



Decide with Confidence

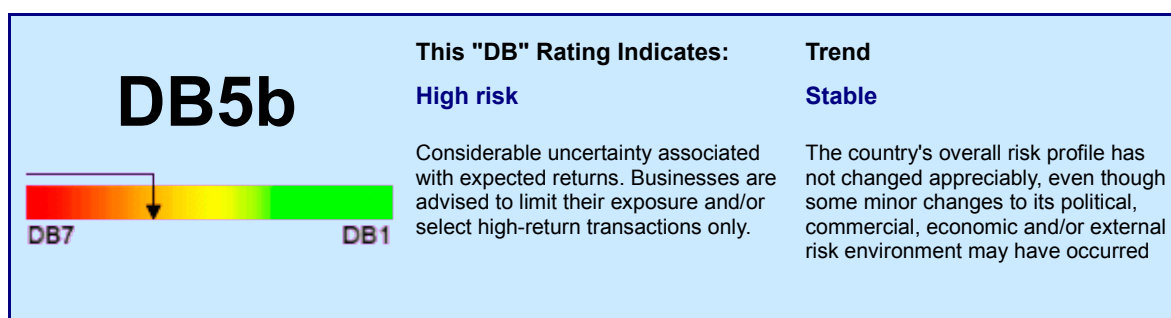
D&B Country RiskLine Report

VIETNAM

Region : Asia Pacific

Edition : October 2012

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:	88.8m
Surface area (sq km):	329,310
Capital:	Hanoi
Timezone:	GMT +07:00
Official language:	Vietnamese
Head of state:	President Truong Tan SANG
GDP (USD):	122.8
GDP per capita (USD):	1,383
Life expectancy (years):	71
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. Politically, the Vietnamese Communist Party retains a monopoly on power but anti-corruption efforts in recent years have improved government transparency. Economically, the country has undergone rapid growth since embracing economic liberalisation in the 1990s and acceding to the WTO in 2007.

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

D&B estimates that the country's FX reserves were USD22bn in October (up from USD13.5bn at end-2011). Improved FX liquidity in 2012 has been a result of an elimination of the country's previously high trade deficit, alongside continued inflows of remittances, FDI and international aid. The reserves are now sufficient to provide import cover of 9-12 weeks, close to the 3.0-month minimum recommended by the IMF. Nevertheless, payment risks remain elevated. Over the January to July period, 30,300 businesses went bankrupt, a 6.4% year-on-year increase. Meanwhile, the banking sector, saddled with bad debts, remains a serious risk. We continue to recommend the use of CiA terms with Vietnamese counterparties.

Export Credit Agencies

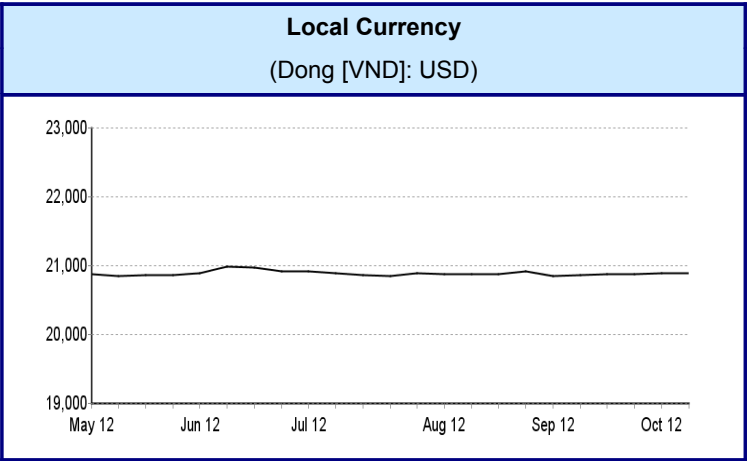
US Eximbank	Limited public and private sector cover available
Atradius	ST cover available subject to approved LC, no discretionary limits
ECGD	Full cover available
Euler Hermes UK	Restrictions will apply

Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	5.3	6.8	5.9	4.8	5.2
Inflation, annual ave, %	6.9	10.0	18.7	8.0	12.0
Govt balance, % GDP	-11.8	-6.0	-4.5	-4.7	-3.5
Debt service ratio, %	4.2	4.5	4.2	4.0	3.8
C/A balance, % GDP	-8.0	-6.0	-2.0	-3.6	-3.8

