Asia / Vietnam
Economics & Strategy

HSBC
Global Research

Vietnam Monitor (Issue 24)

Further rise in VGB yields expected

- **Economics:** The recovery has begun and we expect it to gather pace through the year. Inflation to head south for a few more months, but upside risks are building. Central bank to remain on hold… the next move would be up but well into 2010
- **Equity Strategy:** The Vietnamese stock market rose 60% in 2Q. This was driven by local investors; foreigners remained on the sidelines. Valuations look expensive after the run-up, with historic PE at 20x
- **Fixed Income Strategy:** Bank lending caps and interest subsidy schemes have led to credit rationing and tight bank term liquidity. Further VGB weakness is likely unless SBV resorts to further liquidity injections
- **FX Strategy:** The imbalance in the USD-VND market persists, but things appear stable, if fragile, for the time being. The next risk to the FX market will likely come from a potential re-widening of the trade deficit

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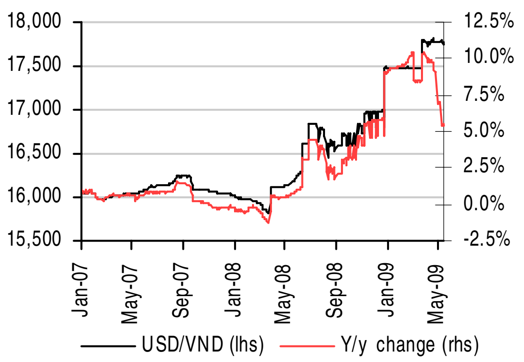
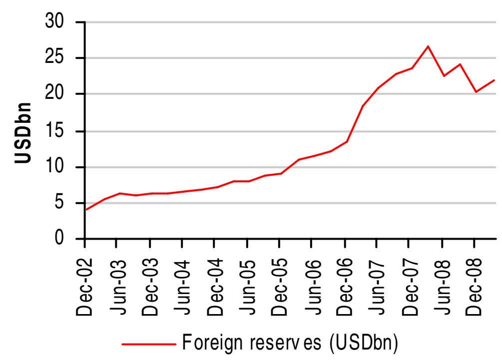
USD/VND



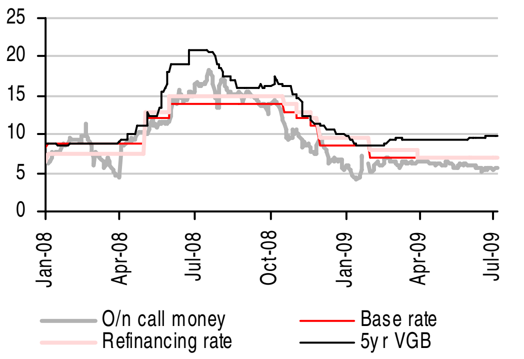
Source: Bloomberg

FX reserves



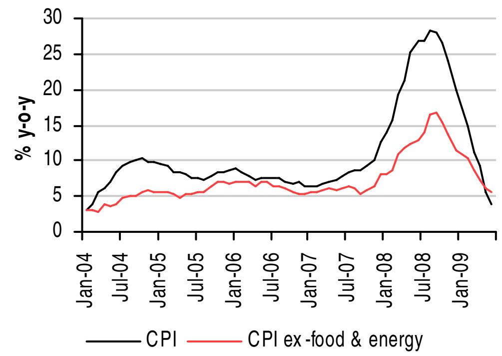
Source: CEIC

O/n call money, benchmark policy rates and 5yr bond yields



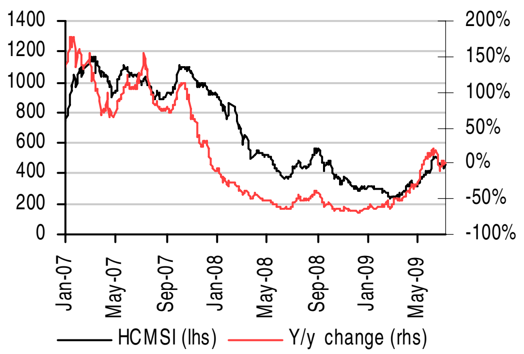
Source: Reuters, HSBC

Headline CPI and ex-food & energy



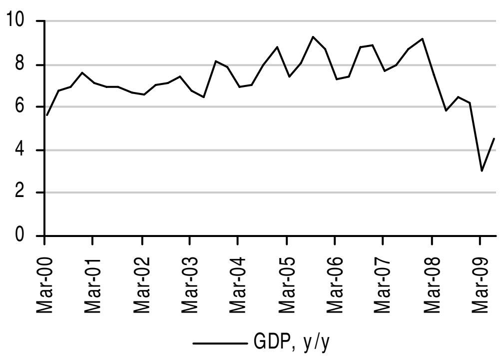
Source: CEIC, HSBC

HCMS Index



Source: Bloomberg

GDP growth



Source: CEIC

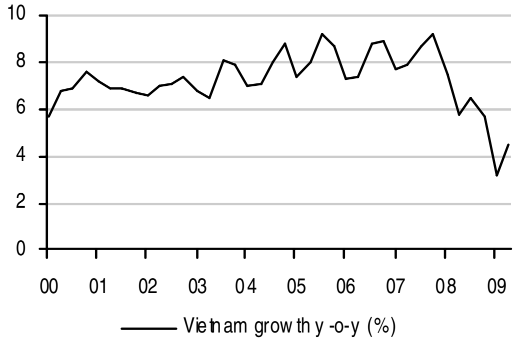
Economics

- The recovery has begun and we expect it to gather pace through the year
- Inflation to head south for a few more months, but upside risks are building
- Central bank to remain on hold… the next move would be up but well into 2010

The recovery has begun

Vietnam's economy picked up in the second quarter. GDP expanded by 4.4% year-on-year in 2Q compared with 3.1% previously. As highlighted in the May edition of the *Vietnam Monitor* we were expecting the turnaround to materialise, though it has been a bit stronger than we expected.

