MACROECONOMIC AND DEBT SUSTAINABILITY ASSESSMENT[1]

Based on the LIC Debt Sustainability Analysis (DSA), Vietnam is at low risk of external debt distress.[2] Although public and publicly guaranteed (PPG) external debt and total public debt are below vulnerability thresholds and benchmarks under the baseline scenario, overall debt is becoming a concern due to an increase in domestic debt and prospects for loose fiscal policy going forward. Public debt indicators are significantly higher than in the previous DSA, and are projected to worsen in the medium-term before beginning to decline. Specifically, the PPG debt ratio is expected to rise to around 60 percent of GDP in 2017 before falling to around 48 percent of GDP at the end of the projection period. The ratio of debt service to revenue is also projected to rise throughout most of the projection period as the level of concessionality of Vietnam's debt is projected to decline. A scenario that keeps the primary fiscal deficit fixed at its 2013 level would result in unsustainable debt dynamics. An alternative scenario that simulates banking sector distress could also bring the present value (PV) of debt-to-GDP ratio above the benchmark for public debt for most of the projection period.[3]

A. Background

Vietnam's debt has been rising rapidly in recent years. This has mainly been due to increases in the PPG domestic debt, while external debt has been relatively stable. At end-2013, the total external debt (including private sector debt) amounted to 38.5 percent of GDP, while the public and PPG external debt amounted to 26.5 percent of GDP. The domestic PPG debt amounted to 25 percent in 2013, leading the total PPG debt (domestic and external) to 51.6 percent of GDP. The recent increase in domestic debt is mainly related to domestic fiscal financing requirements in 2012–13, which were significantly higher than projected during the last DSA.

This DSA covers the public and publicly guaranteed external debt and the domestic debt of the general public sector, including the central government, local governments and state-owned enterprises (SOEs). On the external side, 11 percent of GDP is owed to multilateral creditors, 9½ percent of GDP to bilateral creditors, and 1 percent of GDP to commercial creditors. An additional 5 percent of GDP is publicly guaranteed debt of SOEs, largely commercial. Private external debt is estimated at 5.6 percent of GDP. The level of concessionality of PPG external debt has a grant element estimated at about 12 percent.

On the domestic side, about 13 percentage points of GDP of domestic debt consists of marketable and nonmarketable securities (bonds) and about 6 percentage points consists of loans and advances from the private sector financial institutions. An additional 6 percentage points consists of domestic publicly guaranteed debt of the SOEs. Domestic debt is in local currency and the effective nominal interest rate has remained at around 5 percent between 2010 and 2013. The government issues bonds in the domestic market, with an average term at

[1] Based on International Monetary Fund Staff Report for the 2014 Article IV Consultation. This assessment was prepared by the staffs of the International Monetary Fund and the International Development Association in consultation with the Asian Development Bank.

[2] Vietnam's policies and institutions, as measured by the World Bank's Country Policy and Institutional Assessment, averaged 3.78 over the past three years, placing it as a "strong performer." The relevant indicative thresholds for this category are 50 percent for the present value (PV) of the debt-to-GDP ratio, 200 percent for the PV of the debt-to-exports ratio, 300 percent for the PV of the debt-to-revenue ratio, 25 percent for the debt service-to-exports ratio, and 200 percent for the debt-service-to-revenue-ratio. These thresholds are applicable to public and publicly guaranteed (PPG) external debt.

[3] This DSA was prepared jointly by Bank and Fund staff, in consultation with the Asian Development Bank (ADB). The debt data underlying this exercise were provided by the Vietnamese authorities and donor partners. Data beyond end-2013 are staff estimates and projections.

3.8 years in 2013, and a coupon ranging from 7.5 to 9 percent. These are mostly held by banks, with a small proportion (about 7 percent of the outstanding stock) held by nonresidents.

B. Underlying Assumptions

The assumptions for this DSA differ from the previous DSA in a number of areas (Box 1):

- *Slightly higher near-term growth*. The previous DSA had real GDP growth rising to 5½ percent through 2020, and stable thereafter. This DSA assumes real GDP growth rising gradually to 6 percent through 2020 in line with potential, and then declining in the long term to 5½ percent as the demographic dividend abates and the economy matures.

