Economic momentum builds as GDP and credit growth surge

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Macroeconomics:

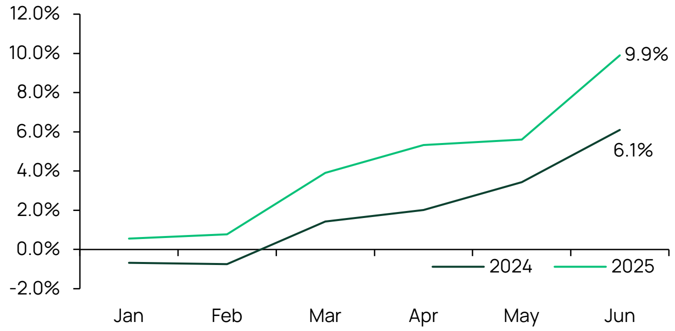
- Vietnam's economy continues to accelerate, with H1 GDP growth of 7.5% driven by manufacturing and public investment. Strong credit growth of 9.9% YTD supports business activities and consumer spending.
- Key streamlining reforms continue, with the merging of 63 into 34 provinces now complete.
- A new Legal Reform Resolution enables the government to quickly amend or suspend conflicting regulations, supporting private sector activity and confidence.

Stock Market:

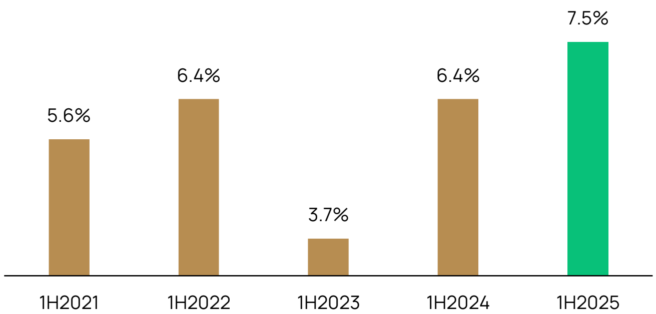
- The Vietnam Index rose 3.1% in total return USD terms in June, bringing YTD gains to 6.9%.
- It is now trading at a three-year high, reflecting bullish sentiment around the provisional US tariff agreement, which is likely to be a net-positive for Vietnam when compared to the reported higher tariff rates of peers.
- Strong average daily liquidity (~$900mn), solid macro fundamentals, and expected Q2 earnings growth of ~14% YoY, support a healthy outlook for H2 2025.

CHARTS OF THE MONTH

Credit Growth Accelerates as Confidence Builds



Highest GDP Growth in Over a Decade



Monthly Insights

Vietnam's economy delivered its strongest first-half performance in over a decade, with GDP expanding 7.5% YoY in H1 2025, driven by 8.0% growth in Q2, up from 6.9% in Q1. This acceleration was fuelled by strong exports and a rebound in services. Industrial production grew 9.2% YoY, led by an 11.1% rise in manufacturing output. Total trade reached $432bn, up 16.1% YoY, with exports rising 14.4% and imports 17.9%, resulting in a ~$7.6bn trade surplus. Public investment reached a five-year high, with disbursements exceeding $10.5bn, fulfilling nearly one-third of the annual plan. Registered FDI surged 32.6% YoY to $21.5bn, the highest first-half performance since 2009. Although new project licences dipped slightly, capital injections into ongoing projects more than doubled, signalling strong investor confidence. Actual FDI disbursements climbed 8.1% to $11.7bn, mainly in manufacturing and real estate. Inflation remained well managed, with the average H1 CPI at 3.3% and core inflation at 3.2%, both below the central bank's target. Against this strong backdrop, credit growth accelerated sharply, with H1 bank lending rising 9.9%, well ahead of last year's pace, supporting expanding business activity and consumer demand.

Vietnam continued advancing its regulatory reform agenda to enhance both competitiveness and financial stability. Recent amendments have strengthened institutional frameworks, notably through the revised Law on Credit Institutions, which formalises bad-debt handling and extends the State Bank's authority over banking risks. In parallel, the government is pushing digital regulation, with new rules recognising cryptocurrencies and digital assets as separate asset classes, and a full legal framework expected by January 2026. Plans for International Financial Centres in Ho Chi Minh City and Da Nang underscore the country's ambition to become a regional finance hub. Administrative reform is also gathering pace. The streamlining of provincial governance(from 63 to 34) is now complete, while a newly passed Legal Reform Resolution gives the government the flexibility to amend or suspend conflicting regulations across priority sectors. In real estate, removing pre-build construction permits in favour of post-build inspections is expected to cut approval times and lower compliance costs, reinforcing the broader effort to simplify doing business.