1. The recovery has begun...

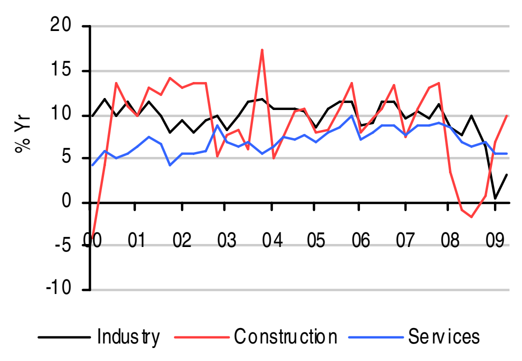


Source: CEIC, HSBC

A few quick points on the GDP reading:

- On a seasonally adjusted basis GDP expanded by 2.3% quarter-on-quarter, following on from a 1.7% drop in 1Q. This compares with a quarterly average growth of 1.7% over the last decade.
- The V-shaped recovery now under way is a function of the industrial sector coming back to life. Output increased by 3.1% y-o-y, up from 0.5% previously with strong improvements in mining & quarrying and electricity production. Manufacturing activity, which largely remains hostage to exports, is also showing signs of turning, consistent with some stabilisation in external demand and regional activity data.

2. ...caused by a turn in industry with the construction sector now booming

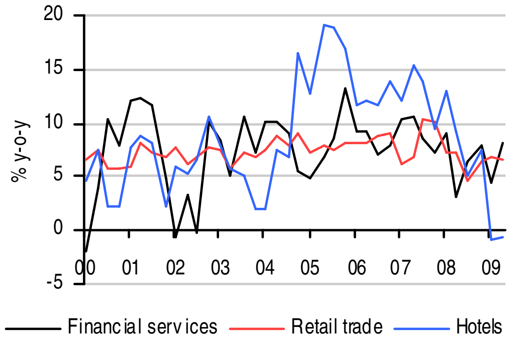


Source: CEIC, HSBC

- The services sector held its ground, growing by 5.7% y-o-y, with financial services making a strong comeback (up 8.1% y-o-y from 4.4%

previously). The latter is largely a function of the government's 4ppt subsidy on loans which has seen credit activity increase sharply. Given the resilience of personal consumption expenditure, retail trade remains strong. However, the hotels & restaurants sector is still contracting given falling tourist inflows.

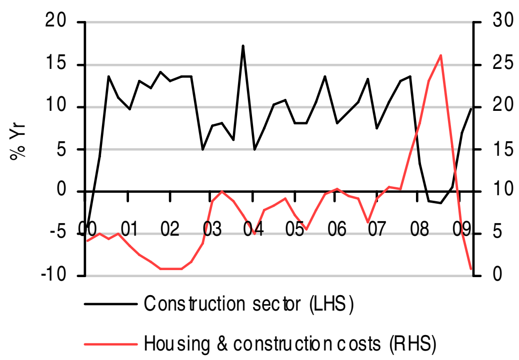
3. Retail trade remains strong



Source: CEIC, HSBC

- As expected the construction sector continues its strong recovery, with output increasing by nearly 10% y-o-y. This is the fastest pace in six quarters and compares with a contraction of 1.6% in September 2008. Note that last year the vast majority of projects were stalled during the inflation scare/interest rate hikes and are now coming back on line as construction costs have come down sharply as have lending interest rates. At the same time infrastructure projects of the government are making progress. We expect this sector to remain strong over the coming quarters.

4. Construction costs have collapsed



Source: CEIC, HSBC

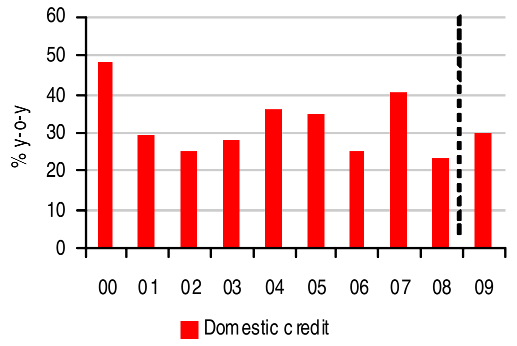
Taking into account the second-quarter GDP numbers our 2009 average growth forecast stands at just under 5%. We believe that the recovery which is currently under way will gain momentum through the year, with GDP ticking up to 6% by year-end. For 2010 we look for the economy to expand by 6.5%, although the balance of risks is biased to the upside.

