

## Domestic investor optimism grows as structural reforms gain traction



**Hung Nguyen, CFA**  
Senior Economist

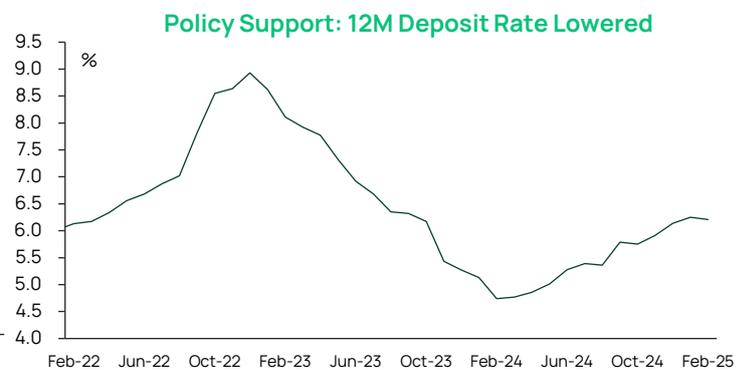
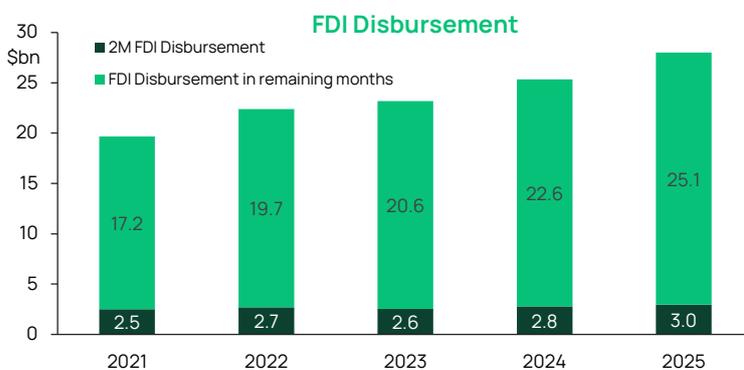
### Macroeconomics:

- ▶ The Prime Minister instructed the SBV to reduce interest rates, prompting 18 banks to lower 12M deposit rates and roll out preferential loan programmes.
- ▶ This could provide a tailwind for system-wide credit growth, supporting capital-intensive sectors such as infrastructure, manufacturing, and real estate.
- ▶ 2M25 public investment disbursement of \$2.4bn lags the \$36bn annual target, necessitating accelerated capital deployment.

### Stock Market:

- ▶ The VNI broke through 1,300 in February, its highest level since June 2022, rising 1.3% MoM and 2.8% YTD (TR\$).
- ▶ Net foreign selling persisted, reaching \$673mn YTD, approximately double the average monthly outflow in 2024.
- ▶ Domestic investors absorbed much of the selling pressure, with combined ADTV rising to \$702mn from \$506mn in January as local sentiment strengthened.

## CHARTS OF THE MONTH



## Monthly Insights

Vietnam's economy and markets demonstrated resilience in the first two months of 2025, despite global challenges, supported by proactive legislative and policy measures stemming from February's extraordinary National Assembly. The government has now approved significant structural reforms, reducing the number of ministries from 19 to 14. A landmark \$8bn investment was agreed for the Lào Cai-Hà Nội-Hải Phòng high-speed railway, underscoring the major infrastructure development push. A new resolution lifted foreign ownership restrictions on satellite service providers, allowing full ownership under a pilot scheme until 2030. This move, which includes Elon Musk's Starlink, is set to enhance digital connectivity and attract greater foreign telecom investment. As part of the ongoing reforms to improve efficiency, the Politburo is calling for a constitutional review, the sixth time in Vietnam's history, proposing amendments that could eliminate district-level administrative units and restructure units at the provincial level. These changes will be followed by the review and approval of 27 laws and resolutions in the May and October 2025 National Assembly sessions.

