n/a	n/a
<b>Foreign trade (US\$ m)</b>								
Exports fob	17,839	14,163	14,059	13,431	13,873	15,179	14,456	17,644
Imports cif	-19,087	-15,757	-12,560	-17,027	-18,547	-20,787	-17,772	-20,877
Trade balance	-1,248	-1,594	1,499	-3,596	-4,674	-5,608	-3,316	-3,233
<b>Foreign payments (US\$ m)</b>								
Merchandise trade balance	-241.0	-1092.0	2304.0	-2553.0	-3452.0	n/a	n/a	n/a
Services balance	-291	188	-114	-330	-266	n/a	n/a	n/a
Income balance	-617	-2,848	-986	-846	-824	n/a	n/a	n/a
Net transfer payments	1,585	1,853	1,558	1,569	1,599	n/a	n/a	n/a
Current-account balance	436	-1,899	2,762	-2,160	-2,943	n/a	n/a	n/a
Reserves excl gold (end-period)	23,848	23,890	23,008	20,260	18,769	16,447	n/a	n/a

Sources: IMF, *International Financial Statistics*.

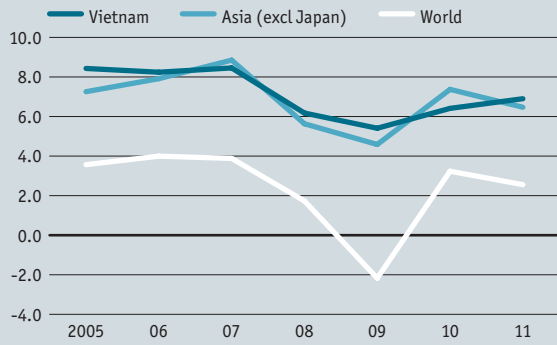
## Monthly data

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

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

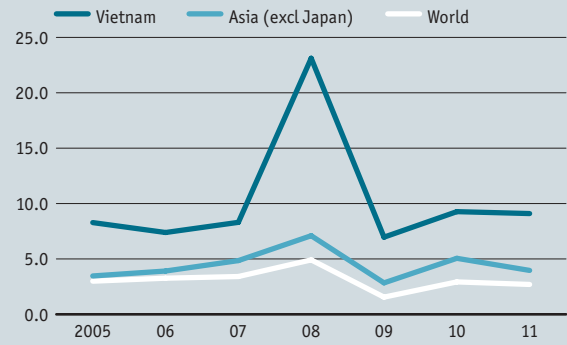
### Annual trends charts

**Real GDP growth**  
(% change)



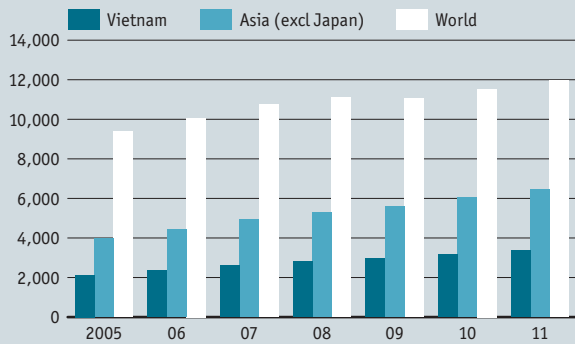
Source: Economist Intelligence Unit.

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



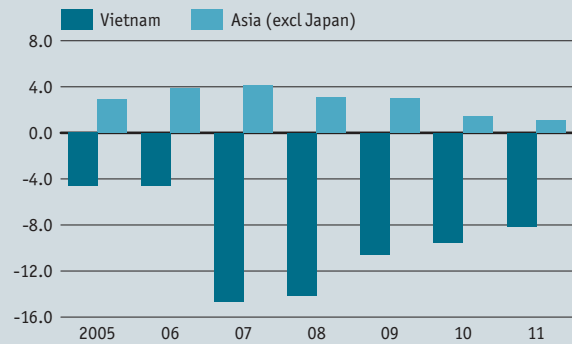
Source: Economist Intelligence Unit.

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



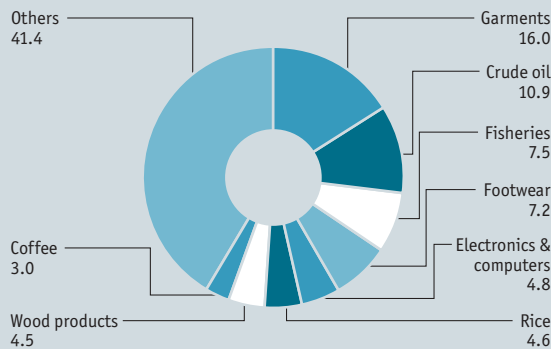
Source: Economist Intelligence Unit.