The rationale for our growth profile:

- As mentioned previously, the massive monetary policy easing delivered by the central bank is still working its way through the system.
- The government has increased its already big stimulus plan by USD2bn to USD8bn (8.6% of GDP) including USD5.2bn worth of infrastructure projects and the 4ppt interest rate subsidy scheme for corporates.
- Undoubtedly, the interest rate subsidy policy has been very successful with USD20bn worth of loan creation in the first half of the year, slightly more than what we saw in the whole of 2008. The fact that so much lending has gone through suggests that there was pent-up demand out there and so growth should improve. However, such strong credit growth is not sustainable, with the central bank recently stating that it will cap credit

growth at 30% this year. Note that in the coming quarters we will have to look into the quality of the lending and hence the repercussion for the banking system. Latest numbers, however, suggest that bad debt levels remain low – according to the SBV Governor bad debts were 2.62% of total outstanding loans at the end of April compared with 2.2% a year back.

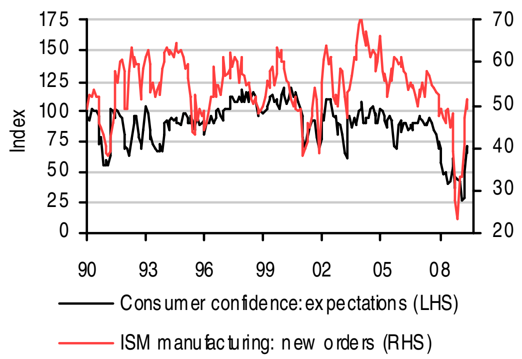
5. Domestic credit growth



Source: CEIC, SBV

- There are also signs of stabilisation in the developed world. In chart 6 we have plotted the expectations component of US consumer confidence, which our US Economist Ian Morris believes is more reflective of consumption patterns in the country. This has more than doubled to 70 from a low of 27 in February, though below the long-term average of 90. The new orders component within the US ISM manufacturing index, which typically serves as a good indicator for export developments in Asia, has risen by nearly 30 points to 50. Note that 50 separates expansion from contraction.

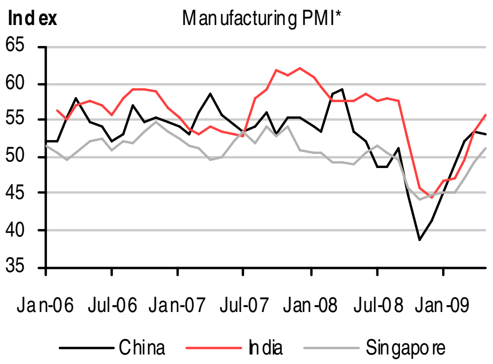
6. US consumer expectations have improved as have manufacturing new orders



Source: CEIC, HSBC

- Finally, increasing evidence that a regional recovery is beginning. For example the manufacturing sectors in China, India and Singapore are all expanding now. Sequential exports and activity data have also seen broad-based improvements.

6. Expanding manufacturing activity



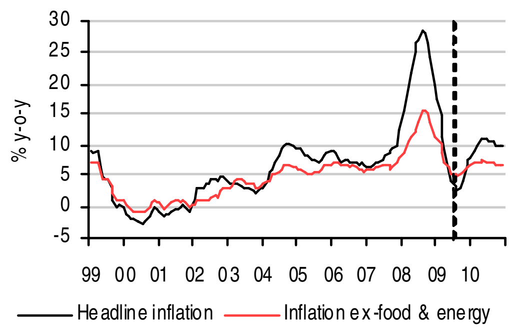
Source: CEIC, HSBC. N.B. Above 50 means the sector is expanding

Inflation

Inflation continues to head south, falling to 3.9% y-o-y in June – the lowest level since February 2004. This compares with a peak of 28.3% in August last year and a 5-year average of 11%. We look for the bottom in inflation to materialise over the next few months, in the range of 2-3%, with base effects remaining favourable at least till August.

Risks to inflation from the pick-up in commodity prices are building, however. We have already seen local petrol prices increase by a cumulative 30% over the last four months to roughly VND14200 per litre. But this is still well below the VND19000 rate at the same time last year. Movements in food prices are even more important given that food & foodstuffs together make up 43% of the CPI basket. Rising inflation is also consistent with our improving growth outlook.

7. Inflation to start picking up soon



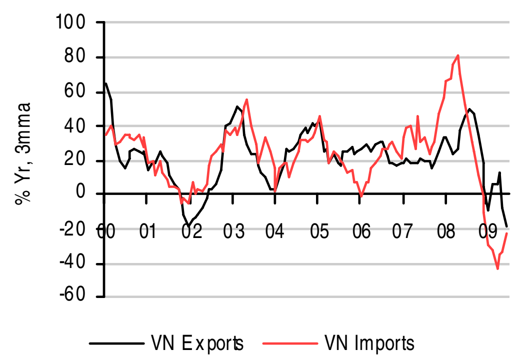
Source: CEIC, HSBC

Trade balance

As we had expected[1] the boost to shipments from gold re-exports has now been exhausted with exports contracting by 26% y-o-y in the May-June period. At the same time the decline in import growth has eased off somewhat as we are past the months with the most favourable base effects. Import growth is also getting support from the pick-up in domestic growth as the monetary and fiscal stimulus feeds through. This has resulted in wider trade deficits of around USD1bn per month, but well below the peak of USD3bn deficit seen last year.

