

Vietnam Macro & Market Overview

February 2025

Summary Outlook

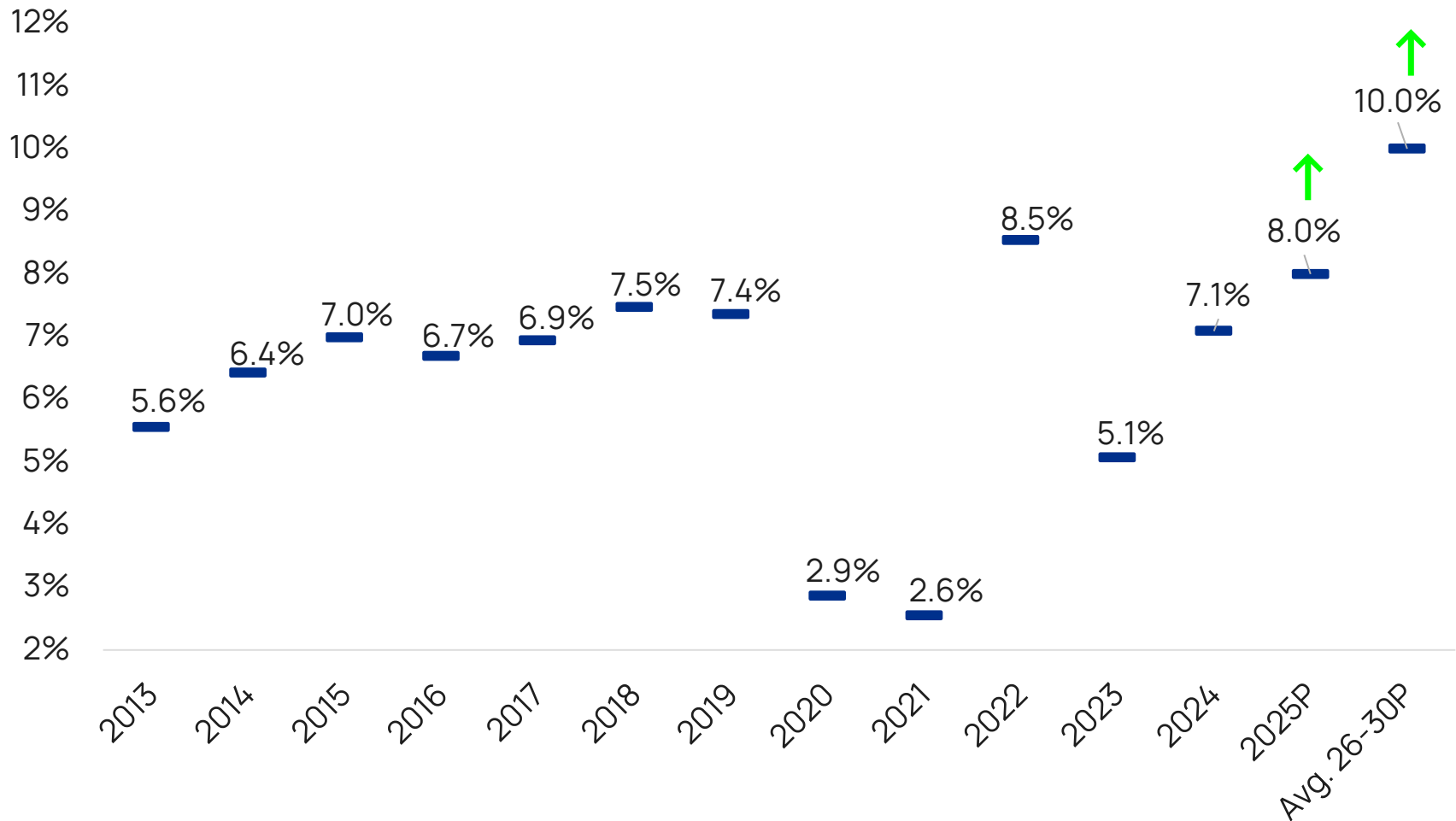
We forecast 2025 GDP growth at 7.2% YoY. Key factors to support economic growth in 2025 include the following:

- 1) **Strong expansion in State spending for investment & development target.** At its extraordinary session in February, the National Assembly approved the revised plan for 2025 public investment to VND875tn (USD36bn) (+10.6% vs the previous plan approved by the National Assembly in November 2024 and +28% vs the 2024 estimate).
- 2) **SBV to maintain a loose monetary stance in 2025:** We expect the SBV to maintain a loose monetary stance to support the economy in 2025 and we forecast one increase in the deposit rate cap (up to 6M) of 25 bps by the end of 2025.
- 3) **Continued solid FDI inflows** given ongoing investment diversification out of China of MNEs, Vietnam's fundamental advantages (i.e., location, FTAs, and labor costs) and the recent upgrades of diplomatic ties between Vietnam and other countries. We currently expect Vietnam's disbursed FDI to grow 7.5% per annum in 2025/26/27.
- 4) **Improving domestic consumption:** Increased domestic consumption as further growth in manufacturing and inbound tourism drive growth in household incomes, boosting consumer confidence and spending.

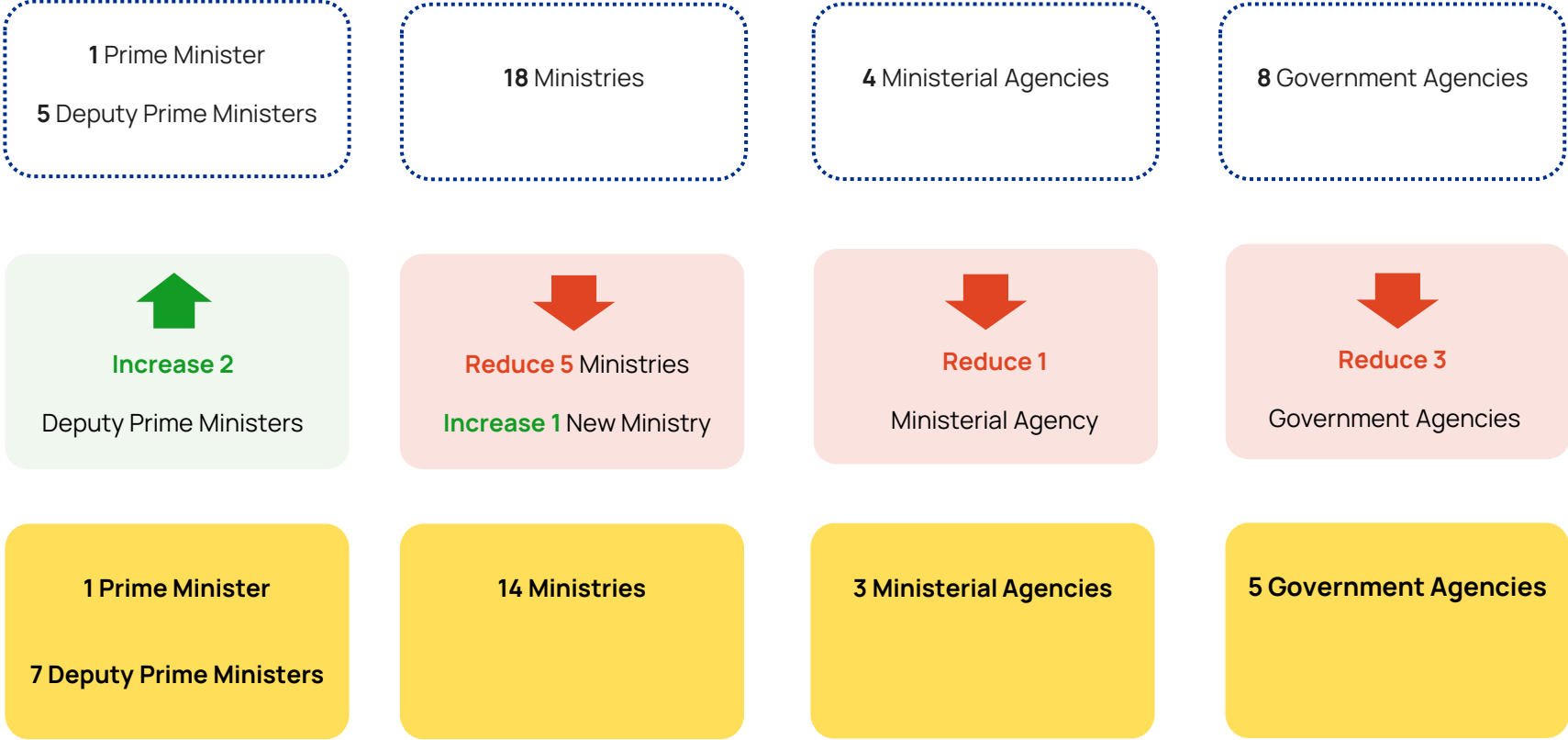
We forecast GDP growth of 7.5% YoY in both 2026 and 2027.

We expect public investment will be one of the key factors driving Vietnam's economic growth in the medium term (2026 – 2030). We expect the Government could revise up its public investment plan in 2026 and 2027 as the interim public investment plans for 2026 and 2027 are not commensurate with the ambitious GDP growth target for 2026-2030 (striving for double digit growth). Furthermore, in its 2026-2030 economic development strategy, Vietnam's government plans to develop many mega infrastructure projects, particularly the North-South High-Speed Railway with total capital at around USD68bn, which could add 1.0 ppts to GDP growth annually over 12 years.