**Trade balance**  
(% of GDP)



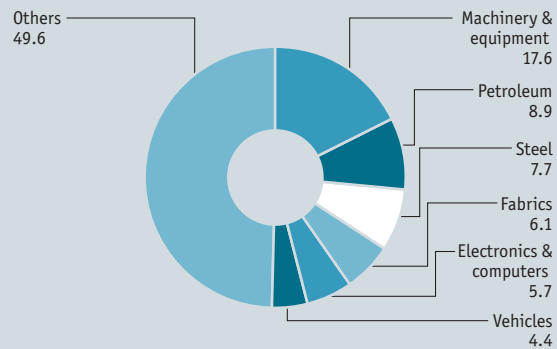
Source: Economist Intelligence Unit.

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



Source: Economist Intelligence Unit.

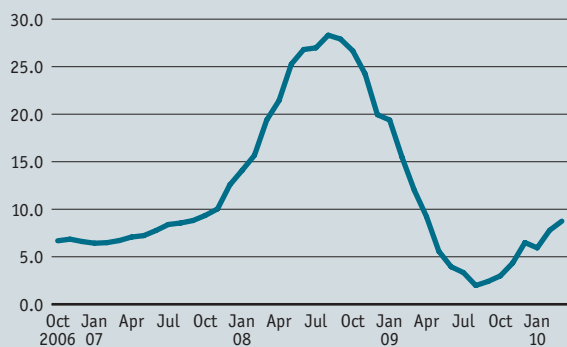
**Main imports, 2009**  
(% of total)



Source: Economist Intelligence Unit.

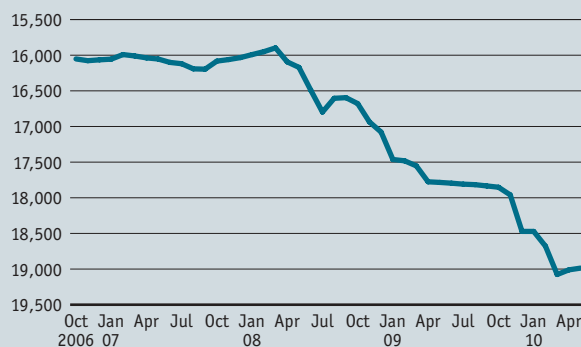
## Monthly trends charts

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



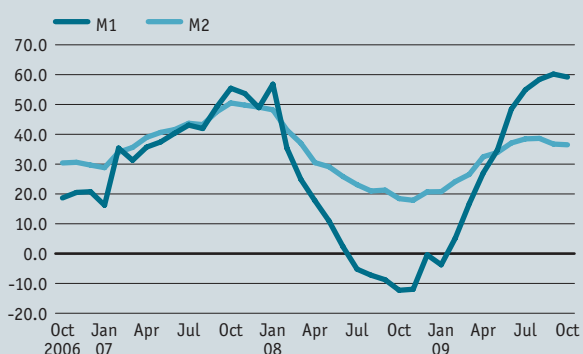
Source: Economist Intelligence Unit.

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



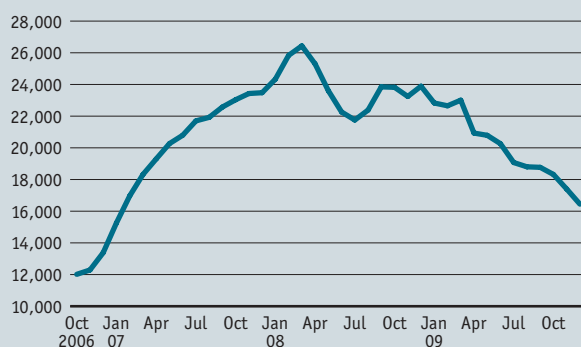
Source: Economist Intelligence Unit.

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



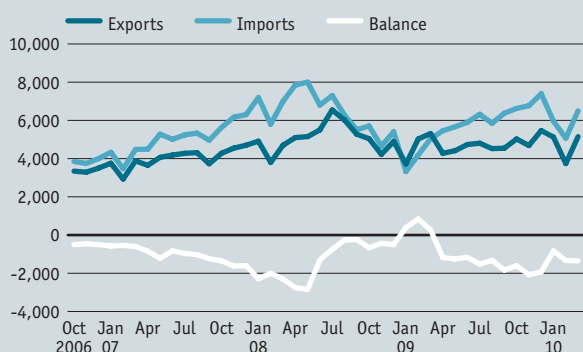
Source: Economist Intelligence Unit.

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



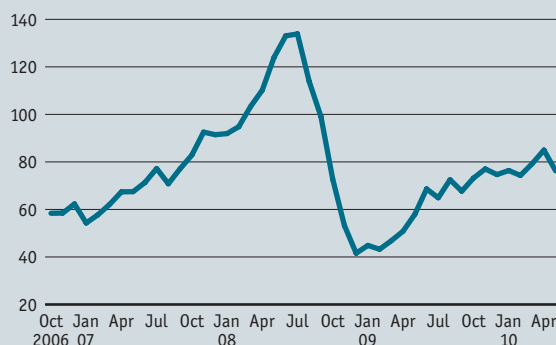
Source: Economist Intelligence Unit.