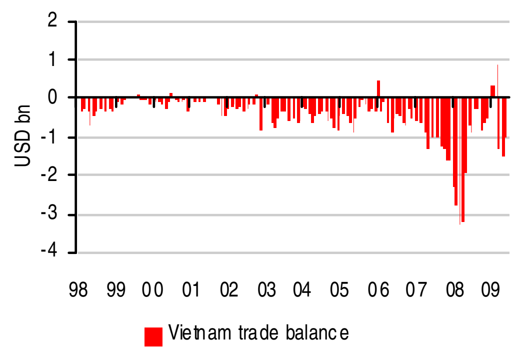
Looking ahead we expect the country to continue posting deficits with our annual trade deficit forecast being around USD8.5bn (9% of GDP) compared with USD17.5bn (22% of GDP) last year.

8. Exports weakening whilst imports picking up



Source: Bloomberg

9. Wider trade deficits



Source: Bloomberg

Policy on hold

As has been our view for some time, the central bank is expected to stay on the sidelines as the massive interest rate cuts announced by it and implicitly by the government in its fiscal plan continue to feed through. However, as inflation risks start gaining momentum we think the risks of hikes will start increasing but that is something that should only materialise well into 2010.

Prakriti Sofat

[1] See *Vietnam Monitor*, Issue 23, May 2009

HSBC

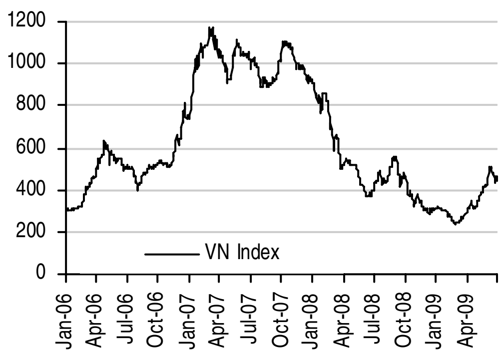
Equity strategy

- The Vietnamese stock market rose 60% in 2Q
- This was driven by local investors; foreigners remained on the sidelines
- As a result of the run-up, valuations now look expensive, with historic PE at 20x

Run-up stretches valuations

The Vietnam Index rose by 60% in April-June, making it the best-performing market in Asia. From the bottom in March to the peak in June, the index was up 117%.

1. Vietnam stock index



Source: Bloomberg

All other data have consequently improved too. Market cap for the two stock exchanges has risen above USD20bn again. There are now two stocks with a market cap over USD1bn, and a total of 12 with a market cap of USD500m of more.

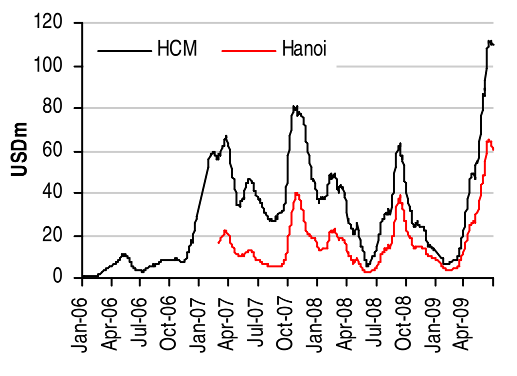
2. Key stock market data

	HCM	Hanoi	Total
Market cap (USD m)	15,724	5,319	21,043
No. of stocks	175	198	373
Stocks with mkt cap >USD1bn	1	1	2
Stocks with mkt cap >USD500m	12	1	13
Stocks with mkt cap >USD200m	18	5	23
Stocks that hit foreign limit	2	4	6
Daily turnover (USDm, 1mth ave)	110	0	110
Foreign ownership	22.7%	15.0%	20.8%
PE – 2008 (x)	19.9	14.3	
ROE	22.9%	17.2%	22.8%
DY	3.8%	5.8%	

Source: HSBC, Bloomberg, HOSE

Most dramatic has been the pick-up in turnover (Chart 3). In June, combined daily turnover on the two exchanges reached an average of USD166m, with one day when it almost hit USD300m. Compare that to the dark days of February when combined average daily turnover was only USD13m.

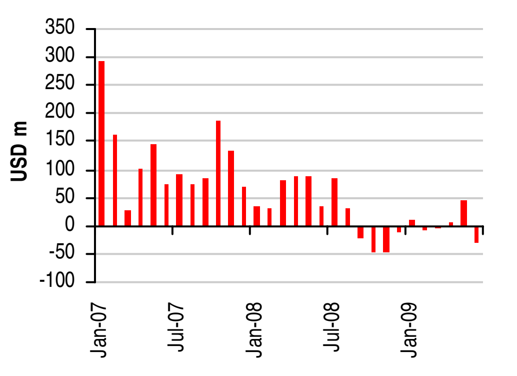
3. Daily trading value on HCM and Hanoi exchanges (20DMA)



Source: Bloomberg

The run-up in stock prices and increase in turnover has been driven by local investors, not foreigners. Foreigners were small net buyers of equities in May (for a total of USD46m), but turned sellers again in June, when they were net sellers of USD28m (Chart 4). In June foreigners comprised only 6.8% of trading value, compared to an average of 22% last year.

