

The economy's momentum is back, and now is the time to consider higher growth targets



Hung Nguyen, CFA
Senior Economist

Macroeconomics:

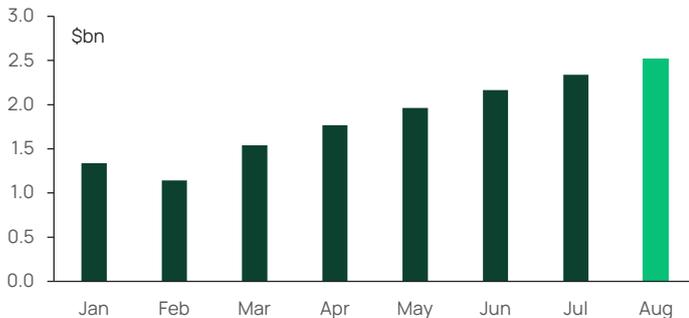
- ▶ Vietnam's total export-import turnover reached \$511.1bn in 8M24, a 16.7% increase YoY, contributing to a trade surplus of \$19.1bn, further stabilising the VND.
- ▶ Total retail sales in August are an estimated \$21.4bn, +7.9% YoY, bringing the 8M24 total to +8.5% YoY.
- ▶ Businesses and individuals have enjoyed an estimated \$3.7bn in tax exemptions, reductions, deferrals, fees, and rental support YTD.

Stock Market:

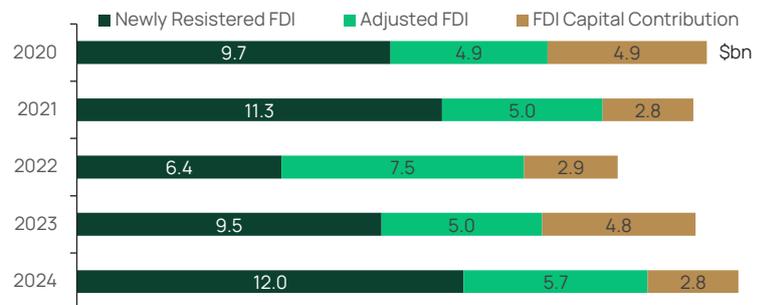
- ▶ The VNI rose 4.2% in August (TR\$), stabilising towards month-end following global volatility.
- ▶ The banking, IT, and retail sectors are expected to maintain strong growth momentum into 2025, with forward P/E levels offering attractive valuations.
- ▶ The anticipated release of the Non-Prefunding Circular may be implemented by year-end, likely serving as a catalyst for attracting market inflows.

CHART OF THE MONTH

Key Legal Reforms Accelerate Public Investment



Vietnam Remains a Top FDI Destination



Monthly Insights

Following August's Central Committee meeting, Vietnam finalised its government appointments with a full roster of five Deputy Prime Ministers, each assigned distinct responsibilities. Notably, Deputy Prime Minister Trần Hồng Hà will oversee public investment disbursement, while Deputy Prime Minister Nguyễn Hòa Bình will join the Politburo. With key Party and Government roles fulfilled the cabinet has accelerated its legislative agenda. Many laws, decrees, and circulars are being discussed for revision, with nearly 30 laws expected to be amended in the 2024-25 National Assembly sessions. The implementation of the "one law amending multiple laws" approach, which modifies several related laws under a single framework, aims to address long-standing obstacles and overlapping issues that previous sessions could not fully resolve through individual amendments. This approach is expected to bring significant positive changes to the country's economic and social landscape over the next five to ten years.

Economic indicators remain positive. Vietnam posted a record single-month export value of \$37.6bn and a trade surplus of \$4.5bn, with PMI at 52.4, continuing its expansionary trend. Investment activity was robust with registered FDI totalling \$20.5bn for 8M24, up 7.0% YoY, and disbursed FDI reaching \$14.2bn, up 8.0% YoY. Public investment disbursement in August hit circa \$2.5bn, the highest this year, signalling an acceleration in project execution as legal resolutions take effect. Additionally, long-delayed real estate projects, including VHM's Co Loa and DXG's Gem Riverside, have made legal progress, likely beginning construction soon.

Key monetary conditions are showing improvement. August inflation remained stable, unchanged from July at +3.5% YoY. The exchange rate strengthened sharply from VND 25,300 to 24,600 per USD in early September, bringing the VND's YTD depreciation to just over 1%. With the USD weakening and the likelihood of a Fed rate cut increasing, Vietnam's 8M24 inflation remains manageable at 4.0% YoY. The stabilisation of the exchange rate should ease pressure on the State Bank of Vietnam, increasing the likelihood of achieving a 15% credit growth whilst still able to maintain supportive interest rates.

The VNI gained 4.2% (TR\$) in August, stabilising after earlier global market volatility. As international markets face uncertainty, with investors weighing the impact of rate cuts against economic slowdowns, Vietnam's market performance will heavily depend on balancing global growth with domestic policy support. As investors become more prudent, strategies might shift from small-cap growth stocks, which benefited from the earlier recovery, toward a more balanced approach. We expect sectors like banking, IT, and retail to demonstrate sustained growth in 2025, offering clearer earnings visibility with 2025F NPAT growth of an estimated 18%, 17%, and 32%, while avoiding inflated valuations. This strategy should help traverse global uncertainties while capitalising on the resilience of Vietnam's domestic equity market. We also anticipate the release of the official Non-Prefunding Circular could be approved as early as September, with potential implementation by year-end, serving as a catalyst for attracting market inflows.