Government revises GDP growth target to “at least 8%” in 2025



Restructured Government



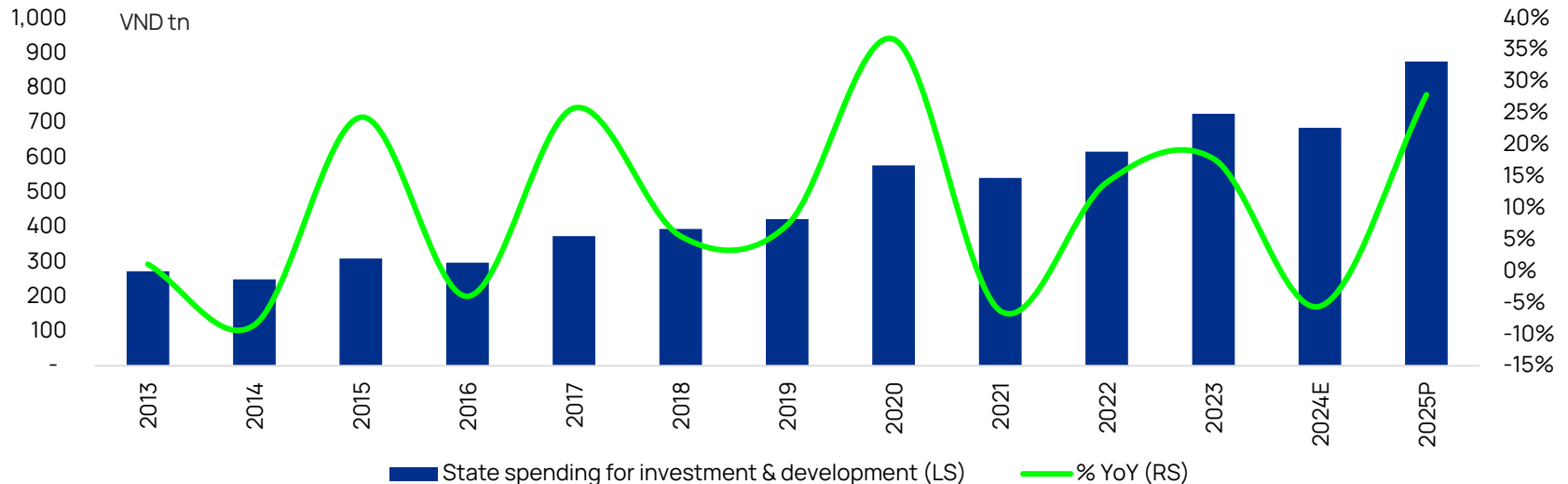
Public investment to be the key driver for the economy

National Assembly approved new GDP growth target

#	Key socio-economic targets	2024	2025 Previous Plan	2025 New Plan
1	GDP growth	7.1%	P1: 6.5% - 7.0% P2: 7.0% - 7.5%	At least 8%
2	GDP per capita	USD4,700	USD4,980 - USD5,000	>USD5,000
3	Spending for investment and development	USD26.9bn	USD31.3bn	USD34.4bn
4	Average CPI	3.6%	Around 4.5%	4.5% - 5.0%
5	State budget deficit/GDP	3.4%	3.8%	4.0% - 4.5%

(if necessary)

State spending for investment & development

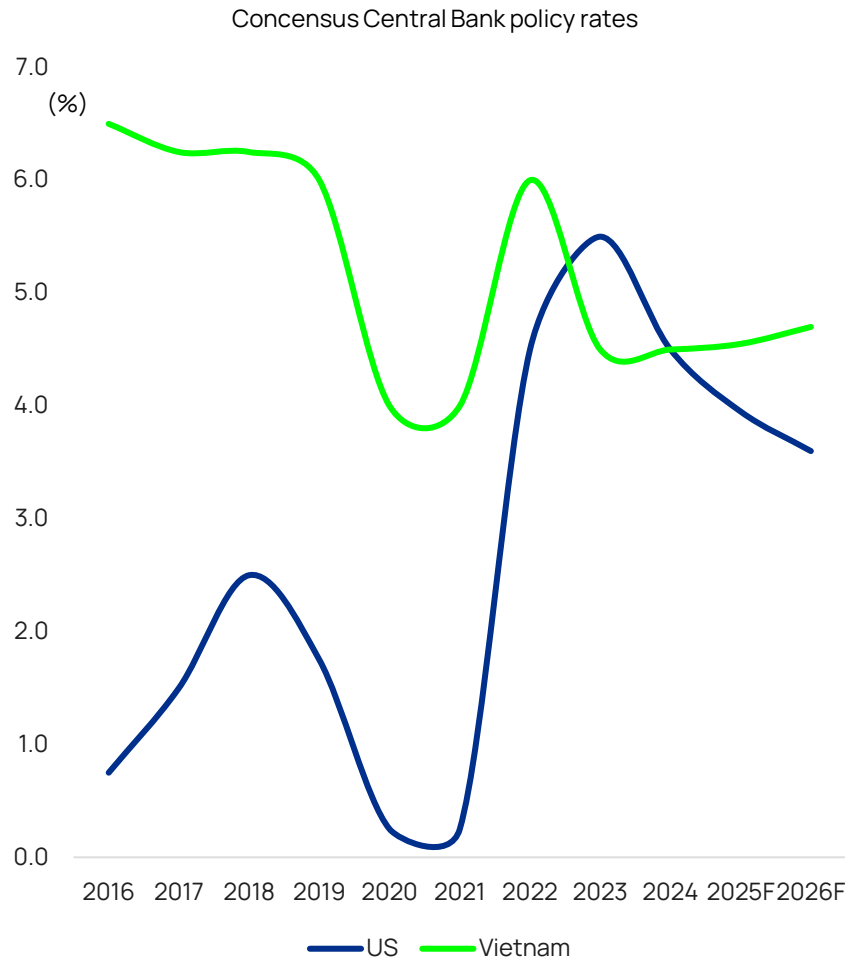


Select key infrastructure projects during 2025 to 2030

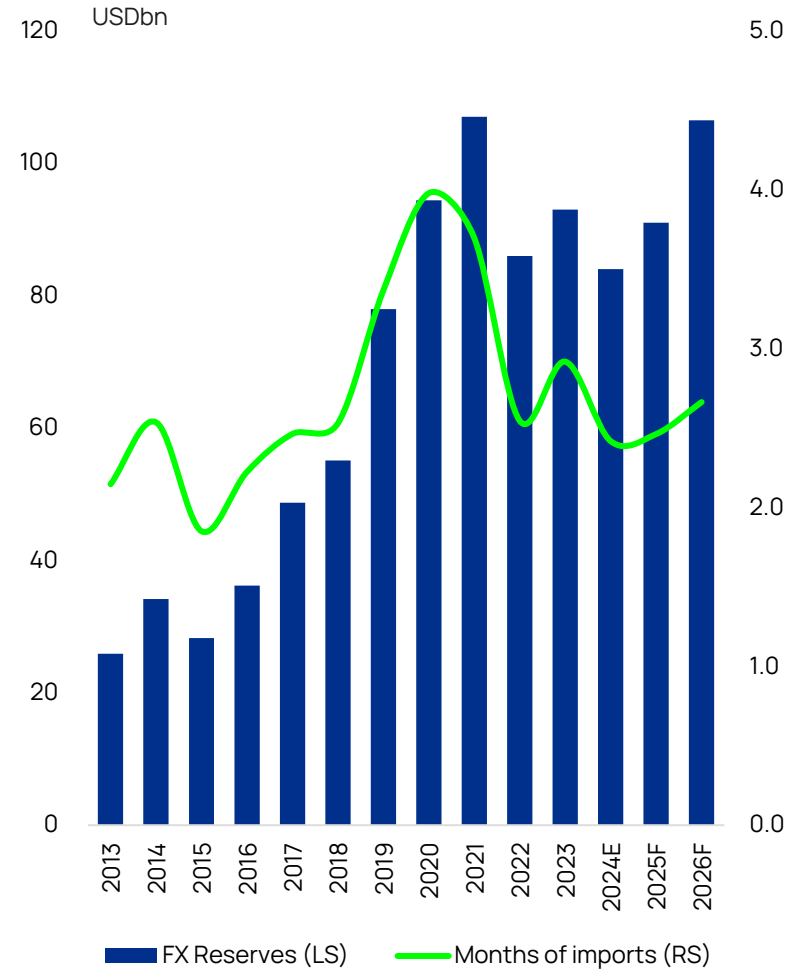
Project	Total investment capital	Total length	Expected/planned finish date
Expressway: Aim to have 3,000 km in 2025 and 5,000 km in 2030			
- North-South Expressway - Phase 2	USD5.9bn	721 km	2025
- HCMC Ring Road - No.3/ No.4	USD3bn/USD3.4bn	90/34 km	2026
- Bac Kan - Cao Bang Expressway	USD711.5mn	90 km	Investment phase: 2026-2030
- Quy Nhon-Pleiku Expressway	USD1.5bn	143 km	2030
- North-South Expressway West	USD1.0bn		2027
Railway			
- North-South High-Speed Railway	USD67.7bn	1,541 km	2035
- Lao Cai - Hanoi - Hai Phong - Quang Ninh Railway	USD8.4bn	419 km	2030
- Metro Ben Thanh - Tham Luong	USD1.9bn	11 km	2030
Port			
- Can Gio International Transshipment Port (7 phases)	USD4.9bn		2025
- Lien Chieu Port, Da Nang (3 phases)	Total: USD1.9bn		Phase 1: 2025
	Phase 1: USD134.4mn (Public investment)		Phase 2: 2030
	Phase 2 + Phase 3: USD1.8bn (Private investment)		Phase 3: 2050
International airport			
- Long Thanh International Airport - Phase 1	USD4.5bn		2026