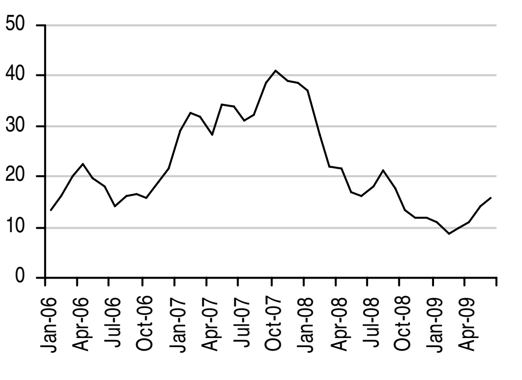
4. Foreign net buying of Vietnamese equities



Source: Bloomberg (to end-June)

The dominance of speculative local investors is a concern for foreign institutions: locals have pushed valuations up to unattractive levels. The Ho Chi Minh Stock Exchange trades on a PE of 19.9x last year's earnings. There are no consensus forecasts for earnings in Vietnam, but if we assume – rather generously – that EPS will grow by 20% both this year and next, that puts the market currently on a 12-month forward PE of 15.6x (Chart 5). That is somewhat more expensive than other markets in Asia: China, for example, is on a forward PE of 14.5x and, in southeast Asia, Indonesia is on 12.8x and Thailand on 10.8x. Given the lack of transparency in Vietnamese company earnings, those valuations seem rather expensive.

5. Estimated 12-month forward PE for VN Index



Source: HSBC

And with one-year government bonds still yielding 8.5% and real estate prices starting to pick up too, local investors are already starting to move onto other assets, which caused the index to correct sharply when it hit 500 in mid-June. Given the volatility, we would not advise international investors to enter this market at current levels of valuation.

Garry Evans

HSBC

6. Key valuation data for the largest listed Vietnamese stocks (market cap >USD200m)

Code	Name	Industry Subgroup	Exchange	Mkt cap (USDm)	Ave daily t/over (USDm)	Foreign ownership	Foreign limit	Room for foreign buying (USDm)	PE	Chg 3M
ACB	ASIA COMMERCIAL BANK	Commer Banks Non-US	Hanoi	1,764	11.79	30%	30%	0	12.7	52%
PVF	PETROVIETNAM FINANCE JSC	Finance-Invest Bnkr/Brkr	HCM	1,129	1.69	13%	30%	195.8	398.1	99%
STB	SAIGON THUONG TIN COMMERCIAL	Commer Banks Non-US	HCM	984	11.71	28%	30%	18.5	19.0	102%
VNM	VIET NAM DAIRY PRODUCTS JSC	Food-Dairy Products	HCM	955	0.84	45%	46%	8.9	13.6	13%
DPM	PETROVIETNAM FERT & CHEMICAL	Chemicals-Diversified	HCM	939	2.54	19%	49%	277.7	12.1	21%
HAG	HAGL JSC	Miscellaneous Manufactur	HCM	701	3.07	16%	49%	231.3	18.1	26%
HPG	HOA PHAT GROUP JSC	Miscellaneous Manufactur	HCM	634	4.53	28%	49%	132.8	12.9	62%
PVD	PETROVIETNAM DRILLING AND WE	Oil-Field Services	HCM	598	1.19	29%	49%	120.5	11.5	22%
FPT	FPT CORP	Telecommunication Equip	HCM	583	3.23	32%	49%	97.2	12.2	43%
SSI	SAIGON SECURITIES INC	Finance-Invest Bnkr/Brkr	HCM	553	8.71	43%	49%	31.6	34.7	107%
VIC	VINCOM JSC	Real Estate Oper/Develop	HCM	541	0.44	5%	49%	235.8	74.5	83%
VIC	VINCOM JSC	Real Estate Oper/Develop	HCM	541	0.44	5%	49%	235.8	74.5	83%
PPC	PHA LAI THERMAL POWER JSC	Electric-Generation	HCM	532	1.57	20%	49%	154.4	-44.5	1%
ITA	TAN TAO INVESTMENT INDUSTRY	Real Estate Oper/Develop	HCM	400	1.51	29%	49%	80.8	23.1	77%
VPL	VINPEARLLAND TOURISM JSC	Resorts/Theme Parks	HCM	376	0.07	18%	49%	118.1	187.7	22%
VPL	VINPEARLLAND TOURISM JSC	Resorts/Theme Parks	HCM	376	0.07	18%	49%	118.1	187.7	22%
SHB	SAIGON - HANOI COMMERICIAL	Commer Banks Non-US	Hanoi	362	n/a	5%	30%	92	33.1	n/a
KBC	KINH BAC CITY DEVELOPMENT SH	Bldg-Residential/Commer	Hanoi	349	1.82	12%	49%	131	22.7	11%
PVS	PETROLEUM TECHNICAL SERVICES	Transport-Services	Hanoi	345	2.07	9%	49%	137	9.9	15%
VCG	VIET NAM CONSTRUCTION & IMPO	Building&Construct-Misc	Hanoi	291	2.33	18%	49%	117	15.4	63%
VSH	VINH SON - SONG HINH HYDROPO	Electric-Generation	HCM	263	0.43	29%	49%	52.4	12.6	8%
SJS	SONGDA URBAN & INDUSTRIAL ZO	Building&Construct-Misc	HCM	220	1.66	34%	49%	32.7	33.0	82%

Source: HSBC, Bloomberg, HOSE (Data as of end-June)

HSBC

Fixed income strategy

- Bank lending caps and interest subsidy schemes have led to credit rationing…
- …which tends to result in a misallocation of capital
- Further VGB weakness is likely unless SBV resorts to further liquidity injections

Attempts by the authorities to kick-start bank lending in order to meet the National Assembly's 5% GDP growth target (1H09: 3.9% y-o-y) have had some unintended consequences. While the VND374trn subsidised lending programme sponsored by the State Bank of Vietnam (SBV) (under which the central bank provides a 4ppt-interest rate subsidy payable over a nine-month period) has been disbursed, the majority of these loans involved the refinancing of existing corporate liabilities.

