

A new era of policy for performance: The evolution of Vietnam's economy and capital markets



Hung Nguyen, CFA
Senior Economist

Macroeconomics:

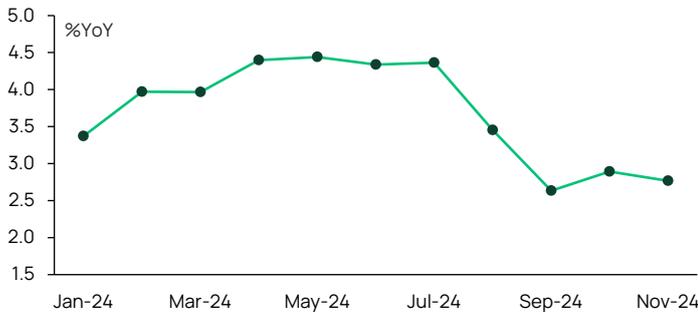
- ▶ Mixed November results saw exports grow 8.2% YoY to \$33.7bn, and IIP rise 2.3%, while PMI softened MoM from 51.3 to 50.5 amid external pressures.
- ▶ Public investment disbursement reached 60.4% of the annual target, facing challenges to meet the 95% goal.
- ▶ The National Assembly passed several major laws to accelerate economic development and efficiency, with a GDP growth target of 7% in 2025.

Stock Market:

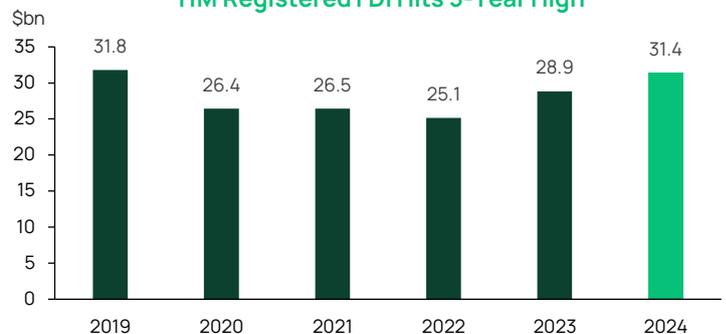
- ▶ The VNI experienced significant volatility due to increased foreign net selling, resulting in a 1.2% decline in November and a YTD performance of +7.8% (TR\$).
- ▶ The foreign selling peaked at \$577mn before ending the month at \$540mn as valuations hit low levels.
- ▶ Key market developments, including the potential FTSE EM upgrade in 2025, are expected to attract increased investor interest and capital inflows.

CHARTS OF THE MONTH

Inflation Well Managed at 3.2%



11M Registered FDI Hits 5-Year High



Monthly Insights

Vietnam had mixed economic results in November. Export activities grew by 8.2% YoY, reaching \$33.7bn, while imports rose by 13.6% to \$32.6bn, resulting in a trade surplus of approximately \$1.1bn. Industrial growth remained strong but decelerated slightly, with IIP up 2.3% MoM and 8.9% YoY, below Q3's 10% average, partly due to Typhoon Yagi and trade uncertainties under Trump 2.0. Vietnam's PMI softened to 50.5 from October's 51.3, and YTD disbursed public investment reached 60.4% of the annual target, trailing last year's 65.3%.

External pressures remain the primary challenge. A resurgence in US bond yields above 4.0% and a strengthening dollar has placed pressure on EM currencies, with the VND depreciating by approximately 4% YTD. US anti-dumping tariffs taking effect in January, ranging from 21.3% to 271.2% on Vietnamese solar panes and other S.E. Asian nations, while significant, were well anticipated due to the risks of transshipment from China and have had minimal direct impact on Vietnam. Nonetheless, Vietnam continues to attract substantial interest from multinational corporations. Notably, Nvidia CEO Jensen Huang made his second visit to Vietnam in a year and signed an agreement to establish AI R&D and data centres, which according to Huang will "advance Vietnam's AI by building AI infrastructure, growing the number of AI experts in Vietnam and supporting AI startups". This is expected to further strengthen Vietnam's position in the global tech value chain and attract additional high-tech investment, fostering the development of the AI ecosystem and technological capabilities.

The National Assembly's recent session was highly productive and successfully enacted 18 laws and 21 resolutions to enhance economic stability and growth. It passed two key pieces of legislation: the amended Securities Law and the revised Public Investment Law, which introduce new provisions to decentralise decision-making, clarify ambiguities, and address regulatory challenges. The session also extended the 2% VAT reduction to mid-2025 and agreed to implement the Investment Support Fund to mitigate impacts from the global minimum tax. As part of the government's broader reform agenda, we have pinpointed three key areas of focus: digitalisation and technology, infrastructure development (crucial for attracting continued FDI), and most importantly, restructuring the administrative and legislative systems to enhance efficiency. These initiatives underscore Vietnam's dedication to macroeconomic development and stability, effective inflation control, while pursuing a GDP growth target exceeding 7% for 2024, with aspirations to surpass that in 2025.