Consensus Central Bank policy rates and SBV's foreign reserves

Consensus Central Bank policy rates

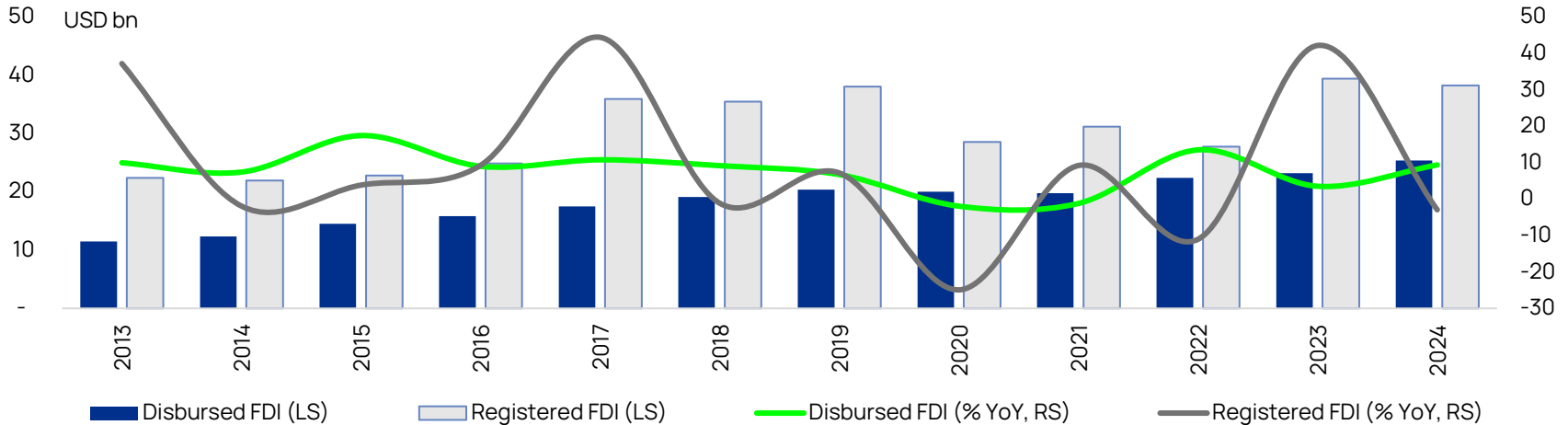


FX reserves

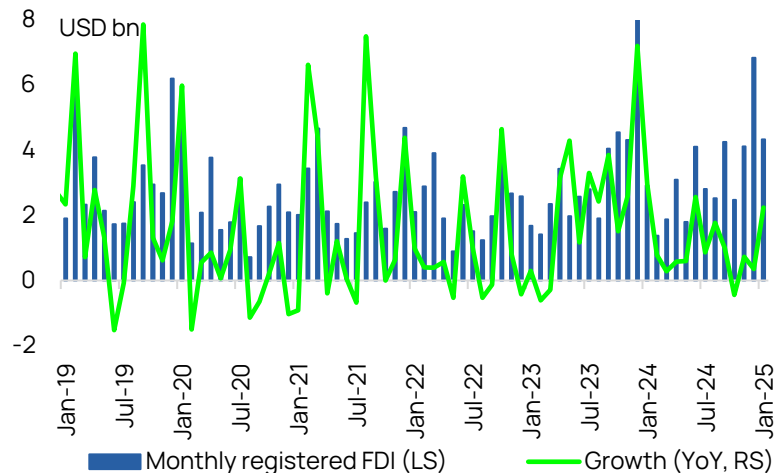


2024 disbursed FDI hit highest level since 2012

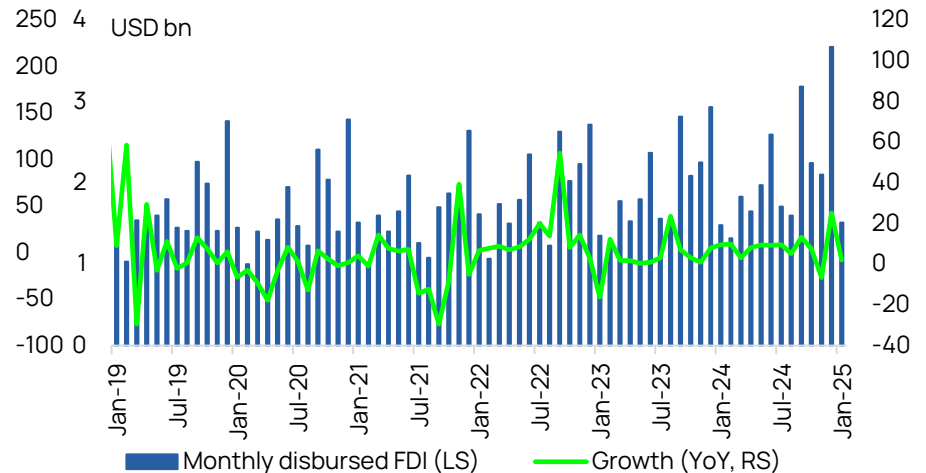
FDI disbursement and registrations



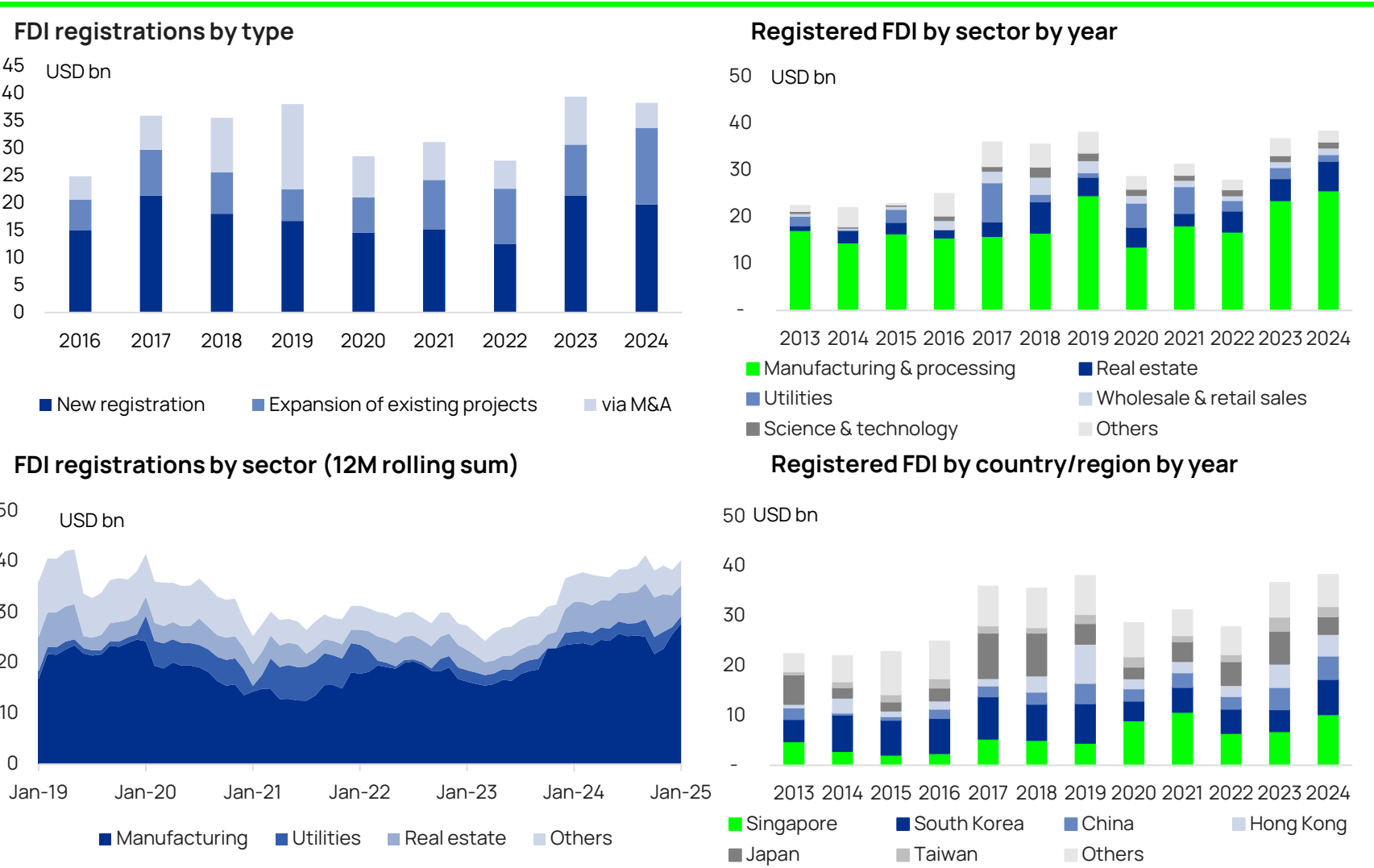
FDI registrations (monthly)