The outstanding stock of bank loans at the end of June was only 17% higher than at the end of 2008, whereas full disbursement of the VND374trn in subsidised loans would have been equivalent to at least 30% bank lending growth. (The SBV has set a 30% maximum target for bank lending growth for 2009, which compares with an initial projection of 21-23% earlier).

Moreover, the subsidised lending program has resulted in credit rationing given a 10.5% cap on lending rates to corporates. With bank term deposit funding costs currently running at 9-10%, the 10.5% loan ceiling rate encumbers the ability of banks to extend loans to corporates profitably – even with the SBV's 4ppt-interest rate subsidy – as the 50-150bp gross interest margin (before subsidy rebates) does not offer a sufficient margin to compensate for the capital that banks have to set aside against these loans nor for potential credit losses on these loans.

Therefore, a significant proportion of new bank lending has either consisted of:

- Refinancing of existing loans
- Credit provision to preferential borrowers (notably by state-owned banks to SOEs, or state-owned enterprises), which is a situation akin to credit rationing, and
- Credit extension to *consumers* at lending rates between 12% and 15% (the 10.5% loan ceiling cap does not apply to consumer loans).

There are several consequences from these policy measures:

- The liquidity situation among non-SOE corporates reportedly remains tight, although the SBV has stated that a majority of the subsidised loans has gone to the private sector rather than state-owned enterprises.
- Likewise, *term* bank liquidity is tight as much of the available *term* liquidity has been provided for loans to consumers and SOEs. In

turn, banks have started to issue bonds to raise *term* liquidity, although it should be noted that short-term liquidity remains ample as illustrated by the O/N rate being quoted at 5.5-6%, or below the SBV's refinancing rate.

- Credit rationing, which tends to result in a misallocation of capital within an economy: In the case of Vietnam, this may result from the provision of loans to SOEs at subsidised rates, while bank lending to consumers has reportedly contributed to the strong stock market rally in recent months (which in itself represented a recovery from credit-crunch-induced conditions). Moreover, banks have hiked the rate on term deposits to as high as 9-10% in order to expand their consumer loan books in an attempt to boost profitability (see also further below).
- Financial repression – exemplified by the cap on bank lending rates to corporates and the corresponding tightness of bank interest margins – has eroded bank profitability, particularly among state-owned and joint-stock banks that have provided the bulk of the VND374trn in subsidised loans.
- The SBV's subsidised lending programme, which only applies for loans until year-end, may delay a renewed rise in NPLs as and when the repricing of these bank loans beyond year-end dents corporate profitability.

On a separate note, local banks appear to have accumulated significant amounts of VGBs (Vietnam Government Bonds) during the sell-off and subsequent rally in 2008 – booking much of these unrealised gains on VGBs as profit. The flipside of these book gains is that local banks are now very reluctant to sell these VGBs for fear of pushing book valuations on VGBs lower, even when VGB yields are now at lower levels than term deposit rates or yields at which some banks are issuing short-dated paper to raise liquidity. The latter also makes it unlikely that banks will add to their holdings of VGBs.

The negative consequences for bank balance sheets and profitability are exacerbated by the fact that the Finance Ministry and the SBV have begun to raise primary issuance yields higher to attract buyers after repeated auction failures have put the government further behind in its VGB issuance schedule to fund its VND55trn borrowing requirement[2].

Higher VGB yields in both the primary and secondary markets will continue to impair bank balance sheets unless local banks are allowed to transfer VGB holdings from trading and available-for-sale books to their accrual books.

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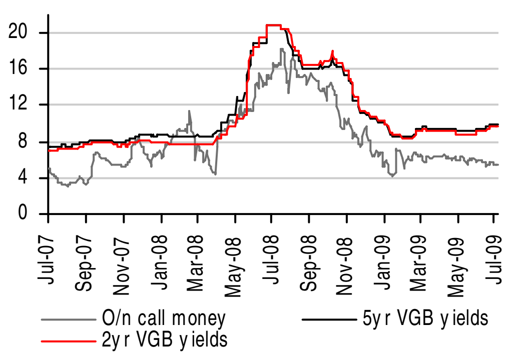
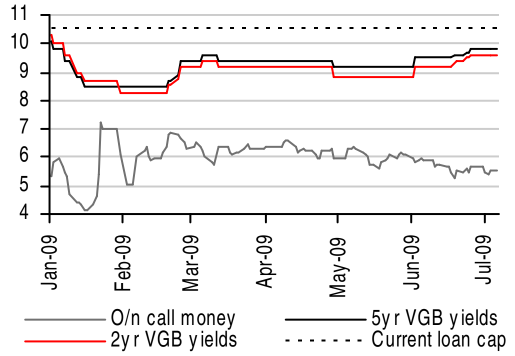
[2] *The IMF, in remarks made to the Vietnam – Informal Mid-Year Consultative Group Meeting on 8-9 June stated that it has recommended the government to limit its 2009 government's financing requirement, which includes a drawdown in government deposits, to 8.5% of GDP.*