- *Lower inflation*. This is in line with the lower inflation outcome for 2013 and projections for a continued negative output gap in the medium-term, closing only gradually.

- *Higher net borrowing by the government*. The previous DSA assumed a fiscal consolidation starting in 2013. This DSA assumes that net borrowing by the government continues at a high level in line with a loose fiscal policy through 2017 that brings the debt ratio to 60 percent of GDP, before beginning a gradual consolidation thereafter.

- *The authorities' financing strategy going forward relies increasingly on domestic debt*, as they have emphasized the need to develop the domestic debt market. In addition, as the concessionality of external debt is reduced in line with Vietnam's graduation from low-income status in 2017, the advantage of accessing external debt will diminish.

C. External DSA

Under the baseline scenario, the ratio of the PV of PPG external debt to GDP is projected to decline in the long-term, and to remain well below the relevant thresholds (Figure 1). In addition, the ratio of the PV of PPG external debt to exports and to revenue also declines gradually during the projection period and remains well below the relevant thresholds. The debt-service to revenue ratio is projected to rise in the medium-term before declining gradually, largely because the grace period for recent borrowing is ending and revenue growth is projected to slow down. If remittances are included in the denominator of the debt indicator calculations these results continue to hold.

Alternative scenarios suggest that the PV of PPG external debt is most sensitive to a one-time depreciation of the exchange rate, but even under these scenarios the debt would remain well below thresholds. Under an historical scenario stress test (not shown in the charts), which projects debt ratios based on real GDP growth, the GDP deflator, the non-interest current account and new FDI flows set at their 10-year historical average, the ratios of the present value of debt to GDP, exports and revenue would all become negative over the long-term. This reflects the historical non-interest current account surplus, the high level of FDI inflows and the high grant element of Vietnam's external debt in the last 10 years.

D. Public DSA

Public debt remains below the thresholds for distress in the baseline, but without a gradual consolidation the risk of debt distress could rise rapidly (Figure 2). Public sector debt is projected to increase in nominal terms, reaching around 60 percent of GDP by 2017. As noted above, the assumptions underlying this scenario are that a gradual consolidation takes place such that the debt ratio begins to decline after reaching this level from 2020 forwards. The ratio of the PV of debt to GDP also rises before beginning a gradual decline. However, at all times it is below the benchmark of 74 percent of GDP.

Alternative scenarios highlight the growing vulnerability to debt distress. The scenario that keeps the primary balance at its 2013 level (a deficit of 4 percent of GDP) would result in the PV of debt to GDP becoming unsustainable and rising throughout the projection period.
Under the alternative scenario that includes a one-time nominal depreciation of the exchange rate by 30 percent in the first year of the projection period (the most extreme shock), the ratio of the PV of debt to GDP rises to about 10 percentage points below the benchmark in 2016–18 before beginning to decline thereafter. These scenarios illustrate the increased risk that the current profile of debt and fiscal policy imply for public debt.

Under a customized scenario that simulates banking sector distress, the public debt would breach the benchmark. The scenario assumes an additional 15 percent of GDP in liabilities absorbed by the government over the first two years of the projection period, with GDP growth falling to 3 percent in both years before returning to its baseline path. Additional debt is assumed to be domestic and on similar terms to the current domestic debt (five years maturity and 7 percent coupon). Under this scenario the PV of debt to GDP would hit the benchmark of 74 percent around 2019 and remain above the benchmark for most of the projection period. The PV of debt to revenue ratio would rise to over 350 percent, and the debt service to revenue ratio would rise to over 70 percent in the long-term. These ratios would be higher if financing conditions were less favorable.

E. Conclusion

Debt indicators remain below thresholds for distress, but are moving toward increasing risk. Current indicators place Vietnam at low risk of debt distress. For external debt, Vietnam's current account surpluses and foreign direct investment flows help keep the risk of debt distress well below benchmark levels. However, for the total public debt, the fixed primary balance stress test indicates that maintaining primary deficits at their current level going forward would result in an increase of the ratio of PV of debt to GDP to unsustainable levels. As well, domestic interest rates and/or private external debt could increase as public financing pressures build. A worst case scenario stress test for the public debt (a one-time nominal depreciation of 30 percent in the first year of the projection period) would bring the PV of debt to GDP ratio to within 10 percent of the threshold level for debt distress in 2016–18. A bank distress scenario that adds 15 percent of GDP to the public debt in two years would bring the public debt above the threshold for most of the projection period. This highlights the increasing vulnerability of Vietnam's current debt path, particularly to a large debt shock.