FDI disbursement (monthly)

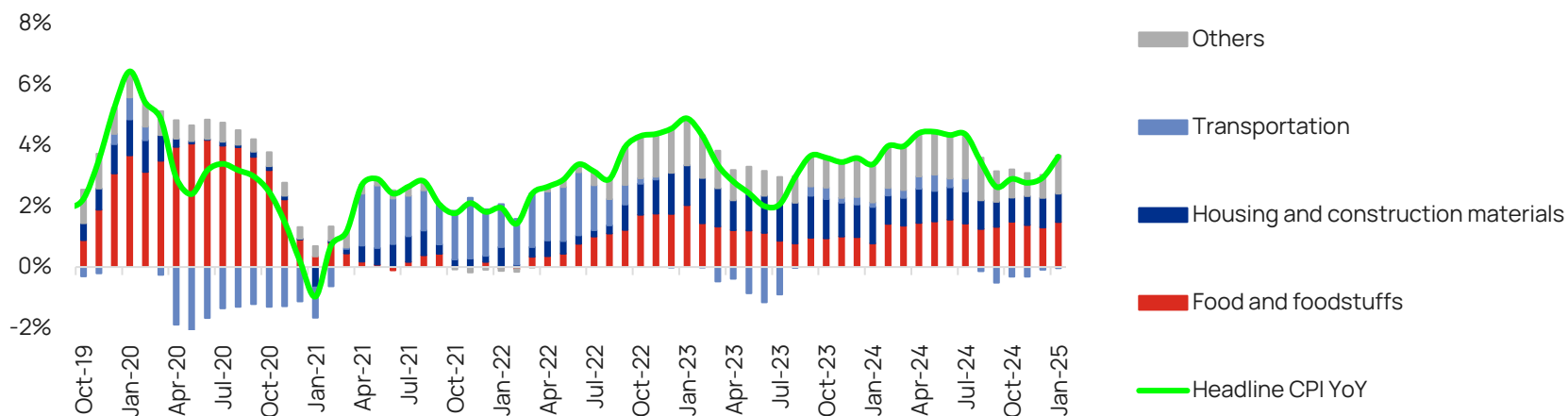


FDI investors were waiting for GMT support policies



Inflation stayed within the Government's target cap

Monthly CPI

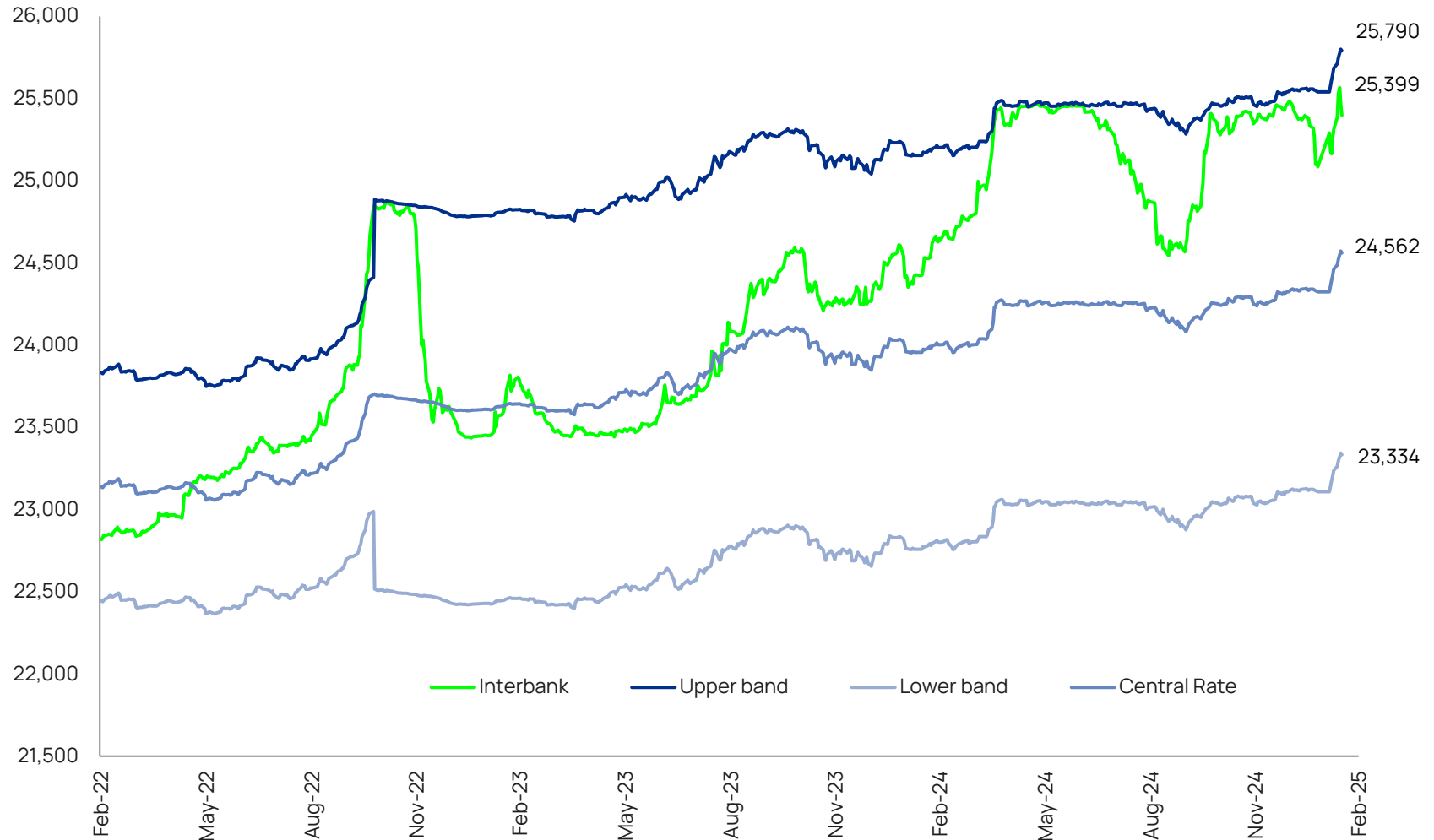


CPI by category

Category	Weight	Avg-23 YoY	Avg-24 YoY
Total CPI	100%	3.25%	3.63%
Food, foodstuffs, and catering services	33.56%	3.44%	4.03%
Beverages and tobacco	2.73%	3.29%	2.42%
Garments, footwear, and hats	5.70%	2.21%	1.40%
Housing and construction materials	18.82%	6.58%	5.20%
Family appliances and tools	6.74%	2.09%	1.27%
Medicine and healthcare	5.39%	1.23%	7.16%
Transportation	9.67%	-2.49%	0.76%
Telecommunication	3.14%	-0.81%	-1.02%
Education	6.17%	7.44%	5.37%
Culture, sport, and entertainment	4.55%	2.55%	1.97%
Other consumer goods and services	3.53%	4.65%	6.56%

A strengthening greenback put pressure on FX

USD/VND exchange rate



Corporate Earnings & Valuation

Valuations are undemanding: VN-Index TTM P/E below 10Y historical average



Consensus 12M forward P/E 1SD below 10Y historical average



VN-Index trailing P/BV 1SD below 10Y historical average



VN-Index TTM P/E is relatively attractive to TIPs peers



VN-Index TTM P/E in line with GEM



Three themes for 2025

Three themes for 2025 - Our top stock picks

Stock picks on three investment themes (Top-down)