The VNI faced significant volatility, driven by heightened foreign net selling, which peaked at \$577mn amidst concerns over Trump's trade policies, tapering to \$540mn by month-end as valuations hit notably low levels. Unlike the 2018 trade war, when inflated valuations and new listings exacerbated risks, the current market has likely priced in multiple uncertainties. By November's close, the VNI was trading at a T12M PE of 13.7x and a 2024F PE of 11.8x, well below the 2018 average of 19.0x and the 5-year average of 17.1x, with 2025 forward PE of approximately 10x. While external risks may persist, Vietnam's internal growth drivers and the government's push for modernisation are promising. We believe the speculation surrounding the resumption of the KRX trading system is plausible, which, if realised, would couple the establishment of a CCP, paving the way for international market standards, shortened settlements, and new products. Significant progress towards a FTSE Secondary EM upgrade is also expected to attract substantial investor interest and capital inflows.

Key Indicators

Item	Unit	2020	2021	2022	2023	2024F	2025F
GDP	\$bn	346.6	366.1	408.8	430.0	465.6	502.1
Real GDP Growth	%	2.9	2.6	8.0	5.1	6.8	6.8
Services Growth	%	2.5	1.2	10.0	6.9	7.5	8.2
Agriculture Growth	%	2.8	2.9	3.4	2.6	3.0	2.8
Ind'l and Const'n Growth	%	3.3	4.1	7.8	3.5	7.8	7.5
Retail Sales Growth	%	2.6	-3.8	10.2	8.3	6.4	7.2
Prices							
CPI (Average YoY)	%	3.2	1.8	3.2	3.3	3.7	4.0
Money, FX and Interest Rates							
Money Supply M2	%	14.5	8.9	6.2	12.5	12.7	13.0
Average Lending Rate	%	8.6	8.5	13.7	8.7	8.2	8.7
5-yr VGB	%	1.1	0.9	4.7	1.6	1.4	1.7
VND : \$	\$1	23,085	22,800	23,550	24,250	25,300	25,800
External Sector							
Trade Balance	\$bn	19.9	3.3	12.4	28.0	25.1	30.2
Current Account	\$bn	15.1	-7.8	-1.5	17.4	20.7	22.4
Current Account / GDP	%	4.3	-2.1	-0.4	4.0	4.4	4.5
FDI Registered	\$bn	28.5	38.5	27.7	36.6	35.0	38.0
FDI Disbursement	\$bn	20.0	19.8	22.4	23.2	24.2	25.0
FX Reserves	\$bn	98.0	106.5	85.0	89.0	85.0	90.0
Public Debt Fiscal Balance							
External Debt	\$bn	130.1	138.8	141.2	138.0	140.3	151.0
Government	\$bn	49.0	47.9	48.8	44.4	44.5	47.8
Enterprises (incl. FDI)	\$bn	81.1	90.9	92.4	93.6	95.8	103.2
External Debt (% GDP)	%	37.5	37.9	34.5	30.3	30.3	30.1
Fiscal Balance (% GDP)	%	-3.9	-4.0	-4.0	-3.6	-3.6	-3.8

All forecasts are Dragon Capital estimates



Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Nov-23	30-Nov-24	30-Nov-23	30-Nov-24	30-Nov-23	30-Nov-24	30-Nov-23	30-Nov-24
Market cap (\$m)	181,640	202,690	12,566	12,774	43,083	61,797	237,288	277,261
Number of stocks	395	392	330	312	859	887	1,584	1,591
Number of large cap stocks (> \$400m)	70	75	9	11	18	18	97	104
Stocks with no room for foreigners	64	65	94	94	232	267	390	426
Market cap of stocks with no room (\$m)	23,385	17,445	1,902	1,775	13,511	22,652	38,799	41,872
Share of Market Cap with No Room (%)	12.9	8.6	15.1	13.9	31.4	36.7	16.4	15.1