The authorities broadly agree with the DSA. They agree that the risk of external debt distress remains very low, but the profile of public debt has worsened relative to last year. The authorities see the recent public debt increase as necessary to finance ongoing public investment projects, but recognize that it is reaching levels that warrant increased attention. Nevertheless, they pointed out that the debt ratio remains well below the 65 percent of GDP limit that has been imposed by the National Assembly. Should debt continue to rise as in the baseline, the authorities stated that they would begin a consolidation. They recognize the risks surrounding the strategy to address banking and SOE reforms, but continued to emphasize that budgetary resources would not be used to recapitalize banks or restructure SOE debt.

Box 1. Vietnam: Key Macroeconomic Assumptions for the Baseline Scenario, 2014–34

Real GDP growth is projected at 5.6 percent in 2014, and rising gradually to 6 percent in 2018–2020. After 2020 growth is projected to decline gradually to 5½ percent as the demographic dividend dissipates and the economy matures.

Inflation is projected to decline gradually from its level of 6 percent in 2013 to 4½ percent in the medium- and long-term. This is related to a negative output gap, and in the long run an assumed implicit policy objective of maintaining inflation around mid-single digits.

The current account is expected to remain in surplus in the near-term due to strong export growth related to foreign direct investment and demand from major trading partners, while imports remain subdued in line with domestic economic activity. In the medium-term the current account is expected to deteriorate as the economy recovers, and reach the deficit "norm" of 4½ percent in the long term, mostly financed by continued FDI flows.

The capital and financial account surplus which moved into a small deficit in 2013 is projected to continue to be negative in 2014 as international interest rates rise. In the medium-term the capital and financial account is expected to stabilize at a surplus of around 3½ percent of GDP related to FDI inflows and a gradual expansion and opening of the domestic capital market.

