

Vietnam Business Forecast Report Q2 2014

<https://marketpublishers.com/r/V8EFA00F95AEN.html>

Date: February 2014

Pages: 47

Price: US\$ 1,195.00 (Single User License)

ID: V8EFA00F95AEN

Abstracts

Includes 3 FREE quarterly updates

Core Views

Evidence of improving macroeconomic fundamentals in Vietnam, a strong real GDP growth reading of 6.0% year-on-year (y-o-y) in Q413, accelerating foreign direct investment inflows, robust remittances and merchandise trade exports, have all reaffirmed our conviction that the Vietnamese economy will begin 2014 on a strong note. We forecast real GDP growth to come in at 5.9% in 2014, versus Bloomberg consensus of 5.5%. We expect benign inflation, improving current account dynamics, and the Vietnamese government's stance on prioritising macroeconomic stability over rapid growth, to continue to underpin the stability of the Vietnamese dong over the coming months. Over the medium term, we see scope for the currency to appreciate to around VND20,560/ US\$ by the end of 2014, supported by a robust outlook for foreign direct investment (FDI) inflows and remittances. We believe that private sector driven economic growth over the coming years should bode well for tax revenue growth and bolster Vietnam's fiscal position. Good progress on fiscal reforms will see Vietnam's budget deficit narrow from a projected 5.1% of GDP in 2013 to 4.0% of GDP by 2015.

Major Forecast Changes

We have revised down our average 2014 headline consumer price inflation forecast from 6.8% to 5.8% to reflect recent data indicating benign inflationary pressures.

Key Risks To Outlook

Downside Growth Risks From Rising Commodity Prices: Should commodity prices witness a strong rebound in 2014, we could see the central bank adopting a more

hawkish stance on monetary policy. The risk of having to hike interest rates aggressively would present significant downside risks to economic growth. Further Deterioration In External Demand: Vietnam's trade account has been holding up well and has recorded surpluses in recent months. However, should we see a deterioration in the trade balance, we would not be surprised to see the Vietnamese dong coming under further selling pressures.

Contents

Core Views
Major Forecast Changes
Key Risks To Outlook

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis

BMI Political Risk Ratings foreign Policy

We believe that China's growing military presence in the region will continue to dominate Vietnam's foreign policy agenda over the coming years. Vietnam is likely to continue to fall further behind in an arms race with China due to the latter's wide technological lead with regards to its military capabilities and stronger financial position. Nonetheless, we expect Hanoi to maintain a sizeable defence budget over the coming years.

Table: Political Overview

Long-Term Political Outlook

Key Political Challenges Over The Coming Decade

Vietnam's biggest political question over the coming decade is whether one-party rule under the Communist Party of Vietnam (CPV) will face growing calls for democratisation, as was the case in other major South East Asian countries. While our core scenario envisages the CPV transforming itself into a technocratic administration, it faces major economic challenges which if mismanaged could lead to widespread unrest. On the foreign policy front, we expect an increasingly powerful China to drive Vietnam further into the camp of Asian nations with close relations with the US.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

Starting 2014 On A Firm Footing

Vietnam's latest real GDP reading, which showed that the economy expanded by 6.0% y-o-y in Q413, has reaffirmed our conviction that the Vietnamese economy will begin 2014 on a strong note. Not only are we witnessing more evidence of a sustained pick-up in production activity and employment in the manufacturing sector, but we also expect foreign direct investment (FDI) inflows to accelerate as the economic recovery gathers pace over the coming quarters. We forecast real GDP growth to come in at 5.9

% in 2014, versus Bloomberg consensus of 5.5%.

Table: ECONOMIC ACTIVITY

Monetary Policy

New Credit Growth Target Suggests Monetary Policy To Be Kept On Hold

We see limited scope for the State Bank of Vietnam (SBV) to adjust its monetary policy over the coming quarters. While monetary tightening could risk undermining the nascent economic recovery, further easing by the SBV is also likely to have very little impact on economic growth as banks remain saddled with debt. We reiterate our view that the SBV will keep its benchmark refinancing rate on hold at 7.00% throughout 2014.

Table: MONETARY POLICY

Balance of Payments

De-Dollarisation Efforts Bearing Fruit the Vietnamese dong has remained stable within a narrow range of VND20,815/US\$-VND21,238/US\$ since the beginning of 2012, and we expect this trend to continue as we head into 2014. Furthermore, there is increasing evidence that the economy is evolving rapidly to become less reliant on the US dollar. We believe that Vietnam's improving macroeconomic fundamentals (benign inflation, robust current account dynamics) will continue to play a major role in supporting the SBV's de-dollarisation efforts over the years.

Table: CURRENT ACCOUNT

Fiscal Policy

Bearish Sentiment To Turn In Light Of Progress On Fiscal Reforms

We continue to see room for sentiment towards the country's sovereign credit ratings to improve. We view recent moves by the Vietnamese government to liberalise fuel and electricity price controls as a positive sign that further reforms may be forthcoming. Furthermore, we believe that private sector driven economic growth over the coming years should bode well for tax revenue growth.

Good progress on fiscal reforms will see Vietnam's budget deficit narrow from a projected 5.1% of GDP in 2013 to 4.0 % of GDP by 2015.

Table: FISCAL POLICY

CHAPTER 3: 10-YEAR FORECAST

the Vietnamese Economy to 2023

Vietnam's growth prospects over the next decade remain positive in our view, as reflected by our bullish forecasts for real GDP growth to average 6.2% over 2014-2023. We foresee a more stable economic environment, with inflation averaging a benign 5.8% and a relatively balanced current account through 2014, before witnessing a mild surplus averaging 1.9% of GDP from 2015-2023.

Table: Long-Term Macroeconomic Forecasts

CHAPTER 4: BUSINESS ENVIRONMENT

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

Table: BMI Business And Operation Risk Ratings

Table: BMI Legal Framework Rating

Table: Labour Force Quality

Table: Asia Annual FDI Inflows

Table: Trade And Investment Ratings

CHAPTER 5: KEY SECTORS

Autos

Table: Autos Sales , 2011-2018 (VAMA Members)

Table: Autos Production, 2011-2018

Table: Autos Trade, 2011-2018

Food And Drink

Table: Food Consumption Indicators – Historical Data & Forecasts , 2010-2017

Table: Alcoholic Drinks Volume /Value Sales – Historical Data & Forecasts , 2010-2017

Table: Mass Grocery Retail Sales By Format – Historical Data & Forecasts , 2010-2017

Other Key Sectors

Table: Freight Key Indicators

Table: Oil & Gas Sector Key Indicators

Table: Pharma Sector Key Indicators

Table: Telecoms Sector Key Indicators

Table: Defence and Security Sector Key Indicators

Table: Infrastructure Sector Key Indicators

CHAPTER 6: BMI GLOBAL ASSUMPTIONS

Global Outlook

Fairly Benign Prognosis... With Risks

Table: Global Assumptions

Table: Developed States , Real GDP Growth, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH

FORECASTS, %

Table: Emerging Markets , Real GDP Growth , %

I would like to order

Product name: Vietnam Business Forecast Report Q2 2014

Product link: <https://marketpublishers.com/r/V8EFA00F95AEN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/V8EFA00F95AEN.html>