Top 25 Companies by Market Cap

No	Company	30-Nov Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2023 (x)	2024E (x)	2025E (x)	2023 (x)	2024E (x)	2025E (x)	2023 (%)	2024E (%)	2025E (%)
1	Vietcombank	93,300	16.2	20,574	10.20	15.6	17.1	15.9	2.7	2.6	2.2	-	-	-
2	Airports Corporation VN	125,700	90.5	10,796	-	22.1	34.0	28.1	2.9	4.5	3.8	-	-	-
3	BIDV	46,750	7.7	10,514	5.20	15.2	15.2	13.3	2.1	2.0	1.7	0.1	-	-
4	FPT	144,300	75.1	8,375	4.10	20.4	30.1	25.2	4.8	7.1	6.1	2.4	1.9	2.2
5	Vietinbank	35,750	31.9	7,574	3.70	8.5	9.3	7.4	1.2	1.3	1.1	-	-	-
6	Hoa Phat Group	26,750	5.3	6,751	3.30	24.3	13.8	11.0	1.6	1.5	1.4	-	1.3	1.7
7	Vinhomes	40,800	-5.6	6,612	3.30	5.6	6.1	6.4	1.0	0.9	0.7	-	-	-
8	Masan Consumer	229,800	192.6	6,570	-	7.9	20.6	18.4	2.2	4.9	3.9	0.4	-	-
9	Techcombank	23,600	53.0	6,560	3.20	6.2	7.5	6.5	0.8	1.1	1.0	-	3.2	3.2
10	PV Gas	69,600	1.3	6,433	3.20	14.2	16.1	16.6	2.5	2.4	2.3	4.1	4.3	4.3
11	Vingroup	40,500	-9.2	6,110	3.00	79.1	679.5	30.4	1.5	1.3	1.2	-	-	-
12	VP Bank	19,150	5.0	5,994	3.00	14.5	10.0	8.5	1.1	1.0	1.0	5.2	3.0	3.5
13	Vinamilk	64,600	0.2	5,327	2.60	17.0	15.6	15.0	4.3	4.2	4.1	5.8	6.0	6.0
14	Military Bank	24,150	32.3	5,056	2.50	4.7	5.8	5.1	1.0	1.1	0.9	2.3	-	-
15	ACB	25,200	25.5	4,441	2.20	5.7	6.8	6.1	1.3	1.3	1.1	3.6	1.5	1.7
16	Masan Group	73,200	9.3	4,154	2.00	229.0	48.8	26.4	3.6	3.7	3.2	0.3	0.2	0.2
17	Mobile World	60,500	42.5	3,490	1.70	370.4	22.5	16.5	2.7	3.2	2.8	1.2	0.9	1.8
18	LienViet Post Bank	32,250	104.8	3,254	1.60	7.2	10.4	9.2	1.2	2.0	1.6	-	-	-
19	HD Bank	25,350	30.0	2,913	1.40	5.6	5.7	4.8	1.3	1.3	1.0	4.3	-	-
20	Sabeco	56,100	-5.7	2,839	1.40	18.9	16.9	16.2	3.2	3.0	3.0	4.2	6.2	6.2
21	Becamex IDC	66,500	7.3	2,716	1.30	26.5	28.6	27.3	3.5	3.3	3.2	1.3	-	-
22	Sacombank	33,300	19.1	2,477	1.20	6.8	7.1	5.9	1.2	1.2	1.0	-	-	-
23	Vietnam Airlines	27,900	127.8	2,438	1.20	neg	10.1	11.2	neg	neg	neg	1.1	-	-
24	Binh Son Refining	19,700	9.0	2,410	-	6.5	53.2	25.7	1.0	1.1	1.1	3.8	3.6	3.6
25	VIB	19,000	20.2	2,233	1.10	5.6	8.1	6.7	1.2	1.3	1.2	6.4	-	-

All forecasts are Dragon Capital estimates

This document has been prepared by Dragon Capital Management (HK) Limited. It is provided to you following your express request to be included in such communications, and your confirmation of eligibility to receive the same. If you wish to unsubscribe from future updates at any time, please email unsubscribe@dragoncapital.com.

This document is a review of the investment case for Vietnam, and all information is for background purposes only. The document is neither a prospectus nor an offer or invitation to apply for any securities or any other instrument or investment and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever. Any investment performance and market information provided in this presentation, including information about any particular companies, are provided for illustrative purposes only and are not investment recommendations.

Past performance is not necessarily a guide to future performance. Certain statements included in this document are forward-looking and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. Consequently, the actual performance and results of the market or companies could differ materially from the expectations set out herein. Accordingly, no assurance can be given that any particular expectation will be met, and you are cautioned not to place undue reliance on forward-looking statements which speak only at their respective dates.

The information and opinions in this presentation (which includes information drawn from public sources) are subject to change without notice, update, revision, further verification and amendment. Dragon Capital makes no representation or warranty as to the accuracy, completeness or context of the presentation, and expressly disclaims all liability whatsoever arising from reliance upon this presentation or any part of it.

This document must not be distributed or otherwise made available to third parties without the consent of Dragon Capital, and then only to such recipients who have confirmed that distribution of such information is in compliance with all securities laws and regulations which apply to them.