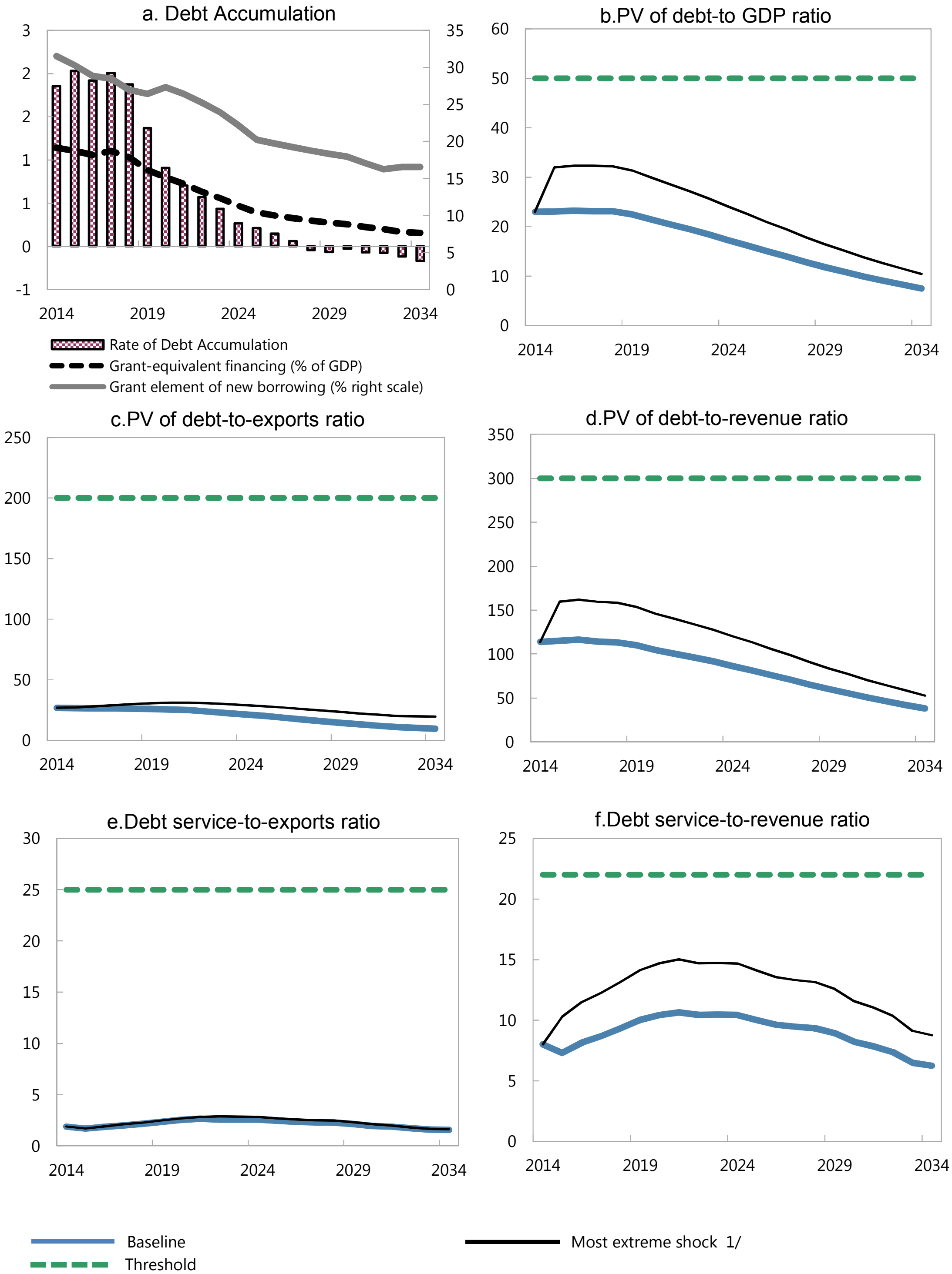
Reserve coverage is expected to remain at around 2½ months of imports in 2014, but to rise to about 3½ months of imports by 2016 and stabilize at this level thereafter.

The effective average interest rate on foreign borrowing is expected to be about 2 percent in 2014 reflecting the concessionality of borrowing in the short-term, but to rise to about 3½ percent in the long run. Interest rates on external borrowing are expected to rise only gradually as the average maturity of the current external debt is long (over 12 years) and most loans (over 90 percent) are at fixed interest rates.

Net borrowing by government is projected to be high in 2014, and continue at a high though declining level through 2017, to bring the debt ratio to around 60 percent of GDP. It is expected to decline in the long run, to bring the overall debt ratio to around 48 percent of GDP by 2034. The primary deficit is expected to be around 5 percent of GDP in 2014 and to decline gradually to around 2 percent of GDP in 2019. Maturing international bonds are assumed to be rolled over.

