



Decide with Confidence

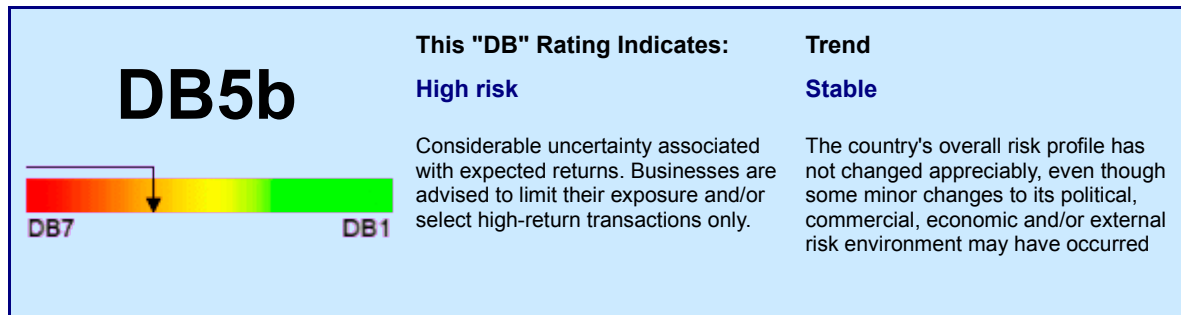
## D&B Country RiskLine Report

# VIETNAM

Region : Asia Pacific

Edition : March 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

<b>Population:</b>	89.7m
<b>Surface area (sq km):</b>	329,310
<b>Capital:</b>	Hanoi
<b>Timezone:</b>	GMT +07:00
<b>Official language:</b>	Vietnamese
<b>Head of state:</b>	President Truong Tan SANG
<b>GDP (USD):</b>	157.9bn
<b>GDP per capita (USD):</b>	1,722
<b>Life expectancy (years):</b>	75
<b>Literacy (% of adult pop.):</b>	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

<b>Minimum Terms:</b>	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.

<b>Recommended Terms:</b>	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.

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

### Transfer Situation

<b>Local Delays:</b>	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.

<b>FX/Bank Delays:</b>	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 remains favourable. Remittances and inward investment more than offset the trade and services account deficit. The country received USD11.0bn in remittances and USD21.6bn in FDI in 2013, an increase of 54.0% from 2012. FDI capital, however, declined by 22.0% y/y in January 2014. D&B estimates that the country's FX reserves reached USD32.0bn at end-2013; these are sufficient to provide import cover of 2.9 months. The FX reserves are expected to rise in Q1 2014 due to slow imports. The exchange rate against the US dollar has been kept unchanged since July 2013. Despite some recent improvements, the commercial sector is still weak; business failures increased by 11.9% in 2013. D&B continues to recommend CiA terms.

### Export Credit Agencies

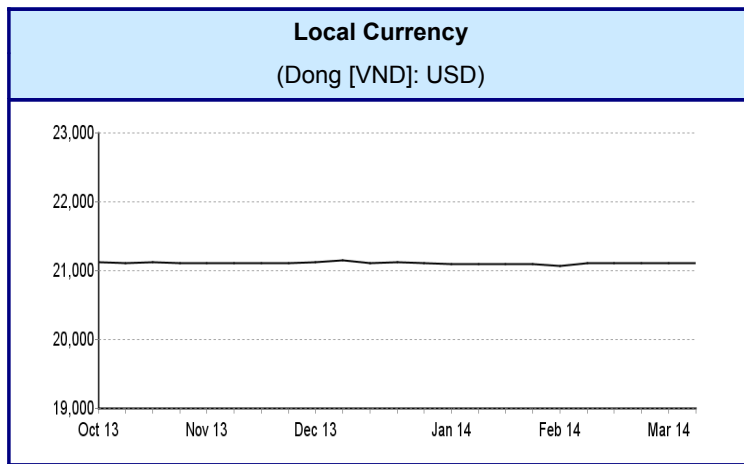
<b>US Eximbank</b>	Limited public and private sector cover available
<b>Atradius</b>	ST cover available subject to approved LC, no discretionary limits
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	Restrictions will apply

### Economic Indicators

	2011	2012	2013	2014f	2015f
<b>Real GDP growth, %</b>	6.2	5.2	5.4	5.5	5.6
<b>Inflation, annual ave, %</b>	18.7	9.1	6.6	7.0	8.5
<b>Govt balance, % GDP</b>	-4.5	-4.7	-5.3	-5.0	-4.5
<b>Debt service ratio, %</b>	3.9	4.4	3.8	3.7	3.7
<b>C/A balance, % GDP</b>	0.2	6.4	-1.3	0.0	2.0