1. VGBs rallied in 2H08, leading to unrealised gains in bond holdings...



Source: Reuters, Bloomberg, HSBC Vietnam

2. ...but VGB yields are on the rise again



Source: Reuters, Bloomberg, HSBC Vietnam

Market outlook

The likely outcome of this situation is difficult to predict. Although the IMF has called for monetary tightening in order to rein in rapid bank credit growth and for an elimination of SBV's interest subsidy scheme and the cap on bank lending rates, such measures would impair the authorities' ability to achieve the 5% GDP growth target set by the National Assembly besides potentially contributing to renewed NPLs and a credit crunch.

Alternatively, the authorities may decide to maintain the interest rate caps on bank loans and loan subsidy scheme. However, this would require the SBV to substantially increase the extension of term liquidity to the banking system in order to improve bank term liquidity, reduce bank funding costs as well as to restart the financial intermediation process to non-SOE corporates. Such liquidity provision would also insulate banks from further unrealised book losses on their sizable holdings of VGBs while also allow the government to return quickly to the bond market to fund itself at reasonable VGB yields, although at the risk of a potential rise in inflationary pressure over the medium term.

However, an increased provision of SBV liquidity to the banking system could put upward pressure on the USD/VND, which has thus far depreciated by 4.8% since the start of 2009 amid continued tight liquidity conditions in the USD/VND FX market.

Against this backdrop, we do not recommend exposure to VGBs for the time being.

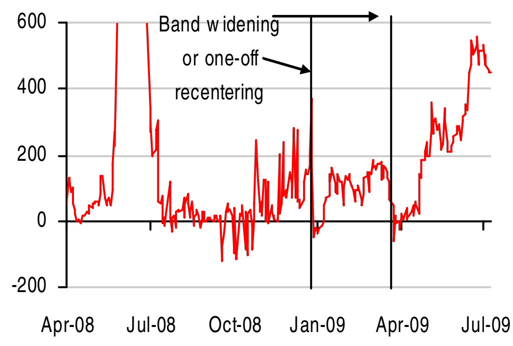
Pieter van der Schaft

FX strategy

- The imbalance in the USD-VND market persists…
- … but things appears stable, if fragile, for the time being
- The next risk to the FX market will likely come from a potential re-widening of the trade deficit

Fragile but stable

1. NDF fix spread over official USD-VND spot

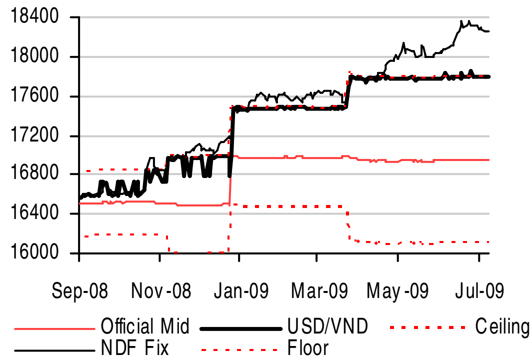


Source: Bloomberg, HSBC

The imbalance in the USD-VND market persists, with the NDF fixing (our favoured indicator of where spot USD-VND should be trading) spread over the official spot widening out to VND450 (Chart 1). Our last article in these pages (see *Vietnam Monitor*, May 2009) noted that the local press had been anticipating an imminent policy response to this imbalance, most likely in the form of the introduction of a USD surrender requirement for exporters. In the event, the government announced that such a policy would not be implemented, nor would the VND be devalued[3].

[3] "Vietnam vows no compulsory forex sales," Reuters, 3 June 2009 and "Central Bank Has No Plans To Devalue Dong," Thanh Nien Daily, 21 May 2009.

2. USD-VND, midpoint, band, and NDF fix



Source: Bloomberg, HSBC

Still, the USD-VND market seems to have entered a period of stability, with the daily NDF fixing consolidating around 18290 (Chart 2). This has probably been helped by more passive policy employed in the background. The central bank has likely been drip-feeding USD liquidity, while the fear of the USD surrender requirement itself may have helped discourage FX hoarding by corporates[4]. The SBV also recently tightened enforcement against methods that could be construed as outside-the-band trading[5]. Although

[4] "Exporters Ease Grip On Dollars," Viet Nam News, 20 May 2009.

[5] "Vietnam bans banks from charging extra for dollars," Bloomberg News, 1 July 2009.

daily FX trading volumes are now below even levels seen at this time last year, low levels of liquidity are probably less of a concern: supply and demand has become more stable and regular – a consequence of a lack of interest and low levels of positioning from short-term investors (see equity section). Thus, with spot now more stable and liquidity less of a concern, policymakers will likely be more comfortable with conditions in the FX market, and continue to only incrementally manage things passively.