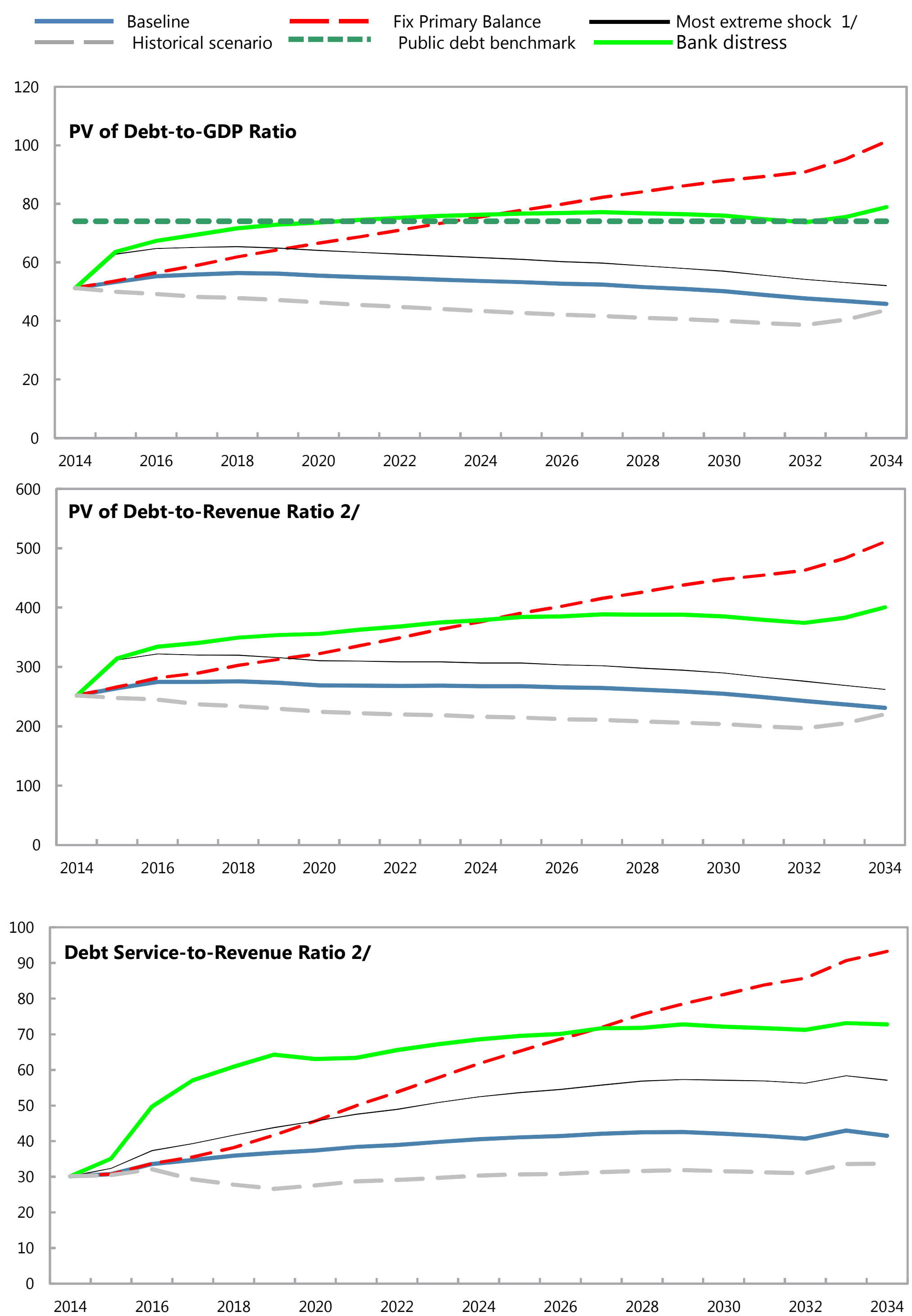
Contingent liabilities or exceptional financing are not assumed in the baseline scenario.

Figure 1. Vietnam: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2014-2034 1/



Sources: Vietnamese authorities; and IMF staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a One-time depreciation shock; in c. to a Terms shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock.

Figure 2. Vietnam: Indicators of Public Debt - Alternative Scenarios, 2014-2034 1/



Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.
2/ Revenues are defined inclusive of grants.