### Currency Information

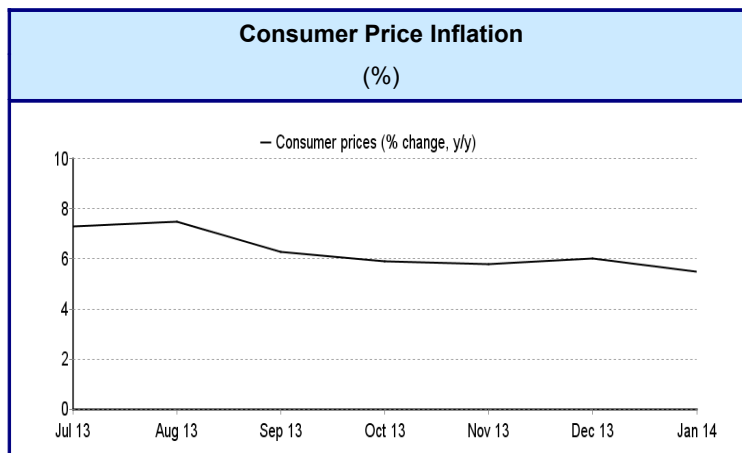
<b>Exchange Rates</b>	
(London, 03 Mar 14)	
EUR	29142.3
GBP	35360.4
JPY*	20673.1
USD	21100.0
*(x 100)	



**Local Currency**  
(Dong [VND]: USD)

	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
<b>Week 1</b>	21113.500	21100.000	21120.000	21095.000	21060.000	21100.000
<b>Week 2</b>	21105.000	21100.000	21140.000	21091.000	21105.000	21100.000
<b>Week 3</b>	21115.000	21100.000	21108.500	21090.000	21100.000	
<b>Week 4</b>	21100.000	21100.000	21115.000	21085.000	21100.000	
<b>Week 5</b>			21100.000			

## Consumer Price Inflation



**Data Table**

Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14
7.3	7.5	6.3	5.9	5.8	6.0	5.5

## Risk Factor

The economy appears to be losing the momentum it gathered towards the end of last year and 2014 is off to a rather slow start, particularly for the external sector. Exports declined by 0.8% year on year (y/y) and 1.5% month on month (m/m) in January 2014. While exports to the US, Vietnam's largest market, rose by 17.8% y/y, exports to the EU declined by 3.0% y/y. Imports also fell by 5.5% y/y and by 17.8% m/m as a majority of imports is export oriented. The trade surplus shrank from USD1.44bn in January to USD622m during the first two weeks of February. On a positive note, new export orders increased in January, ending a two-month sequence of declines.

Domestic business sentiment is improving. Retail sales increased by 7.2% y/y in real terms but the *Industrial Production Index* rose by only 3.0% y/y in January 2014. Although anecdotal evidence suggests that business leading up to the Lunar New Year (the biggest festival in Vietnam) fell short of expectations, automobile sales appear to be doing well. Sales of domestically-assembled cars increased by 23.0% y/y in January and the import of cars rose by 9.9% y/y in the same period. The *Manufacturing Purchasing Managers' Index* (PMI) climbed to its highest level in 33 months to reach 52.1 points in January (compared with 51.8 in December), the fifth successive monthly improvement, after posting a string of contractions from May through to August. New orders also continued to increase. Rising orders allowed firms to hire more staff and the rate of job creation remained solid. The depletion of inventories has also been its strongest since February 2013.

Despite signs of an improvement, investment activity remains constrained by high levels of bad debt, a large number of bankruptcies, limited wage growth and slow credit expansion. Government investment spending (40.4% of total investment) rose by 2.8% y/y and realised FDI (22.0%) rose by 3.3% y/y in January 2014. Favourably, inflation remains under control at 4.65% y/y in February. While it gives the authorities space for monetary easing, the effectiveness of this is curbed by the poor health of the banking system. There is excess liquidity in the banking system but credit growth is weak, depressing productive investment activity. Credit expanded by just 8.8% in 2013, below the 12.0% target set by the central bank, and credit declined by 0.5% m/m in January. Strong investment growth is likely to be held back until the government makes more substantial progress on reforms to the country's over-extended banks and state-owned enterprises (SOEs). In 2014, the government plans to privatise/dissolve 43 SOEs (out of 500 to be equitized by 2015) and the Vietnam Asset Management Company will buy VND100-150trn of non-performing loans.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

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:

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:

Normal period of credit associated with transactions with companies in the stated country.

#### Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

#### F/X Bank Delays:

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.

#### 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

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Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: [CustomerService@dnb.com](mailto:CustomerService@dnb.com)

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