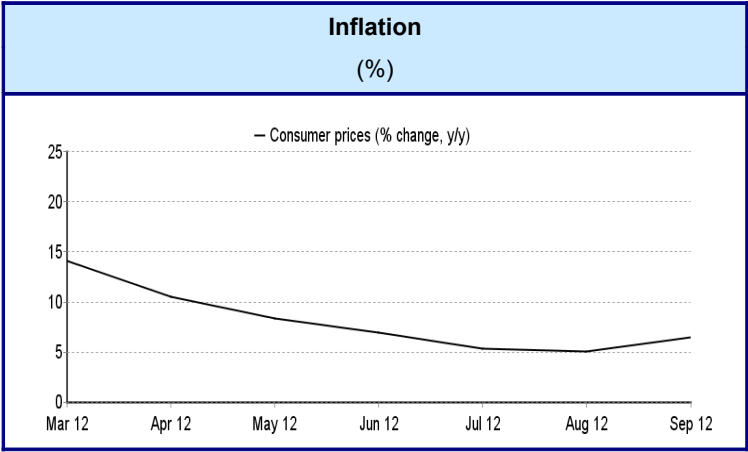
Currency Information

Exchange Rates (London, 08 Oct 12)	
EUR	27275.8
GBP	33819.1
JPY*	26539.2
USD	20885.0
*(x 100)	



Local Currency (Dong [VND]: USD)						
	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12
Week 1	20870.000	20885.000	20905.000	20865.000	20840.000	20885.000
Week 2	20845.000	20985.000	20885.000	20865.000	20855.000	20885.000
Week 3	20850.000	20960.000	20860.000	20865.000	20865.000	
Week 4	20860.000	20905.000	20845.000	20905.000	20865.000	
Week 5			20880.000			

Inflation



Data Table						
Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
14.15	10.54	8.34	6.9	5.35	5.04	6.48

Risk Factor

After a lacklustre first half of the year, the Vietnamese economy has gained some traction. In Q3, the economy grew by 5.4% in year-on-year (y/y) terms following Q2's 4.7% expansion and Q1's three-year low of 4.0%. Although detailed demand-side data have not yet been released, other indicators suggest the upturn in activity reflects more robust export growth alongside a stabilisation of domestic demand. Throughout Q3, exports of a number of key goods increased significantly in volume terms (e.g. crude oil up by 25.8% y/y and rice up by 25.3%). In September alone, exports were up by 18.2% y/y in US dollar terms, while imports rose by only 0.2% y/y. Impressively, Vietnamese exporters have seen continued strong demand from almost all of their core export markets, unlike many of their Asian competitors, which have at the very least seen EU demand slide. Over the first nine months of 2012, export receipts were up from shipments to the US (by 17.7% y/y) to the EU (by 23.5%) to other ASEAN countries (by 26.1%), to Japan (by 28.8%) and to China (by 20.5%). Over the January to September period, the trade balance was in surplus by USD34.0m; this in itself is a startling turnaround from 2011, when the country ran a trade deficit of USD9.8bn.

With inflation having eased substantially since the start of the year and the central bank moving to loosen monetary policy, domestic demand has shown signs of steadying. In September, sales of consumer goods and services rose by 12.8% y/y. That said, sales of big ticket items continue to suffer as a result of economic uncertainty and still often prohibitively high interest rates (18-20%). After contracting outright in 2011, investment has also seen at least limited improvements. Over the January to September period, construction activity expanded by 2.6% in y/y real terms; over the same period, government investment increased by 7.6% y/y in nominal terms (slightly above inflation).

Despite the acceleration in GDP growth in Q3, we expect domestic constraints to prevent any rapid acceleration throughout the forecast period. A return to the plus-7% per annum growth Vietnam was accustomed to during the mid-2000s will require implementation of credible plans to deal with the country's undercapitalised financial system and the overhaul of the country's inefficient and over-indebted state-owned enterprises. Addressing the banking system is the most immediate concern. In September, the governor of the central bank said that bad loans had reached 'alarmingly' high levels; and a September report by the National Assembly's Economic Committee found that the sector needs fresh capital of VND250-300trn (USD12-14bn). With the sector so fragile, banks are less able to lend. Credit growth was negligible throughout the first nine months of 2012, hampering broader business activity.

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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