

## Vietnam achieved 7.4% GDP growth in Q3, on track for the government's full-year 7.0% target despite typhoon Yagi's Impact



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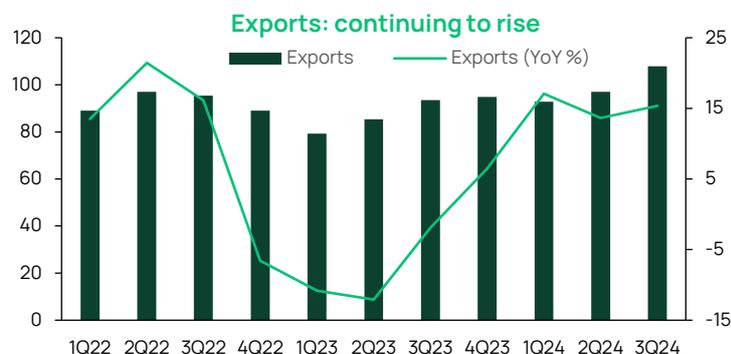
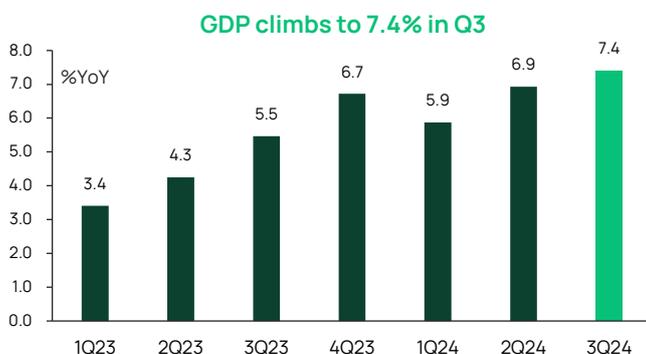
### Macroeconomics:

- ▶ Vietnam's GDP growth was led by the industrial and construction sectors, contributing nearly half of the total GDP, a significant increase from earlier quarters.
- ▶ The approval of the \$65-70bn North-South high-speed railway is expected to create millions of jobs and add around 1.0% to annual GDP growth by 2035.
- ▶ Typhoon Yagi's damage may reach \$4-5bn but swift Govt. action is expected to limit GDP impact to ~0.2%.

### Stock Market:

- ▶ The VNI rose 2.1% in September and 14.4% YTD (TR\$), still meeting resistance when trying to break 1,300.
- ▶ 3Q24 corporate earnings are projected to grow 16-18% YoY, aligning with expectations. China's unexpected stimulus package, a clearer path to EM status, and the non-prefunding circular approval rallied sentiment.
- ▶ Geopolitical tensions and inconsistent foreign cash flows may lead to potential short-term volatility.

## CHART OF THE MONTH



## Monthly Insights

Vietnam's economy grew by 7.4% YoY in Q3, accelerating from 6.9% in Q2 and 5.7% in Q1, with some northern provinces growing as much as 13.9%. The industrial and construction sectors were key contributors, expanding 9.1% YoY and accounting for 48.9% of total GDP. Within this, the processing and manufacturing sector increased 11.4%. Vietnam's export-import turnover also saw substantial gains, reaching \$212.4bn in Q3, +19.1% YoY. Key drivers of this growth include the ongoing strike in Bangladesh (the world's second-largest textile exporter), climate change impacts on agricultural markets, and the continued trend of manufacturers shifting production to Vietnam. The recovery of domestic consumption also contributed 47.0% to Q3's growth; September retail sales increased by 7.6% YoY and 8.8% in 9M24, driven by growth in accommodation and food services (+13.6% YoY) and travel services (+16.7% YoY). Credit growth improved by an estimated 8.5% YTD, compared to 6.6% over the same period in 2023, reflecting a more positive consumer outlook.

The Central Committee approved the investment policy for the North-South high-speed railway project in September. This ambitious project, with a total investment of \$65-70bn, will span 1,541 km from Hanoi to Ho Chi Minh City and reach speeds of 350km/hr. The investment is expected to create a construction market worth approximately \$33.5bn, creating significant opportunities for the sector. Including additional investments in rail infrastructure and equipment, this could swell to \$75.6bn, with vehicles and equipment worth \$34.1bn. Set for completion in 2035, the project is expected to create millions of jobs and add approximately 1.0% to annual GDP growth.

The fly in the ointment is public investment, with disbursement reaching 42.9% of the 2024 target, indicating projects await the amended Public Investment Law in October's National Assembly meeting. In contrast, private investment is making a strong comeback; 9M24 investment reached \$54.6bn, +7.1% YoY, accounting for 55.3% of total social investment. The agriculture, forestry, and fishery sectors were badly impacted by typhoon Yagi, growing by just 2.6% YoY in Q3. Economic damage from the typhoon is estimated at \$3.3bn, though this may rise to \$4-5bn. Thanks to the government's disaster relief plan of \$1-2bn to mitigate damage and accelerate infrastructure reconstruction, overall impact on GDP is forecast at 0.15-0.2%. Given Q3's strong GDP growth, FY24 GDP is on target to reach 6.8-7.0%.

Underlying drivers have exhibited significant improvement for the VNI, primarily buoyed an enhanced macroeconomic outlook and appealing valuations (2025F PE and EPS growth for our top-80 universe is 10.1x and 17%, respectively). Despite these positive indicators, we believe short-term volatility will return, influenced in part by ongoing global conflicts and potential erratic foreign capital flows (foreign net selling was down from \$152mn in August to \$67.7mn in September). 3Q24 corporate earnings are projected at +16-18% YoY, aligning with expectations and no major surprises. The outlook for the medium-term remains optimistic; political and regulatory frameworks are crystallising, providing clearer direction for market participants, with the National Assembly expected to discuss the Securities Law in October aimed at enhancing efficiency and transparency. Additionally, the 2025 forward PE may not alone reflect the market's potential, particularly as Vietnam edges closer to emerging market reclassification. With this upgrade expected to create substantial interest and investment, we are seeing some emerging market investors such as Mobius Capital already increasing their exposure to Vietnam.