For the time being, therefore, FX risks will more likely come from outside, rather than from within the FX market itself. Although growth is rebounding, inflation will not likely be an FX market concern at least through the end of the year. Instead, it may be a potential re-widening of the trade deficit as the domestic recovery gathers steam, which is the next concern for FX markets.

FX market reform still needed

And so we reiterate our view that policymakers should show more flexibility in setting the daily trading band midpoint (though not further widening of the band) in order to realise the gradual depreciation that the NDF market is pricing, and which is in line with the fundamentals. Moreover, a gradual shift should be made to a market-based exchange-rate management regime based on liquidity management (via intervention) from the current non-market-based regime based on a daily fix and trading band. Such improvements to the exchange rate regime would allow the FX market to better manage volatility if market risks return.

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Addendum

Macro framework

	2004	2005	2006	2007	2008	2009f	2010f
Production, demand and employment							
GDP growth (% y-o-y)	7.8	8.4	8.2	8.5	6.2	4.7	6.8
Nominal GDP (USDbn)	45.5	53.0	60.9	71.0	79.5	92.8	106.9
GDP per capita (USD)	555	638	724	833	921	1,061	1,209
Private consumption (% y-o-y)	7.1	7.3	8.3	9.6	7.3	3.4	6.2
Government consumption (% y-o-y)	7.8	8.1	8.6	9.0	5.8	6.5	6.0
Investment (% y-o-y)	10.4	9.7	9.9	23.0	13.2	3.2	6.7
Industrial production (% y-o-y)	17.6	25.5	16.0	11.6	11.8	5.2	11.5
Gross domestic saving (% GDP)	32.0	34.6	35.0	32.5	32.6	31.9	32.0
Unemployment rate, end-year (%)	5.6	5.3	4.8	4.6	4.7	5.4	5.3
Prices							
CPI, average (% y-o-y)	7.8	8.3	7.5	8.3	23.0	7.5	10.1
CPI, end-year (% y-o-y)	9.7	8.8	6.6	12.6	19.9	7.5	10.0
PPI, end-year (% y-o-y)	7.8	4.4	4.2	6.8	20.0	2.0	10.0
Money, FX & interest rates							
Broad money supply M2, average (% y-o-y)	29.5	29.8	33.6	43.2	25.0	15.0	20.0
Real private sector credit growth (% y-o-y)	26.0	28.7	23.5	41.7	4.7	17.5	14.9
Policy rate, end-year (%)	7.50	7.75	7.75	8.25	8.50	7.00	8.00
5yr yield, end-year (%)	8.50	8.75	8.30	8.73	10.00	10.00	10.00
VND /USD, end-year	15,754	15,896	16,050	16,017	17,483	18,200	18,200
VND /USD, average	15,738	15,866	16,006	16,096	16,759	17,961	18,200
VND /EUR, end-year	21,425	18,751	21,164	23,385	24,301	27,300	27,300
VND /EUR, average	20,460	19,753	20,114	22,373	24,405	26,246	27,300
External sector							
Merchandise exports (USDbn)	26.5	32.4	39.6	48.6	63.1	59.7	67.0
Merchandise imports (USDbn)	28.8	33.3	44.4	62.7	80.6	68.4	77.3
Trade balance (USDbn)	-2.3	-0.8	-4.8	-14.1	-17.5	-8.7	-10.3
Current account balance (USDbn)	-1.0	-0.6	-0.2	-7.0	-9.2	-5.2	-5.0
Current account balance (% GDP)	-2.1	-1.1	-0.3	-9.8	-11.6	-5.6	-4.7
Net FDI (USDbn)	1.9	2.0	2.4	6.6	11.5	5.0	6.0
Net FDI (% GDP)	4.1	3.8	3.9	9.3	14.5	5.4	5.6
Current account balance plus FDI (% GDP)	2.0	2.7	3.7	-0.6	2.8	-0.2	0.9
Exports (% y-o-y)	31.4	22.5	22.1	22.7	29.9	-5.4	12.2
Imports (% y-o-y)	26.6	15.7	33.4	41.2	28.5	-15.1	13.0
International FX reserves (USDbn)	7.0	9.0	13.4	23.5	22.0	20.0	23.0
Import cover (months)	2.9	3.2	3.6	4.5	3.3	3.5	3.6
Public and external solvency indicators							
Gross external debt (USDbn)	13.5	14.2	15.6	19.3	21.8	23.0	25.0
Short term external debt (% of int'l reserves)	21.4	17.8	13.4	20.9	21.8	22.5	23.9
Private sector external debt (USDbn)	0.9	1.6	1.7	2.7	3.0	3.0	3.0
Consolidated government balance (% GDP)	-4.9	-4.9	-5.0	-5.0	-5.0	-8.0	-7.0
Primary balance (% GDP)	-3.0	-3.0	-3.5	-3.4	-2.5	-5.0	-4.0
Gross public domestic debt (VNDbn)	7.0	9.2	11.3	12.4	14.5	20.6	26.0
Gross public domestic debt (% GDP)	15.4	17.4	18.6	19.4	20.8	23.0	24.8
Gross public external debt (USDbn)	12.6	12.6	13.9	16.6	18.8	20.0	22.0
Gross public external debt (% GDP)	27.7	23.8	22.9	23.4	23.6	23.0	22.0

Source: HSBC

Disclosure appendix

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