Theme 1

President Trump's tariffs and impact



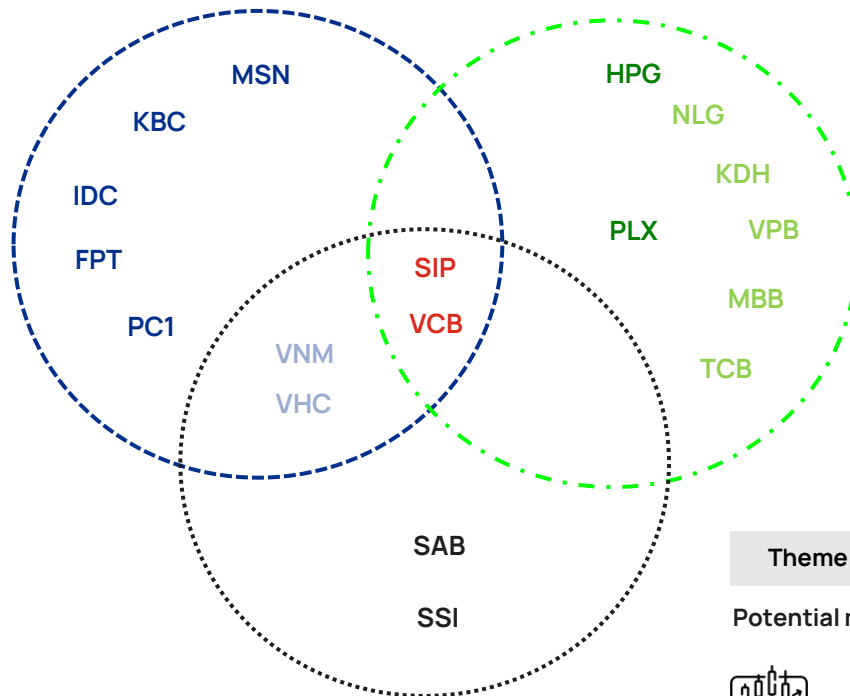
Theme 2

Vietnam's aggressive infrastructure spending



Theme 3

Potential market upgrade

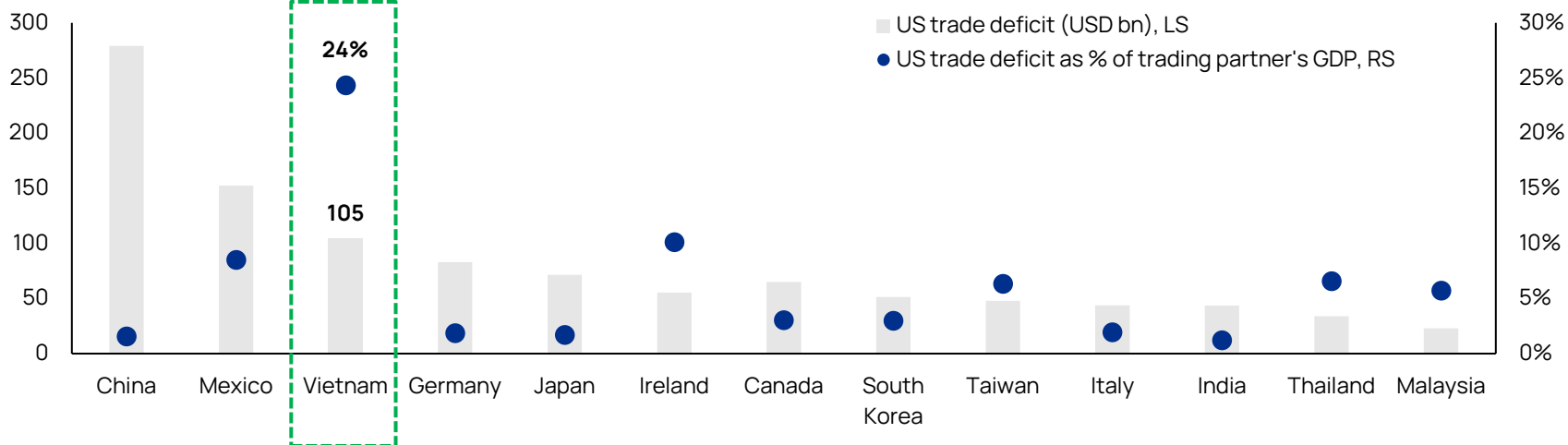


Other stock picks (bottom-up)



President Trump's tariffs and impact

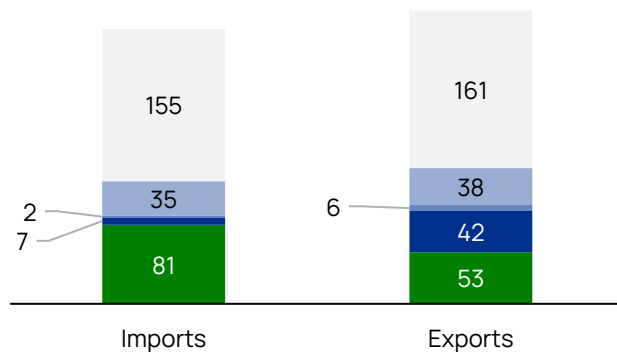
President Trump's tariffs target China, but uncertainty remains for other countries with high trade deficits



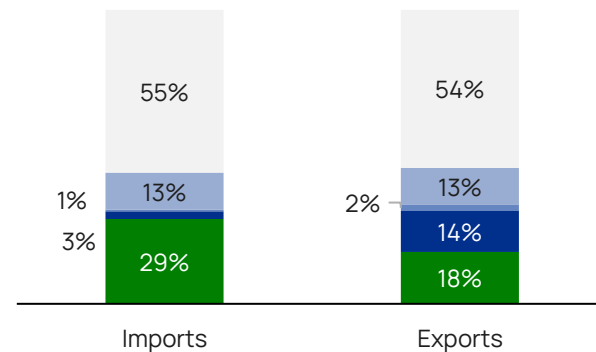
Vietnam imports a large volume of components for its electronic exports

- Other
- Machinery & equipment
- Still image, video cameras and sparts thereof
- Phones & spare parts
- Computers, electronics & spare parts

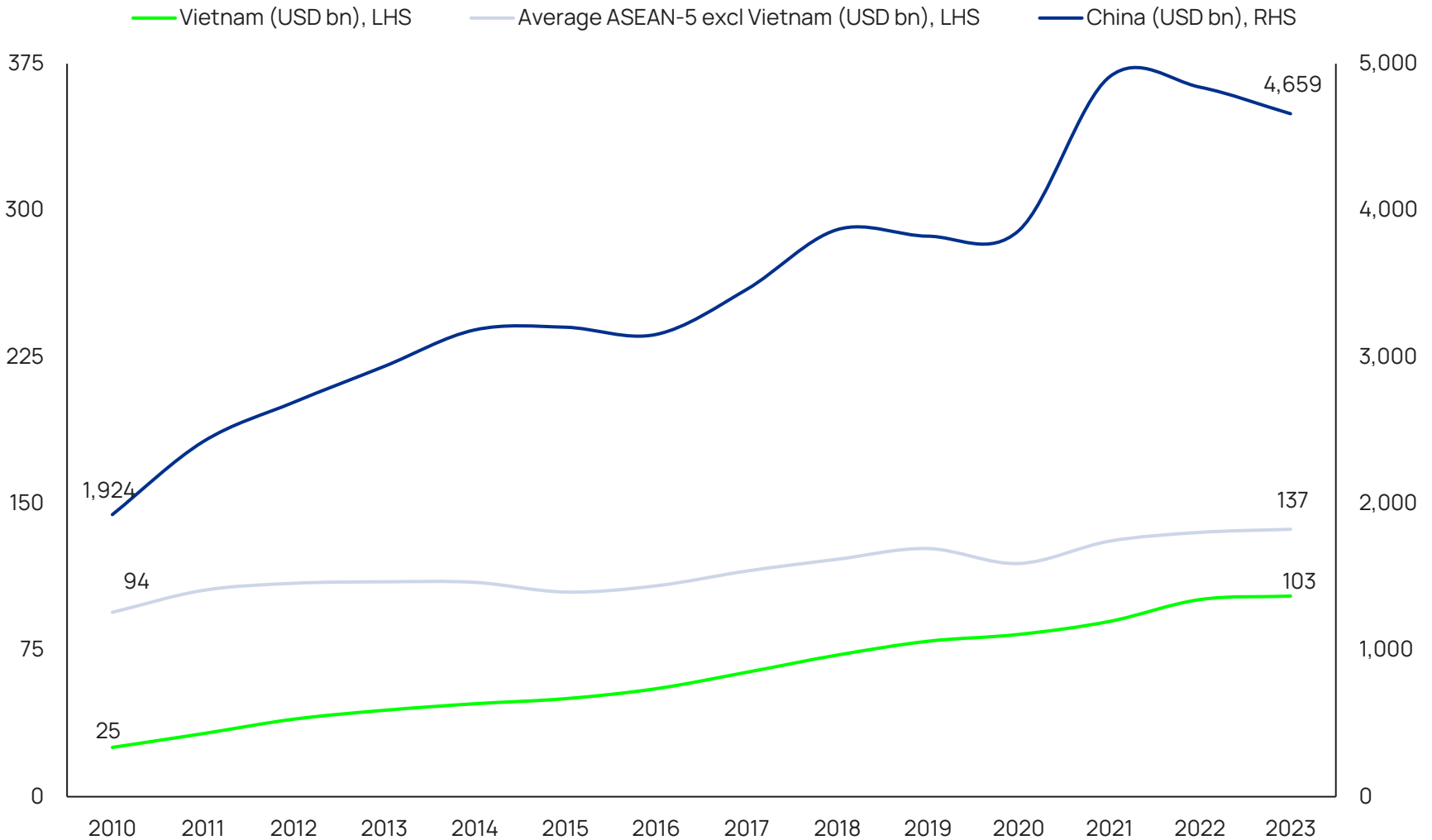
Vietnam's imports / exports by product, 9M 2024 (USD bn)



Vietnam's imports / exports contribution by product, 9M 2024 (%)



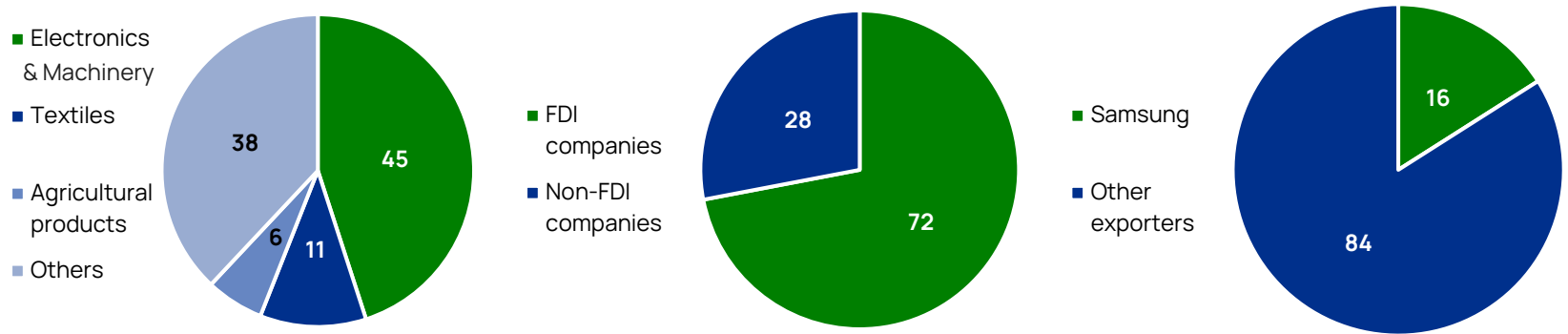
Vietnam is still catching up with peers in SEA in value-added manufacturing and there is a huge gap vs China [1]