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



Source: Economist Intelligence Unit.

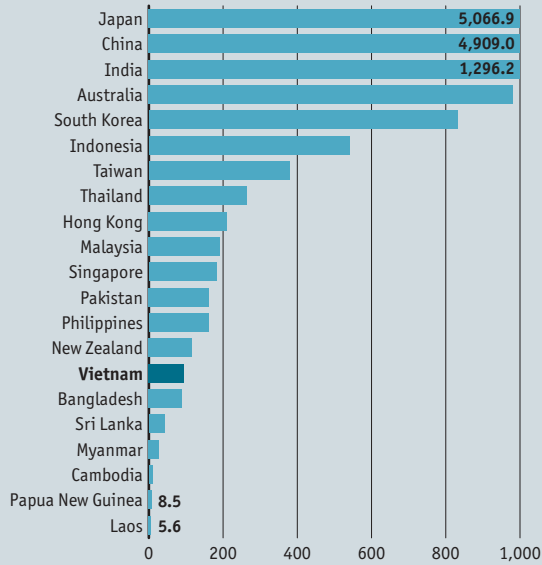
**Oil: Brent crude price**  
(US\$/b; av)



Source: Economist Intelligence Unit.

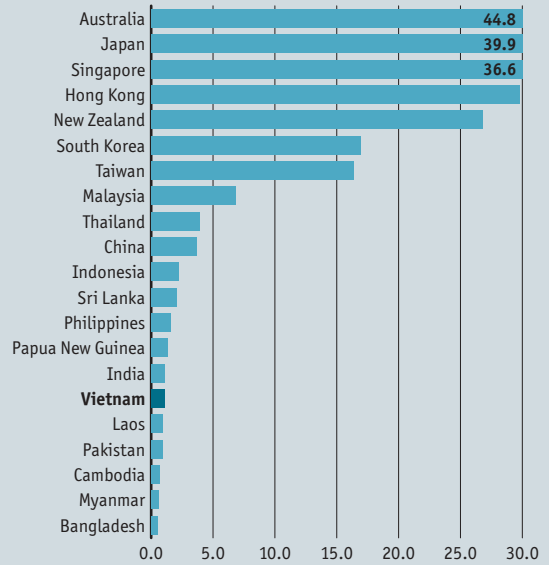
### Comparative economic indicators, 2009

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



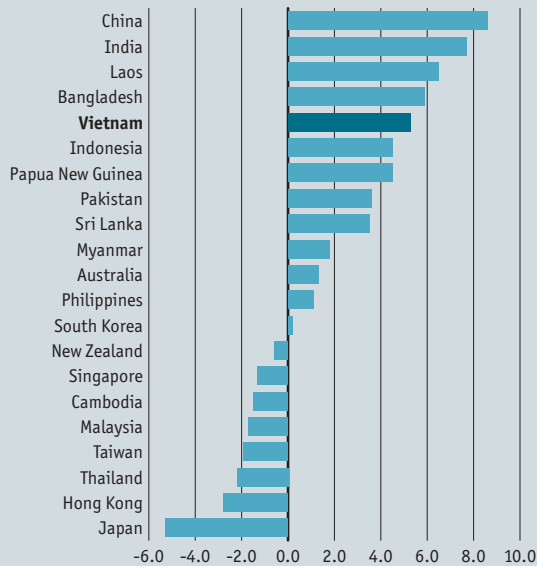
Sources: Economist Intelligence Unit estimates; national sources.

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



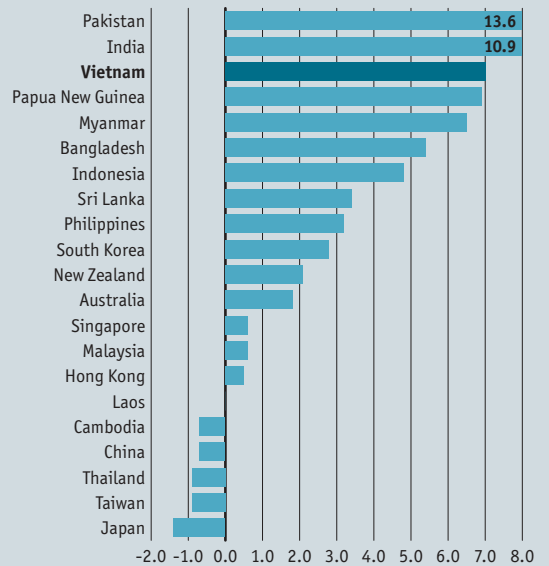
Sources: Economist Intelligence Unit estimates; national sources.

**Gross domestic product**  
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

**Consumer prices**  
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

# Country snapshot

## Basic data

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

## Political structure

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