Vietnam |

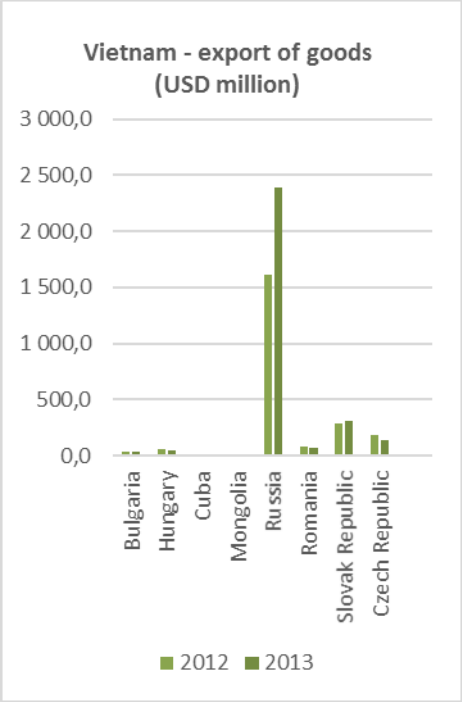
Investment climate

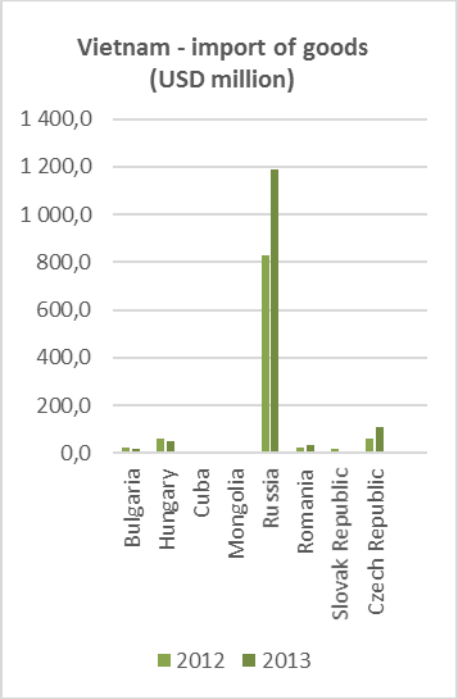
2015 saw the World Bank ranked Vietnam 78th in its Global Competitiveness Report[1]. The country receded slightly from its 72nd place, which it occupied in 2014. At the same time, Vietnam retained its position as one of the southwest Asia's leaders in economic development, outstripping South Korea (GDP growth 3.7% in 2014) and only slightly falling behind China (7.4% in 2014).

In May 2014, Vietnam joined a free trade zone established by the Eurasian Economic Union (EAEU). The Agreement, providing for trade liberalization between EAEU member states and Vietnam by reducing or eliminating customs duties for the majority of goods, while retaining tariff shelter for most sensitive products, will boost mutual trade and the development of its parties' trade and economic ties. Major trade growth is expected in the nearest future between Russia and Vietnam.

Cost of business will continue its growth in 2015-2019 due to infrastructure development and further increase in wages. Real estate prices will start recovering after recent decline owing to a greater interest on the part of foreign investors. In 2014, foreign direct investments (FDI) in Vietnam's real estate industry reached 40% of total investments in the country's economy. Real estate sector is second after processing industry in attracting foreign investments. In 2015, Vietnamese real estate market will remain attractive for foreign investors. Vietnam's forthcoming accedence to Trans-Pacific Partnership Agreement will open up even more opportunities for foreign investors in Vietnam's real estate market.

Trade and economic relations with other Member States of the Bank[2]





Area 331 210 sq. km
Population (2014) ▲ 92.5 million
Unemployment rate (2014) ▼ 3.5%
GDP (2014) ▲ $185.8 billion
GDP growth rate (2014) ▲ 6.0%
Inflation rate (2014) ▼ 4.1%
Annual average exchange rate (2014) ▼ 21199 VND/USD
Sovereign debt (2014) ▲ 56.5% GDP
FDI inflow (2014) ▲ $9.2 billion
FDI outflow (2014) ▼ $1.2 billion

Main industries:
- food processing
- textiles
- engineering
- steel production
- pharmaceuticals
- chemicals
- extraction
- energy