Table 1. Vietnam: External Debt Sustainability Framework, Baseline Scenario, 2011-34 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2034	2020-2034 Average
External debt (nominal) 1/	**38.8**	**38.0**	**38.5**			**38.1**	**38.3**	**38.9**	**39.1**	**39.0**	**38.3**		**31.7**	**17.9**	
of which: public and publicly guaranteed (PPG)	28.3	27.0	26.5			26.4	26.7	27.1	27.3	27.5	27.1		21.8	10.1	
Change in external debt	0.2	-0.8	0.4			-0.4	0.2	0.7	0.2	-0.1	-0.7		-1.4	-1.7	
Identified net debt-creating flows	-11.1	-15.7	-13.3			-10.1	-9.2	-8.4	-6.9	-4.9	-3.6		-0.1	1.3	
Non-interest current account deficit	**-1.0**	**-6.8**	**-6.2**	**1.5**	**5.6**	**-4.9**	**-4.2**	**-3.5**	**-2.2**	**-0.3**	**0.8**		**3.6**	**3.5**	3.7
Deficit in balance of goods and services	2.7	-4.7	-4.3			-2.1	-1.7	-1.2	0.2	2.1	3.2		4.8	3.6	
Exports	78.5	79.8	83.6			85.9	86.4	88.0	87.8	88.1	86.7		81.1	78.4	
Imports	81.1	75.1	79.3			83.8	84.7	86.8	88.1	90.2	89.9		85.9	82.0	
Net current transfers (negative = inflow)	-6.5	-5.3	-5.6	-6.5	0.9	-5.2	-4.9	-4.7	-4.4	-4.2	-4.0		-2.8	-0.8	-2.1
of which: official	-0.3	-0.2	-0.4			-0.3	-0.3	-0.2	-0.2	-0.2	-0.2		0.0	0.0	
Other current account flows (negative = net inflow)	2.8	3.2	3.6			2.4	2.3	2.3	2.0	1.9	1.7		1.5	0.8	
Net FDI (negative = inflow)	**-4.7**	**-4.5**	**-4.4**	**-4.7**	**2.0**	**-4.0**	**-3.9**	**-3.8**	**-3.7**	**-3.5**	**-3.4**		**-2.9**	**-1.7**	-2.5
Endogenous debt dynamics 2/	**-5.4**	**-4.4**	**-2.7**			**-1.2**	**-1.1**	**-1.1**	**-1.1**	**-1.1**	**-1.1**		**-0.7**	**-0.6**	
Contribution from nominal interest rate	0.8	0.8	0.7			0.7	0.8	0.9	1.0	1.0	1.1		1.0	0.4	
Contribution from real GDP growth	-2.0	-1.8	-1.9			-1.9	-2.0	-2.0	-2.1	-2.1	-2.2		-1.7	-1.0	
Contribution from price and exchange rate changes	-4.2	-3.5	-1.5			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**11.3**	**14.9**	**13.7**			**9.7**	**9.4**	**9.1**	**7.1**	**4.9**	**2.9**		**-1.3**	**-3.0**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	35.2			34.7	34.6	35.1	35.0	34.6	33.7		27.2	15.2	
In percent of exports	...	...	42.1			40.4	40.1	39.8	39.8	39.3	38.9		33.5	19.4	
PV of PPG external debt	**...**	**...**	**23.2**			**23.0**	**23.0**	**23.2**	**23.1**	**23.1**	**22.5**		**17.3**	**7.5**	
In percent of exports	**...**	**...**	**27.8**			**26.8**	**26.7**	**26.4**	**26.3**	**26.2**	**26.0**		**21.3**	**9.6**	
In percent of government revenues	**...**	**...**	**102.1**			**113.9**	**115.0**	**116.3**	**114.3**	**113.5**	**110.1**		**86.4**	**38.0**	
Debt service-to-exports ratio (in percent)	**3.6**	**3.7**	**2.8**			**3.1**	**2.9**	**2.9**	**3.0**	**3.5**	**3.7**		**3.8**	**2.6**	