Vietnam is still catching up with peers in SEA in value-added manufacturing and there is a huge gap vs China [2]

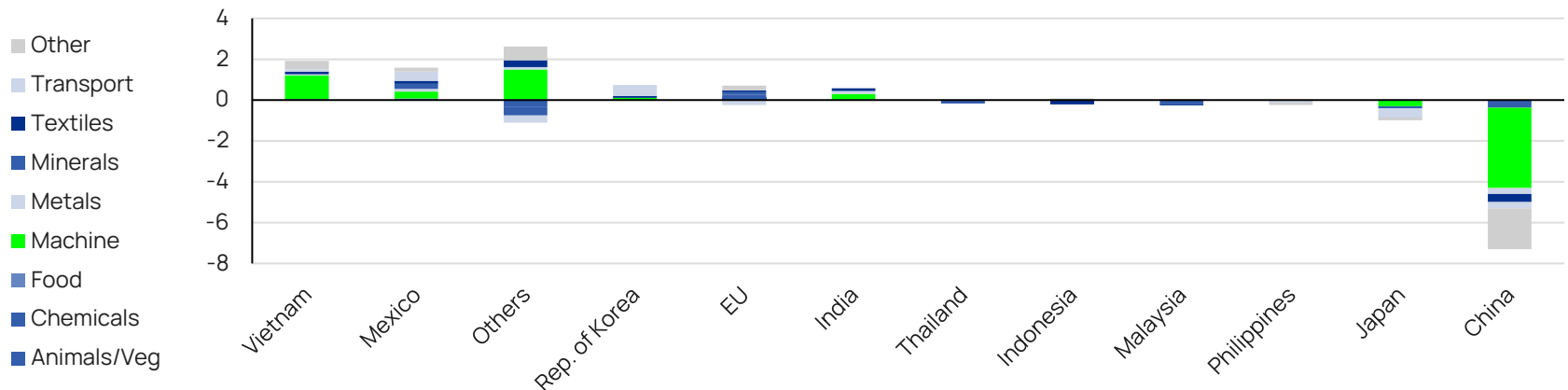
Vietnam's electronics exports are significantly influenced by Samsung, the primary contributor to this sector

Breakdown of Vietnam's exports (%)



The US may need to maintain manufacturing alternatives to strengthen its bargaining position against China.

Change in shares of US imports in 2018-23

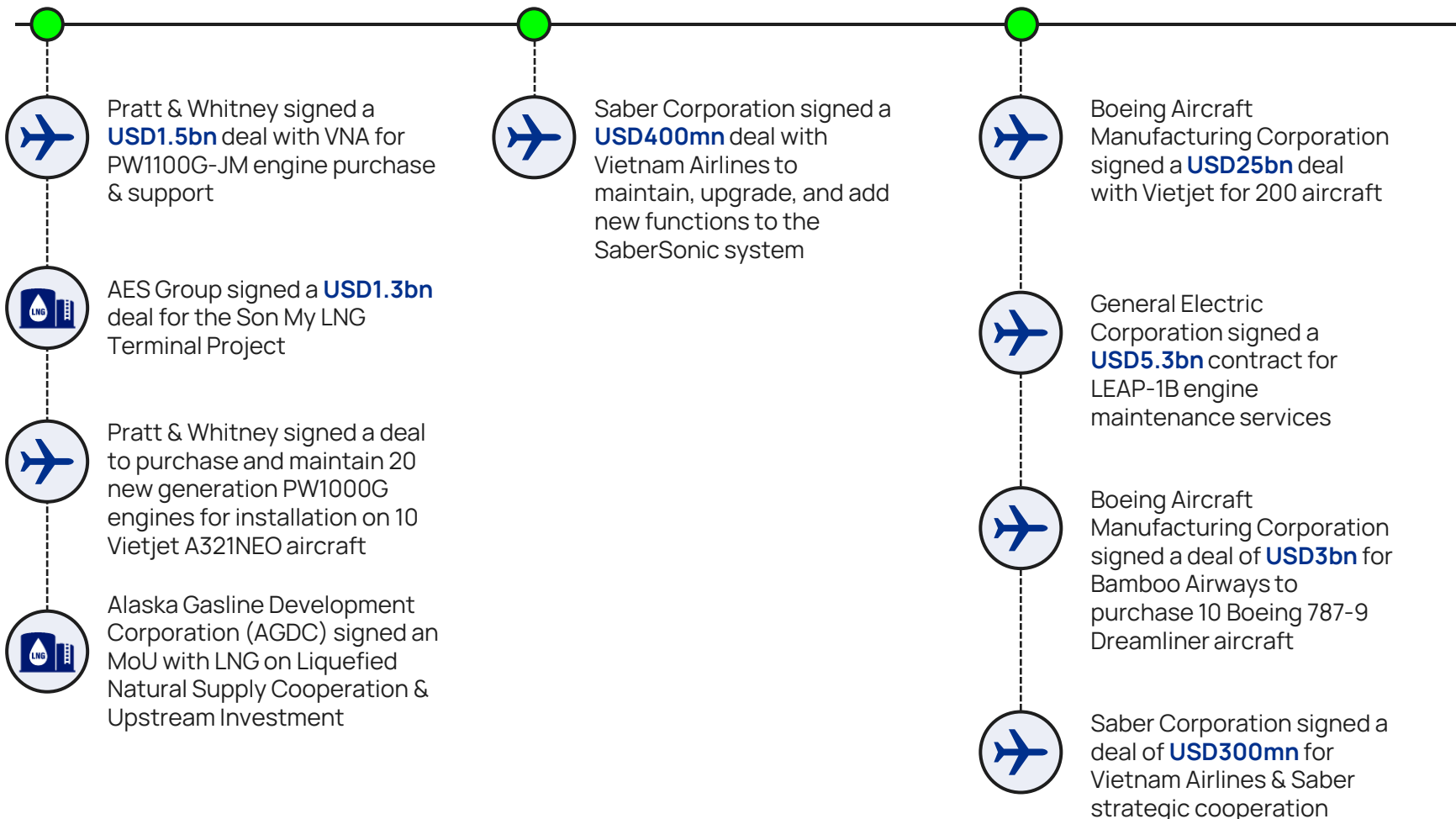


Headroom for Vietnam to resume and expand on the deals to narrow its trade surplus with the US

November 12, 2017

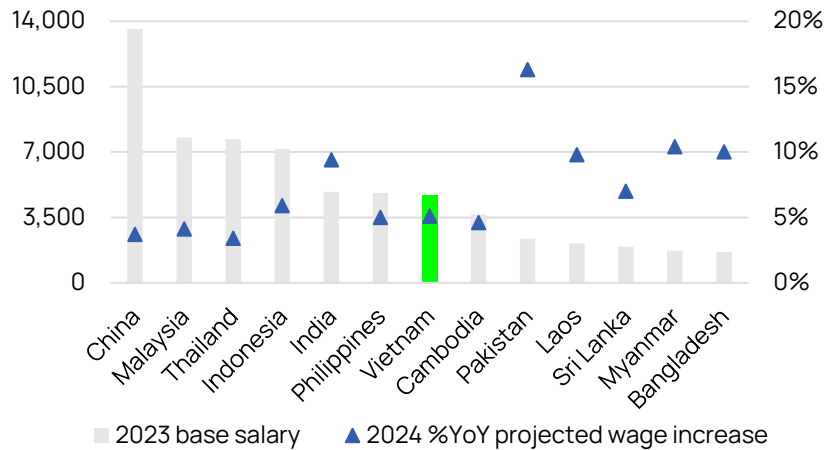
June 4, 2018

February 27, 2019

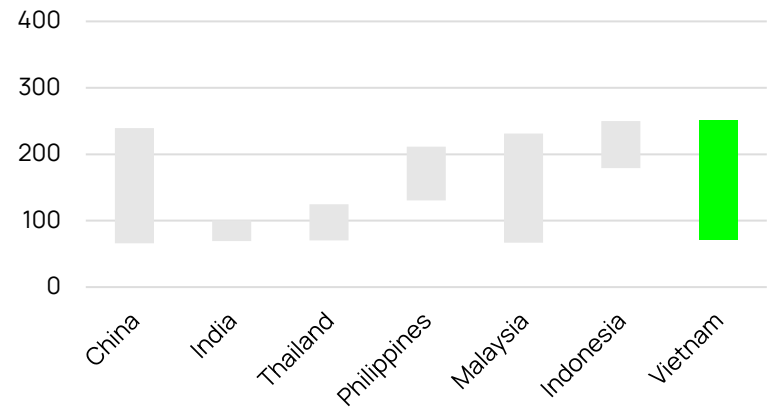


Vietnam retains competitive advantages to attract FDI

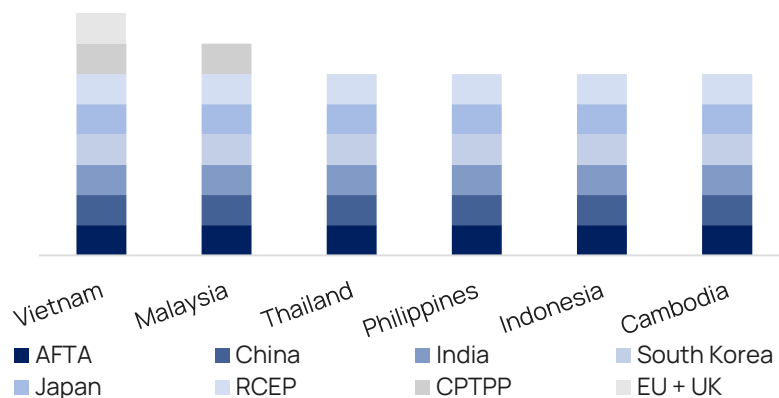
2023 total cost of a manufacturing worker* in Asia (USD per year)