Investment flows have had a moderate start to the year. While registered FDI surged 35.5% YoY to \$6.9bn, realised FDI stood at just under \$3bn, reflecting a more modest 5.4% YoY growth. Public investment disbursement reached \$2.4bn in the first two months, equivalent to 6.9% of the government's annual target, slightly below the 7.7% recorded in the same period last year. With the government targeting \$36bn in public investment and \$28bn in FDI disbursement for 2025, accelerating capital deployment will be needed once government restructuring and municipal mergers conclude at the end of March.

To support economic expansion, the government has introduced additional accommodative monetary policies. The Prime Minister has instructed the SBV to lower interest rates, prompting over 18 banks to reduce deposit rates in February. On average, 12-month deposit rates declined by 3bps, marking the first reduction since the rate hikes that began in September 2024. Many banks have also launched preferential loan programmes, offering fixed interest rate reductions of 1-2% for the first 6-12 months. The SBV is further supporting banking sector liquidity by halting bill issuances, extending reverse repo maturities from 7 days to 91 days, and implementing liquidity-support measures for banks involved in restructuring and acquiring "zero-dong" banks. A legacy of Vietnam's 2011 financial crisis, zero-dong banks are insolvent institutions undergoing restructuring with both state and private sector banks. Supporting banks will receive 0% interest SBV loans, a mechanism designed to stabilise these entities while drawing on private sector expertise.

Beyond monetary stimulus, the government is prioritising private sector development as a key economic driver. The private sector now accounts for over 50% of GDP, contributes around 30% of state budget revenues, and employs 85% of the workforce, making it a cornerstone of Vietnam's growth strategy. Recognising its strategic importance, the Politburo has emphasised the need for a clear long-term strategy to foster private sector expansion by addressing regulatory constraints, resolving institutional bottlenecks, and creating a more business-friendly investment environment. Unlocking the full potential of private enterprises will be critical to sustaining Vietnam's economic momentum in the coming years.

## Key Indicators

Item	Unit	2020	2021	2022	2023	2024E	2025F
GDP	\$bn	346.6	366.1	408.8	430.0	476.3	529.5
Real GDP Growth	%	2.9	2.6	8.0	5.1	7.1	8.0
Services Growth	%	2.5	1.2	10.0	6.9	7.4	8.9
Agriculture Growth	%	2.8	2.9	3.4	2.6	3.3	5.5
Ind'l and Const'n Growth	%	3.3	4.1	7.8	3.5	8.3	8.7
Retail Sales Growth	%	2.6	-3.8	10.2	8.3	9.0	9.4
<b>Prices</b>							
CPI (Average YoY)	%	3.2	1.8	3.2	3.3	3.6	4.2
<b>Money, FX and Interest Rates</b>							
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	25,450	26,500
<b>External Sector</b>							
Trade Balance	\$bn	19.9	3.3	12.4	28.0	24.4	23.1
Current Account	\$bn	15.1	-7.8	-1.5	17.4	20.7	19.3
Current Account / GDP	%	4.3	-2.1	-0.4	4.0	4.4	3.6
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	25.4	28.0
FX Reserves	\$bn	98.0	106.5	85.0	89.0	80.0	80.0
<b>Public Debt Fiscal Balance</b>							
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	-4.2

All forecasts are Dragon Capital estimates

## Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	29-Feb-24	28-Feb-25	29-Feb-24	28-Feb-25	29-Feb-24	28-Feb-25	29-Feb-24	28-Feb-25
Market cap (\$mn)	205,622	212,872	12,893	15,078	47,029	60,241	265,544	288,191
Number of stocks	396	392	322	310	870	889	1,588	1,591
Number of large cap stocks (> \$400mn)	71	77	11	11	17	19	99	107
Stocks with no room for foreigners	65	66	94	94	253	274	412	434
Market cap of stocks with no room (\$mn)	29,262	26,707	1,865	3,270	14,827	24,458	45,954	54,435
Share of Market Cap with No Room (%)	14.2	12.5	14.5	21.7	31.5	40.6	17.3	18.9

