

## Political Transition, Economic Continuity: Vietnam's Growth Trajectory is Forming a Valuation Advantage



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### Macroeconomics:

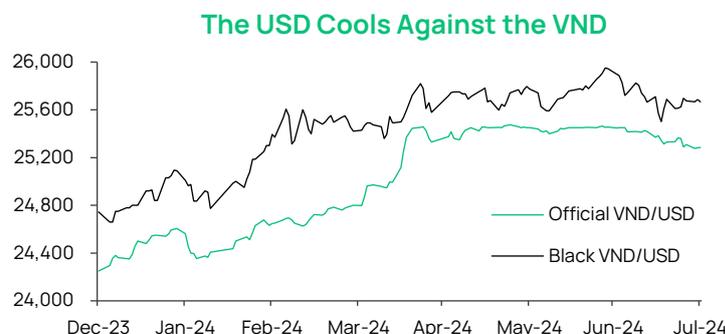
- ▶ Year-to-date total export-import turnover reached \$439.9bn, up 17.1% YoY, with Vietnam's exports to the US surging 24.4% YoY to \$66.1bn.
- ▶ Export orders were received across various sectors, particularly in textiles, where most companies have secured orders through 4Q24, with some into 1Q25.
- ▶ Electricity production grew 12.4% YTD, fully meeting production and consumption demand.

### Stock Market:

- ▶ The VNI rose 1.5% in July (TR\$). Combined turnover across the three exchanges was subdued at \$763mn, with the HSX accounting for \$670mn, down 26.7% MoM.
- ▶ Combined net foreign selling eased significantly to \$328mn, down 50.4% MoM.
- ▶ 1H24 results for our coverage universe achieved NPAT growth of 18.6% YoY with forward P/E remaining 1 standard deviation below its 5-year mean at 11.4x.

## CHART OF THE MONTH

- The official VND/USD exchange rate cooled from 25,480 to 25,280, reducing the YTD depreciation from 4.9% to 3.6%. The black-market rate also fell significantly from 26,000 to 25,550 VND/USD.
- The SBV has lowered the SBV-Bill and Open Market Operation (OMO) rates by 25 bps, which serve as the guiding rates in the interbank market.
- Further interest rate cuts are possible if exchange rate pressures ease and CPI continues to be well-managed at 4.1%.



## Monthly Insights

Nguyễn Phú Trọng, the General Secretary of the Communist Party Central Committee, passed away on 19 July at the age of 80 following a prolonged illness. On 3 August 2024, President Tô Lâm was unanimously elected as the new General Secretary of the 13th Central Committee. In his inaugural address, Tô Lâm called for cooperation from the Central Committee to overcome future challenges and reiterated his commitment to the continuity of pro-business policies and economic relief.

The economy's continued recovery reflects this position, with growth drivers on the supply side showing improvement. Agricultural production and services maintained strong momentum, with a YoY increase of 11.2% in July and 8.5% in 7M24, and the manufacturing and processing industry grew by 9.5%. July's PMI remained at 54.7, marking the fourth consecutive month above 50 and confirming the ongoing recovery in production activities. Demand-side growth drivers have also rebounded. Total registered FDI for 7M24 exceeded \$18bn, up 10.9% YoY, while disbursed FDI reached approximately \$12.6bn, up 8.4% YoY. July's total retail sales of goods and consumer service revenues increased by 9.4% YoY and 8.7% over 7M24.

July CPI increased by 0.5% MoM, rising 4.4% YoY and 4.1% YTD, remaining within the government's target range. The MoM growth was driven by low-base effects from 2023 and base salary increases. However, inflation is expected to gradually decrease for the rest of the year as the base effect wanes, likely bringing the annual CPI to around 4.0%, well within the government's FY24 target.

Since early 2023, Vietnam has maintained its loose monetary policy to support economic recovery, with occasional mid-cycle adjustments to address external pressures on currency and inflation. Following two 25bps hikes of the OMO and the SBV-bill interest rates from April, the SBV has since reduced them by 25bps in early August. This move underscores the SBV's commitment to stabilise interest rates and helps counteract recent increases in bank deposit rates. As the DXY cools, reflecting clearer expectations of Fed rate cuts, and with domestic inflation under control, the SBV is likely to maintain its loose monetary stance.

Despite the recent volatility in global financial markets, we believe the impact on Vietnam will be moderate. With global rate cuts on the horizon, Vietnam can sustain supportive policies and focus on growth. The VNI's forward P/E and P/B ratios are now one standard deviation below their 5-year average as of the end of July. The VNI's forward P/E stands at 11.8x, while our Top-80 universe is 11.4x with an EPS growth forecast of 18%. In contrast, Malaysia's forward P/E is 14.9x with a forecast EPS decline of 2%, and Indonesia's is 12.5x with 2% EPS growth. This makes Vietnam's equity market valuation comparatively attractive, offering a favourable risk-reward scenario with strong downside protection. In 1H24, our float-adjusted Top-80 universe achieved an NPAT growth of 18.6% YoY and revenue growth of 10.2% YoY, aligning with our FY24 NPAT growth forecast of 16-18%.