PPG debt service-to-exports ratio (in percent)	**2.3**	**2.3**	**1.5**			**1.9**	**1.7**	**1.9**	**2.0**	**2.2**	**2.4**		**2.6**	**1.6**	
PPG debt service-to-revenue ratio (in percent)	**7.0**	**8.4**	**5.6**			**8.0**	**7.3**	**8.2**	**8.7**	**9.3**	**10.0**		**10.4**	**6.2**	
Total gross financing need (Billions of U.S. dollars)	2.5	-5.1	-5.0			-0.8	0.3	2.1	5.8	12.2	16.7		34.2	68.8	
Non-interest current account deficit that stabilizes debt ratio	-1.2	-6.0	-6.7			-4.5	-4.4	-4.2	-2.4	-0.2	1.6		5.0	5.2	
Key macroeconomic assumptions															
Real GDP growth (in percent)	6.2	5.2	5.4	6.4	0.9	5.5	5.6	5.7	5.8	5.9	6.0	5.7	5.5	5.5	5.6
GDP deflator in US dollar terms (change in percent)	12.3	9.8	4.0	9.0	6.2	4.4	3.1	1.5	2.9	2.4	2.5	2.8	2.5	2.4	2.6
Effective interest rate (percent) 5/	2.6	2.4	2.0	2.6	0.4	2.1	2.4	2.6	2.8	2.9	3.0	2.6	3.1	2.3	3.0
Growth of exports of G&S (US dollar terms, in percent)	32.5	17.6	14.9	20.4	11.9	13.1	9.6	9.2	8.7	8.8	7.0	9.4	7.6	5.0	7.6
Growth of imports of G&S (US dollar terms, in percent)	25.1	7.0	15.8	18.4	13.7	16.3	10.1	9.9	10.4	11.0	8.3	11.0	7.3	5.0	7.7
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	31.5	30.3	28.8	28.5	27.0	26.4	28.8	22.2	16.6	20.4
Government revenues (excluding grants, in percent of GDP)	25.4	22.3	22.8			20.2	20.0	20.0	20.3	20.3	20.5		20.0	19.8	19.9
Aid flows (in Billions of US dollars) 7/	7.7	7.0	5.3			4.1	4.2	4.5	5.1	5.1	5.0		4.2	3.4	
of which: Grants	0.6	0.5	0.2			0.2	0.2	0.2	0.2	0.2	0.2		0.2	0.2	
of which: Concessional loans	7.1	6.6	5.0			3.8	4.0	4.2	4.9	4.8	4.8		4.0	3.2	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			1.1	1.1	1.1	1.1	1.0	0.9		0.5	0.2	0.4
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			34.1	32.6	30.9	30.3	28.6	28.2		24.0	18.2	22.1
Memorandum items:															
Nominal GDP (Billions of US dollars)	134.6	155.6	170.6			187.8	204.5	219.4	238.8	259.0	281.4		420.4	933.6	
Nominal dollar GDP growth	19.4	15.6	9.6			10.1	8.9	7.3	8.9	8.5	8.7	8.7	8.2	8.0	8.3
PV of PPG external debt (in Billions of US dollars)			39.5			42.6	46.4	50.4	54.8	59.2	62.8		72.0	69.7	
(PVt-PVt-1)/GDPt-1 (in percent)						1.9	2.0	1.9	2.0	1.9	1.4	1.8	0.3	-0.2	0.2
Gross workers' remittances (Billions of US dollars)	8.3	7.9	8.9			9.1	9.4	9.7	10.1	10.5	10.9		11.7	7.8	
PV of PPG external debt (in percent of GDP + remittances)	...	...	22.1			22.0	22.0	22.3	22.2	22.2	21.7		16.8	7.5	
PV of PPG external debt (in percent of exports + remittances)	...	...	26.2			25.4	25.3	25.1	25.1	25.1	24.9		20.6	9.5	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	1.4			1.8	1.6	1.8	1.9	2.1	2.3		2.5	1.6	