## Top 25 Companies by Market Cap

No	Company	28-Feb Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2023 (x)	2024 (x)	2025E (x)	2023 (x)	2024 (x)	2025E (x)	2023 (%)	2024 (%)	2025E (%)
1	Vietcombank	93,300	2.3	20,402	9.60	15.6	17.3	16.0	2.7	2.6	2.3	-	-	-
2	BIDV	40,950	9.1	11,051	5.20	15.2	13.8	13.5	2.1	1.9	1.8	0.1	-	-
3	Airports Corporation VN	106,200	-15.6	9,045	-	22.1	29.4	22.8	2.9	4.6	3.2	-	-	-
4	Vietinbank	41,500	9.8	8,719	4.10	8.5	8.9	8.1	1.2	1.4	1.3	-	-	-
5	FPT Corporation	140,300	-8.0	8,075	3.80	20.4	31.3	23.7	4.8	7.5	5.8	2.4	1.5	2.5
6	Techcombank	26,100	5.9	7,214	3.40	6.2	8.4	7.5	0.8	1.2	1.1	-	3.0	2.8
7	Hoa Phat Group	28,000	5.1	7,007	3.30	24.3	14.2	11.3	1.6	1.5	1.4	-	-	1.8
8	Vinhomes	41,200	3.0	6,621	3.10	5.6	5.2	5.6	1.0	0.8	0.7	-	0.4	-
9	PV Gas	68,000	-0.1	6,233	2.90	14.2	15.7	16.2	2.5	2.6	2.3	4.1	8.8	4.3
10	Vingroup	41,200	1.6	6,163	2.90	79.1	13.2	30.4	1.5	1.1	1.2	-	0.4	-
11	Masan Consumer	149,000	-16.9	6,129	-	7.6	23.7	18.2	2.1	17.3	6.9	0.4	12.4	5.1
12	VP Bank	19,300	0.5	5,991	2.80	14.5	9.7	7.6	1.1	1.1	0.9	5.2	5.2	3.9
13	MB Bank	23,000	5.4	5,491	2.60	4.7	6.1	5.5	1.0	1.2	1.0	2.3	2.0	-
14	Vinamilk	62,200	-1.9	5,086	2.40	16.9	15.8	15.8	4.2	4.1	4.0	5.8	6.2	6.2
15	Asia Commercial Bank	26,000	0.8	4,544	2.10	5.7	7.0	6.1	1.3	1.4	1.2	3.6	3.4	1.7
16	LienViet Post Bank	36,150	15.7	4,225	2.00	7.2	9.6	9.8	1.2	2.2	2.0	-	-	-
17	Masan Group	67,700	-3.3	3,810	1.80	229.0	50.4	27.0	3.6	3.3	3.1	0.3	1.7	0.3
18	Mobile World	58,300	-4.4	3,334	1.60	370.4	24.0	15.9	2.7	3.2	2.7	1.2	0.8	1.7
19	HD Bank	23,050	-9.6	3,152	1.50	5.6	7.0	5.2	1.3	1.6	1.2	4.3	3.3	-
20	Becamex IDC	75,700	6.8	3,065	1.40	26.5	34.8	31.1	3.5	3.8	3.6	1.3	1.4	-
21	Sacombank	38,250	3.7	2,821	1.30	6.8	6.9	6.1	1.2	1.3	1.1	-	-	-
22	Sabeco	51,500	-7.2	2,584	1.20	18.3	16.8	14.8	3.0	3.1	2.8	4.2	6.5	6.8
23	Binh Son Refining	20,450	-10.3	2,481	1.20	6.5	113.0	36.8	1.0	1.3	1.1	3.8	3.1	3.4
24	VIB	20,750	5.3	2,419	1.10	5.6	8.4	7.3	1.2	1.4	1.3	6.4	5.4	-
25	Vietnam Airlines	27,850	-2.8	2,413	1.10	neg	9.2	10.0	neg	neg	14.0	1.1	0.8	-

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](mailto: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.