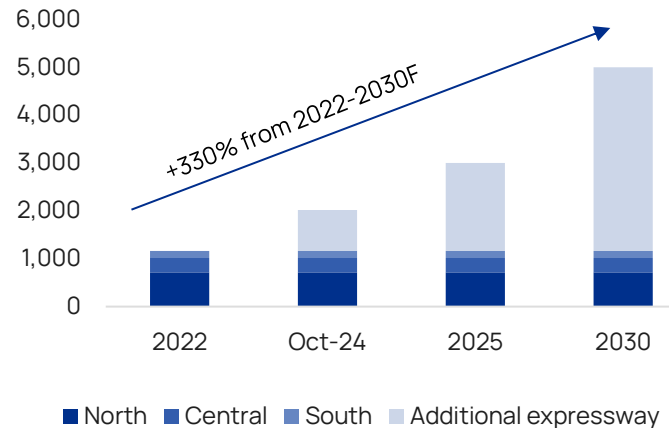
Industrial land price range in end-2023 (USD/sqm/term)



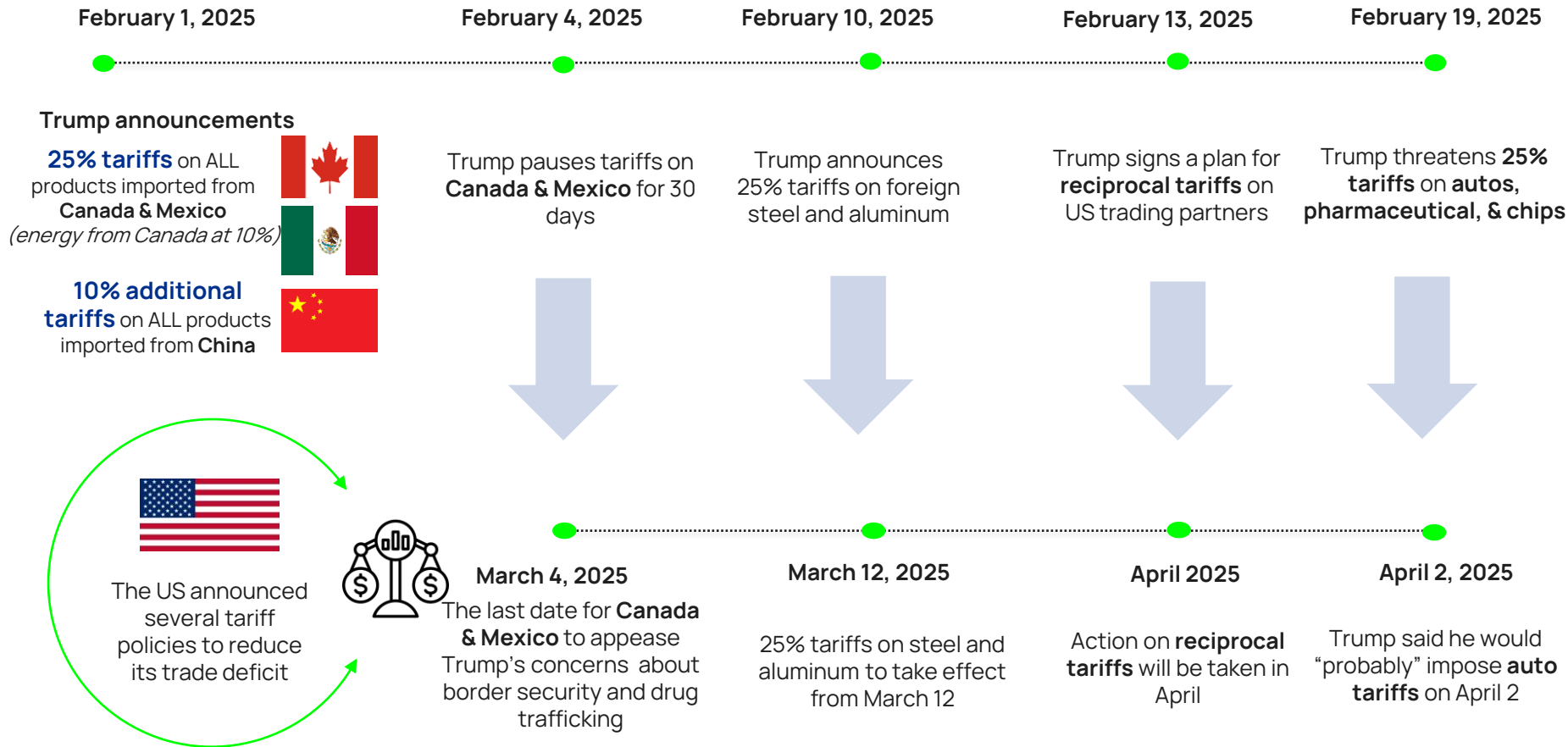
FTAs among Southeast Asian countries



Expressway kilometers in Vietnam (unit: km)



President Trump's tariffs and threatened trade actions



Vietnam's exports are vulnerable to President Trump's trade policies

We look at the impacts of President Trump's administration's potential trade policies on Vietnam's macroeconomy in the following three scenarios:

	Scenario 1	Scenario 2	Scenario 3
Description	Blanket tariffs on all countries	Higher tariffs on China	Higher tariffs on top trade deficit partner
Possible tariff rate	10% - 20% on all countries	10 - 20% all countries; 60% - 100% on China	Higher tariffs on Vietnam vs other countries (only lower than China)
Impact on Vietnam's exports	Slightly Negative ↓	Slightly Positive ↑	Negative ↓
Impact on Vietnam's FDI inflows	Neutral →	Positive ↑	Negative ↓

Three scenarios of President Trump's tariffs and stock picks

Summary of President Trump's tariff scenarios and potential impacts

	Scenario 1	Scenario 2	Scenario 3
	Same universal tariffs on every nation.	Significantly higher tariffs on China and lower tariff on everyone else.	Tariff rate based on ranking in trade deficit (VN is in the third position).
Industrial Park	KBC, IDC, SIP, SZC		
Global IT services		FPT	
Pangasius	VHC		
Textiles & Garments		STK, MSH, TNG	
Writing instruments		TLG	
Wooden furniture	<i>Negative impact as the US accounts for ~60% of Vietnam's wood exports.</i>		
Steel	<i>Limited impact as the US accounts for < 10% of steel companies under our coverage's export volumes.</i>		
Banking	ACB	VCB, MBB, ACB, VPB	
Consumer & Retail		MWG, MSN, PNJ	VNM, MSN, FRT
Power & Water		TDM, BWE, PC1	TDM, BWE
Oil & Gas		PVS, PVT	

Aggressive fiscal spending plan to fuel infrastructure growth

We believe the prime beneficiaries of this theme include:

Target 2025 fiscal deficit of
USD19.1bn
3.8% GDP
*(Allowed to be adjusted to 4-4.5%
if necessary)*



Target 2025 investment &
development budget of
USD36bn
+28% vs 2024E



Construction & Construction materials

We prefer conmat¹ companies over contractors to play an important role in the recovery theme of Vietnam's construction sector.

*Key beneficiary: **HPG***



Real estate

Players across the residential, hospitality, and industrial park segments that have well-located land banks stand to benefit from more aggressive fiscal spending.

*Key beneficiaries: **NLG, KDH, SZC, SIP***



Banking

SOCBs are likely to be the primary beneficiaries of increased lending demand and opportunities for enriching fee income.

*Key beneficiaries: **MBB, VPB, VCB, TCB***



Consumer retailers

Improved infrastructure is poised to enhance logistics operations for retailers, particularly benefiting modern grocery and minimart chains.