Sources: Vietnamese authorities; IMF estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 2. Vietnam: Public Sector Debt Sustainability Framework, Baseline Scenario, 2011-34

(In percent of GDP, unless otherwise indicated)

	Actual					Projections									
	2011	2012	2013	Average 5/	Standard Deviation 5/	2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	**46.7**	**48.5**	**51.6**			**54.7**	**56.9**	**59.1**	**60.0**	**60.7**	**60.7**		**58.2**	**48.4**	
of which: foreign-currency denominated	28.3	27.0	26.5			26.4	26.7	27.1	27.3	27.5	27.1		21.8	10.1	
Change in public sector debt	-1.6	1.8	3.1			3.1	2.2	2.2	1.0	0.7	-0.1		-0.6	-1.2	
Identified debt-creating flows	-5.0	1.3	2.6			2.9	1.2	1.4	-0.3	-0.6	-1.0		-1.3	-5.7	
Primary deficit	-0.1	5.3	4.1	1.4	2.4	4.9	4.5	3.9	3.0	2.3	2.0	3.4	1.6	-3.6	0.9
Revenue and grants	25.9	22.6	22.9			20.3	20.1	20.1	20.3	20.4	20.5		20.1	19.8	
of which: grants	0.4	0.3	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.0	0.0	
Primary (noninterest) expenditure	25.7	27.9	27.0			25.2	24.6	24.0	23.3	22.7	22.5		21.7	16.2	
Automatic debt dynamics	-7.8	-5.5	-2.8			-3.2	-3.6	-2.9	-3.6	-3.2	-3.3		-2.9	-2.1	
Contribution from interest rate/growth differential	-9.7	-5.2	-3.1			-4.0	-4.3	-3.5	-4.0	-3.6	-3.8		-3.3	-2.1	
of which: contribution from average real interest rate	-6.8	-2.9	-0.6			-1.3	-1.4	-0.4	-0.8	-0.3	-0.3		-0.3	0.5	
of which: contribution from real GDP growth	-2.8	-2.3	-2.5			-2.7	-2.9	-3.1	-3.2	-3.3	-3.4		-3.1	-2.6	
Contribution from real exchange rate depreciation	1.8	-0.2	0.3			0.7	0.7	0.6	0.5	0.5	0.5		...	...	
Other identified debt-creating flows	2.9	1.4	1.3			1.3	0.4	0.3	0.3	0.3	0.3		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	2.9	1.4	1.3			1.3	0.4	0.3	0.3	0.3	0.3		0.0	0.0	
Residual, including asset changes	3.4	0.5	0.5			0.1	0.9	0.8	1.2	1.3	1.0		0.7	4.5	
Other Sustainability Indicators															
PV of public sector debt	**...**	**...**	**48.4**			**51.3**	**53.3**	**55.2**	**55.9**	**56.3**	**56.1**		**53.7**	**45.8**	
of which: foreign-currency denominated	...	...	23.2			23.0	23.0	23.2	23.1	23.1	22.5		17.3	7.5	
of which: external	...	...	23.2			23.0	23.0	23.2	23.1	23.1	22.5		17.3	7.5	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	4.4	10.3	10.3			12.2	11.7	11.8	11.3	10.9	10.8		11.1	6.2	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	211.3			252.1	264.3	275.0	274.7	275.8	273.1		267.3	231.1	
PV of public sector debt-to-revenue ratio (in percent)	...	...	212.6			253.7	265.8	276.4	275.9	276.9	274.1		267.9	231.3	
of which: external 3/	...	...	102.1			113.9	115.0	116.3	114.3	113.5	110.1		86.4	38.0	
Debt service-to-revenue and grants ratio (in percent) 4/	16.3	21.9	22.5			30.1	30.7	33.6	34.7	35.9	36.8		40.6	41.5	
Debt service-to-revenue ratio (in percent) 4/	16.6	22.2	22.6			30.3	30.9	33.7	34.9	36.0	36.9		40.6	41.6	
Primary deficit that stabilizes the debt-to-GDP ratio	1.5	3.5	1.0			1.8	2.3	1.7	2.0	1.6	2.0		2.2	-2.4	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	6.2	5.2	5.4	6.4	0.9	5.5	5.6	5.7	5.8	5.9	6.0	5.7	5.5	5.5	5.6
Average nominal interest rate on forex debt (in percent)	2.6	2.5	1.9	2.3	0.2	2.1	2.2	2.4	2.6	2.8	3.1	2.5	3.1	1.6	2.9
Average real interest rate on domestic debt (in percent)	-14.4	-4.8	0.5	-6.1	5.0	-1.1	-1.8	0.2	-0.6	0.2	0.1	-0.5	0.1	1.6	0.3
Real exchange rate depreciation (in percent, + indicates depreciation)	7.9	-1.0	1.3	3.1	3.6	3.0	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	21.3	10.9	4.8	12.3	6.2	6.4	6.2	4.2	5.1	4.3	4.4	5.1	4.5	4.4	4.6
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.7	14.2	1.9	1.2	4.9	-1.4	3.1	3.1	2.8	3.0	5.0	2.6	4.7	-4.5	3.4
Grant element of new external borrowing (in percent)	...	...	...	...	...	31.5	30.3	28.8	28.5	27.0	26.4	28.8	22.2	16.6	...

Source: Vietnamese authorities; and IMF staff estimates and projections.

1/ General government gross debt.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.