



Decide with Confidence

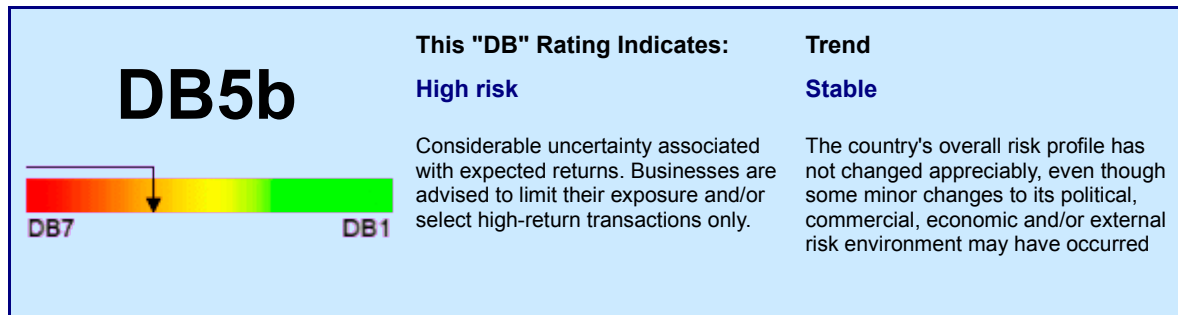
D&B Country RiskLine Report

VIETNAM

Region : Asia Pacific

Edition : October 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	91.7m
Surface area (sq km):	329,310
Capital:	Hanoi
Timezone:	GMT +07:00
Official language:	Vietnamese
Head of state:	President Truong Tan SANG
GDP (USD):	170.5bn
GDP per capita (USD):	1,860
Life expectancy (years):	75
Literacy (% of adult pop.):	93.8

Country Overview:

Vietnam is situated on the South China Sea, bordering Cambodia, Laos and China. A densely populated, low income country, it extends from the tropical Mekong Delta and Ho Chi Minh City (the former Saigon) in the south to the monsoonal climate of Hanoi and the Red River valley in the north.

The country's political system is dominated by the Vietnamese Communist Party, which has had a monopoly on power since the end of the Vietnam War in 1975. Vietnam has undergone rapid growth since embracing economic liberalisation in the 1990s and acceding to the WTO in 2007, and is still attracting labour-intensive operations via FDI. However, banking system problems due to poor governance in the state-owned sector have drawn attention to weaknesses in its growth model.

The industrial mix has focused on light manufacturing and assembly operations, but has begun to include more capital-intensive sectors. With sizeable oil reserves, the country is one of South East Asia's largest producers of crude. In 2009, the country opened its first refinery.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	CLC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	CiA
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	60-120 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	0-2 months
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

Vietnam's external position during 2014 remains favourable. FDI inflows rose by 4.5% year on year (y/y) to USD7.9bn in January-August. Investment licensing, however, declined by 2.1% y/y in the same period. D&B estimates that the country's FX reserves would stand at USD36.2bn at end-September, sufficient to provide import cover of 2.93 months, just below IMF recommendation of 3.0 months. The exchange rate was last devalued in mid-June by 1.0% to VND21,246/USD to boost exports, but another devaluation anytime soon is unlikely. The commercial sector is showing signs of slight improvement; while the number of new business registrations fell by 9.5% y/y in the first 8 months, in terms of registered capital there is 14.2% y/y growth.

Export Credit Agencies

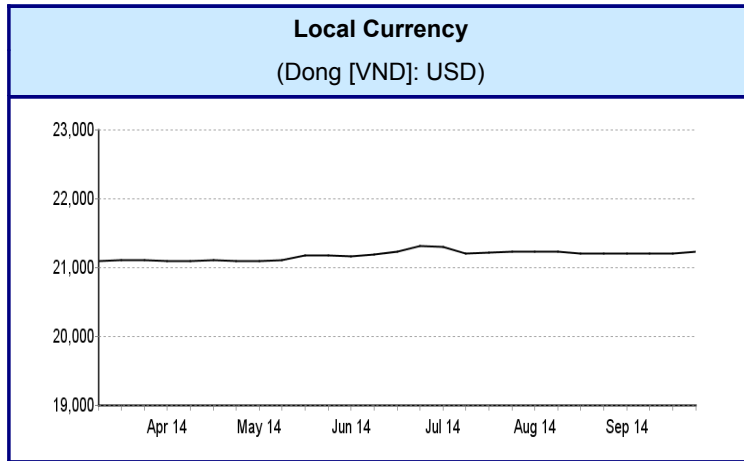
US Eximbank	Limited public and private sector cover available
Atradius	ST cover available subject to approved LC, no discretionary limits
ECGD	Full cover available
Euler Hermes UK	Restrictions will apply

Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	6.2	5.2	5.4	5.5	5.6
Inflation, annual ave, %	18.7	9.1	6.6	7.0	8.5
Govt balance, % GDP	-4.5	-4.7	-5.3	-5.0	-4.5
Debt service ratio, %	3.9	4.4	3.8	3.7	3.7
C/A balance, % GDP	0.2	6.6	5.6	6.9	9.1

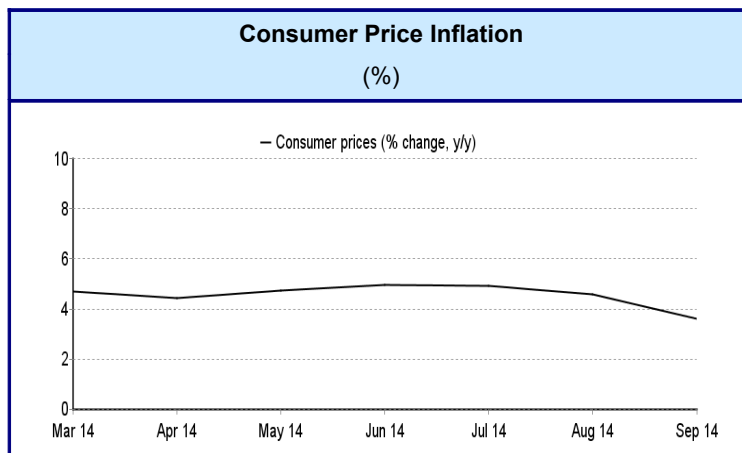
Currency Information

Exchange Rates	
(London, 26 Sep 14)	
EUR	26940.9
GBP	34469.8
JPY*	19430.5
USD	21220.0
*(x 100)	



Local Currency (Dong [VND]: USD)						
	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
Week 1	21092.500	21082.500	21157.500	21290.000	21227.500	21195.000
Week 2	21095.000	21100.000	21185.000	21200.000	21227.500	21195.000
Week 3	21097.500	21165.000	21222.500	21215.000	21200.000	21200.000
Week 4	21092.500	21165.000	21310.000	21227.500	21195.000	21220.000
Week 5						

Consumer Price Inflation



Data Table						
Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
4.7	4.45	4.72	4.98	4.94	4.6	3.62

Risk Factor

Short-Term Economic Outlook: Macroeconomic stability in 2014 has so far been maintained thanks to moderating inflation and strengthening external accounts. Preliminary estimates suggest that the economy grew 5.54% year on year (y/y) in Q3, an improvement on Q1 and Q2 but short of its Q4 2013 performance. Our forecast for 2014 growth remains unchanged at 5.5%. Exports rose by 14.1% and imports increased by 12% y/y in the first eight months. Exports of key items e.g. garments and mobile phones rose by 19.7% and 13.7% y/y respectively over this period. A USD1.7bn trade surplus was posted in January-August, helping balance the current account. While the external sector is performing well, domestic demand remains subdued. Retail sales increased by 11.4% y/y and the Industrial Production Index rose by 6.3% y/y in the first eight months. Automobile sales increased by 29% y/y in the first seven months and domestic cement consumption rose by 7.0% y/y in the first eight months.

Yet the Manufacturing Purchasing Managers' Index has been declining over the past four months, signalling the weakest improvement in business conditions since November 2013. Job creation also remained somewhat stagnant. New orders declined for the first time in nine months and lead times increased for the sixth month in a row. New tonnage rules, as well as higher fuel costs, have raised input costs and subsequently output prices. However, inflation (y/y) dropped from 4.3% in August to 3.62% in September and should remain manageable into Q4. Still, credit activity is hampered by growing risk aversion among banks burdened with high bad loan ratios, as well as weak credit demand amid low consumer and investor confidence. Bank lending expanded by just 5.8% during the first eight months compared with the situation at 2013 year-end, well below the government target of 12.0-14.0% for the year.

Market Potential: A recent KPMG survey ranked Vietnam as one of the four top markets to expand into in 2015 alongside China, Brazil, and India. Another survey by the American Chamber of Commerce put Vietnam as the second most attractive destination in the ASEAN region for investment. Vietnam also is the most preferred location in the ASEAN for diverting businesses from China. A large and low cost labour force, political stability, and relatively cheap utility supply make Vietnam an attractive destination for investors. Electronics, computers, mobile phone and accessories, and automobile components have been particularly growing fast, overtaking garments as the largest export item. Samsung and Microsoft are relocating much of their mobile phone production base to Vietnam. Within the traditional garment and footwear sectors, there is huge potential to move up the value chain ladder.

Glossary & Definitions

DEFINITIONS

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F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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