*Key beneficiaries: **MSN, MWG***



Petroleum retailers

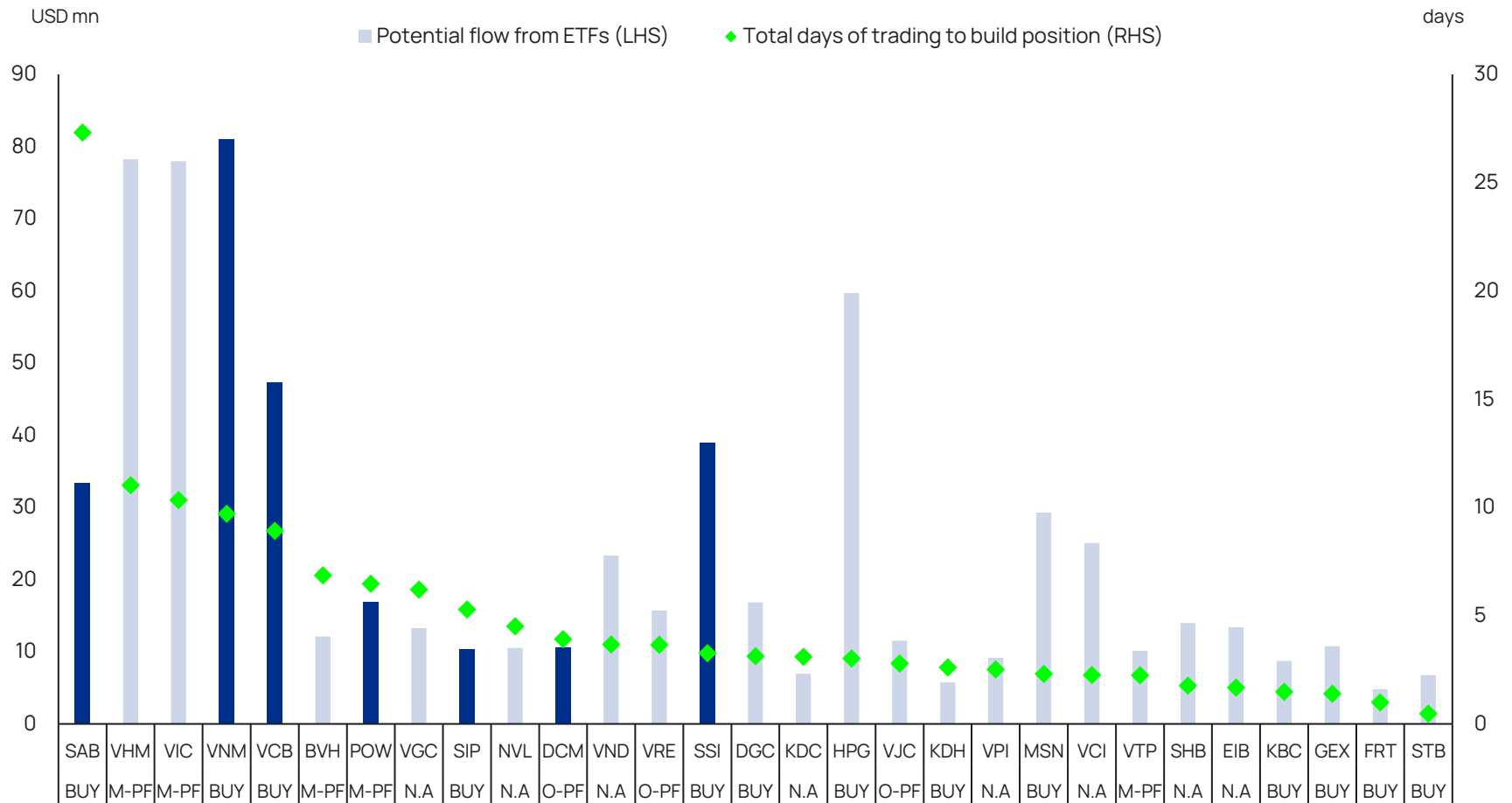
Retailers to gain from higher petroleum product consumption driven by increased fuel demand in transportation and logistics.

*Key beneficiaries: **PLX, GAS***

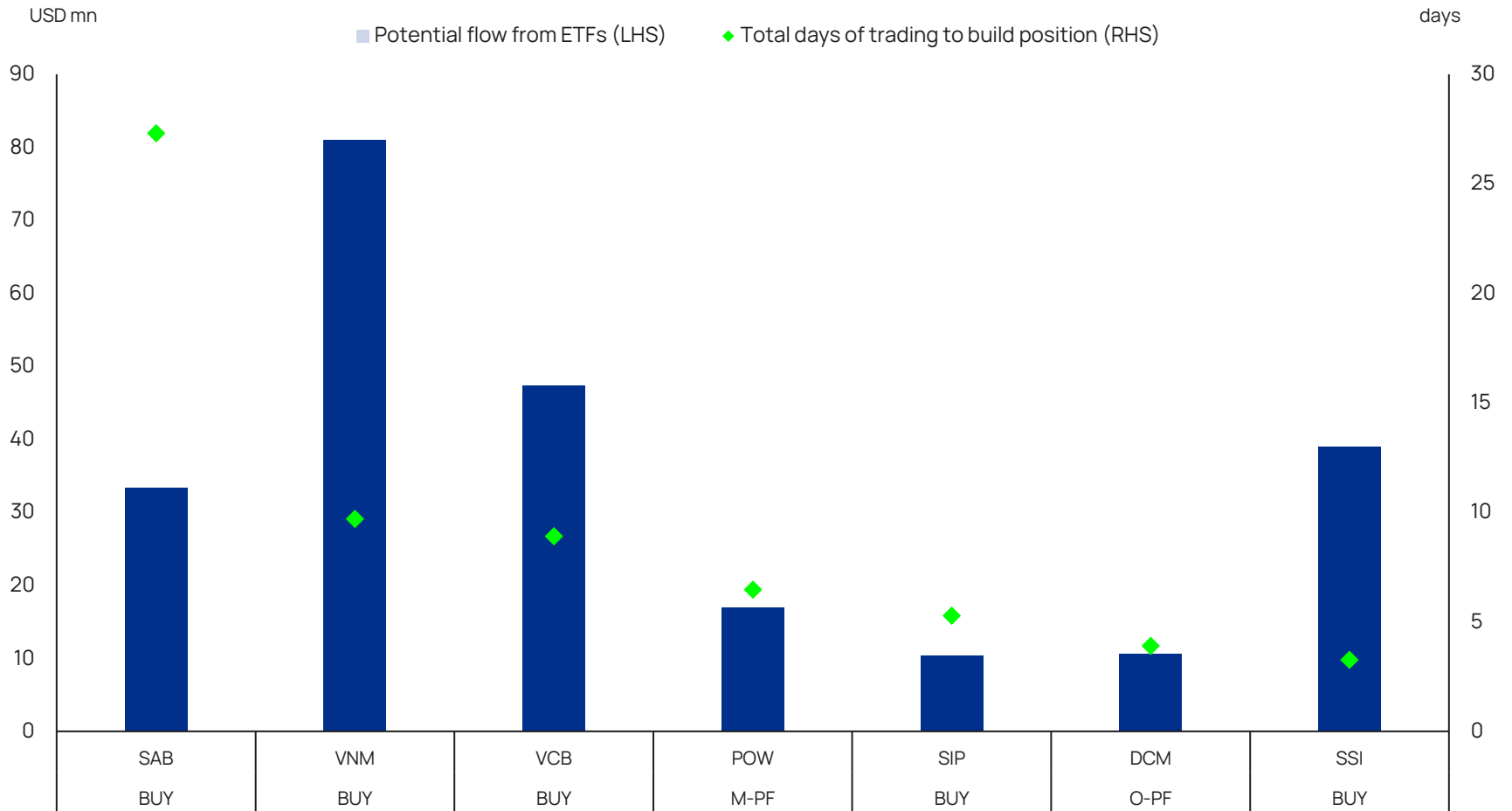
Vietnam meets most of FTSE's criteria to upgrade to EM

FTSE QUALITY OF MARKETS CRITERIA (Watch List) as of October 2024	SECONDARY EMG WATCH	VIETNAM
World Bank GNI Per Capita Rating (Atlas Method)		Lower Middle
Credit Worthiness		Speculative
Market and Regulation Environment		
Formal stock market regulatory authorities actively monitor the market (e.g., SEC, FSA, SFC)	X	Pass
Fair and non-prejudicial treatment of minority shareholders		Restricted
No or selective incidence of foreign ownership restrictions		Restricted
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	X	Pass
No or simple registration process for foreign investors		Restricted
Foreign Exchange Market		
Developed foreign exchange market		Restricted
Equity Market		
Brokerage - Sufficient competition to ensure high quality broker services	X	Pass
Transaction costs - Implicit and explicit costs to be reasonable and competitive	X	Pass
*Tax = Imposition of taxes to be reasonable and comparable between domestic and non-domestic investors		Pass
Stock lending is permitted		Restricted
Short sales permitted		Not Met
Developed Derivatives Market		Restricted
Off-exchange transactions permitted		Not Met
Efficient trading mechanism		Restricted
Transparency - Market depth information / visibility and timely trade reporting process	X	Pass
Clearing, Settlement, and Custody		
Settlement - Rare incidence of failed trades	X	Restricted
Settlement Cycle (DvP)	X	T+2
Central Securities Depository	X	Pass
Central Counterparty Clearing House (Equities)		Not Met
Settlement - Free delivery available		Not Met
Custody - Sufficient competition to ensure high quality custodian services	X	Pass
Account structure operating at the Custodian level (securities and cash)		Not Met

Potential listed companies to benefit from FTSE EM upgrade [1]



Potential listed companies to benefit from FTSE EM upgrade [2]



Q&A

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