National Development:
- Bank for Investment and Development of Vietnam

Participation in IDBs (share in authorized capital):
- World Bank Group - IBRD (0.07%), IFC (0.05%), IDA (0.24%)
- IMF (0.21%)
- ADB (0.57%)
- AIIB (-)
- IBEC (0,38%)

Exports / Imports (2014): ▲ $149.4 billion/ ▲ $147.6 billion

Exports / Imports, Vietnam's share (2013):
- Bulgaria 0.0% / 0.0%
- Hungary 0.0% / 0.0%
- Cuba 0.0% / 0.0%
- Mongolia 0.0% / 0.0%
- Russia 1.8% / 0.9%
- Romania 0.1% / 0.0%
- Slovak Republic 0.2% / 0.0%
- Czech Republic 0.1% / 0.1%

[1] Source: World Bank Group - Doing Business 2015.
[2] Source: UNCTAD.

Economic development forecast

Real GDP growth reached 6.0% at the end of 2014. Average annual growth is forecasted to reach 6.4% in 2015-2019[3]. Favorable external environment and growing FDIs will boost exports growth. Moreover, Vietnam will be able to capitalize on cheap imports of raw materials from China used for export production. Increase in lending will positively affect internal demand and boost investments.

Annual inflation reached 4.1% at the end of 2014. Inflationary pressure will increase due to accelerated economic growth, recovering internal and external demand and rapid wages growth within the country. Real estate prices will also start recovering owing to increased interest on the part of foreign buyers. However, annual inflation in 2015-2019 will be moderate reaching on average 5.1%.

The State Bank of Vietnam (SBV) will continue implementing its foreign exchange policy with regard to USD. In the last years, the bank was gradually devaluing dong with the aim to boost exports and increase foreign exchange reserve. Stable current account balance surplus, which at the end of 2014 reached USD 8.9 billion (4.8% GDP) will reduce devaluation pressure on national currency in the period of 2015-2019. The dong's exchange rate will drop to 22545 VND/1 USD by 2019, the country's foreign exchange reserves will grow to USD 100 billion.

Current account balance surplus will continue declining towards 0.2% GDP by 2019. Annual average growth in goods and services in 2015-2015 will reach 12.2%. FDIs inflow in 2015-2019 will on average dwell at 10.1% per annum (growth at the end of 2014 reached 9.2%) boosting both consumer confidence and growth of imports. As a result, export surplus will decrease from USD 11.9 billion in 2014 to USD 4.2 billion in 2019. Current account surplus will also shrink from USD 8.9 billion in 2014 to USD 0.6 billion in 2015.

Government budget will remain in deficit due to high costs of infrastructure projects and social security. The deficit, however, will gradually decrease from 4.4% in 2014 to 3.2% in 2019 owing to increase in corporate tax levies and budgetary receipts growth triggered by increased internal demand.

Banking sector

SBV's key targets for 2015 are to stabilize banking sector, increase the stability of the national currency and inhibit price growth. Inflation rate target values for 2015 are established at 5%.

SBV expects economic situation in the banking sector to improve due to decline in risk-bearing transactions, lower interest rates and decrease in a number of non-performing loans.

Establishing a state asset management company in 2013 resulted in a decreased share of non-performing loans in the banking sector, which at the end of October 2014 amounted to 3.9% (compared to 4.2% at the end of June 2014). This indicator's target value at the end of 2015 is planned at 3.0%

At the end of 2014 SBV managed to lower total interest rate by 1.5-2.0%, thus boosting nation's business activities. Key interest rate in Vietnam now reaches 9.0%, while base rate is at 6.5%. It is expected 2015 will see growth of lending by 16.9% (13% at the end of 2014) and depositary base by 14.9%. Interest rates are expected to shrink in Q2 2015 by 0.6-0.7% and by 0.87-1.1% by the end of 2015.

National currency's credibility improved significantly owing to the stability of its exchange rate to USD. National currency depreciated by only 1% at the end of 2014.

[3] Sources hereinafter if not mentioned otherwise - Economist Intelligence Unit, Views Wire, May 2015; Business Monitor International, Vietnam - Country Risk Report, Q2 2015.