The key catalyst was President Trump's 3 July announcement of a provisional US–Vietnam trade agreement framework, significantly reducing earlier uncertainties. Under this proposed agreement, Vietnam's exports would be subject to a relatively advantageous tariff rate of 20%, well below the considerably higher rates targeting regional competitors like Bangladesh (35%), Thailand (36%), and Indonesia (32%). This tariff differential reinforces Vietnam's appeal as a comparatively stable and lower-cost manufacturing base. While questions remain around the implementation of new transshipment rules, the 20% rate is far less disruptive than the 46% worst-case scenario previously modelled, which implied a GDP hit of 1.4–2%. At current levels, the macroeconomic impact is likely to be limited, and insufficient to trigger major FDI relocation given the lower differential with peers. These developments boosted investor sentiment, sparking notable gains across export-driven industries, industrial real estate developers, and financial stocks. Conversely, energy equities corrected in line with falling global oil prices, while defensive sectors rotated into cyclical areas amid improving market confidence. With strong liquidity, sound macroeconomic fundamentals, and expected Q2 earnings growth of around 14% YoY, the equity outlook remains positive, supporting further market strength in the second half of 2025.

In conclusion, our equity outlook remains strong, with the tariff overhang likely to be settled in a net-positive manner for Vietnam. Vietnam's economy is on a solid growth trajectory, supported by strong exports, rising consumption, and proactive public investment. Inflation remains manageable, and ongoing reforms in finance, real estate, and administration are improving the business environment.

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
Prices							
CPI (Average YoY)	%	3.2	1.8	3.2	3.3	3.6	4.2
Money, FX and Interest Rates							
Money Supply M2	%	14.5	8.9	6.2	12.5	12.7	14.5
Average Lending Rate	%	8.6	8.5	13.7	8.7	8.4	8.4
5-yr VGB	%	1.1	0.9	4.7	1.6	1.4	1.9
VND : $	$1	23,085	22,800	23,550	24,250	25,450	26,500
External Sector							
Trade Balance	$bn	19.9	3.3	12.4	28.0	24.4	18.8
Current Account	$bn	15.1	-7.8	-1.5	17.4	20.7	14.6
Current Account / GDP	%	4.3	-2.1	-0.4	4.0	4.4	2.8
FDI Registered	$bn	28.5	38.5	27.7	36.6	35.0	31.0
FDI Disbursement	$bn	20.0	19.8	22.4	23.2	25.4	23.1
FX Reserves	$bn	98.0	106.5	85.0	89.0	80.0	75.0
Public Debt Fiscal Balance							
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	
	30-Jun-24	30-Jun-25	30-Jun-24	30-Jun-25	30-Jun-24	30-Jun-25	30-Jun-24	30-Jun-25
Market cap ($mn)	199,771	227,257	12,993	13,844	64,749	55,051	277,514	296,152
Number of stocks	395	389	315	307	878	889	1,588	1,585
Number of large cap stocks (> $400mn)	75	80	10	12	18	17	103	109
Stocks with no room for foreigners	62	61	91	99	261	285	414	445
Market cap of stocks with no room ($mn)	17,067	22,328	1,896	2,636	25,338	20,944	44,300	45,907
Share of Market Cap with No Room (%)	8.5	9.8	14.6	19.0	39.1	38.0	16.0	15.5

Top 25 Companies by Market Cap

No	Company	30-Jun Price (VND)	Price YTD (%)	Mkt Cap ($mn)	Wt in VNI (%)	PER 2024 (x)	PER 2025E (x)	PER 2026E (x)	PBV 2024 (x)	PBV 2025E (x)	PBV 2026E (x)	Yield 2024 (%)	Yield 2025E (%)	Yield 2026E (%)
1	Vietcombank	57,000	-6.6	18,258	8.00	17.3	14.9	13.4	2.6	2.1	1.8	-	-	-
2	Vingroup	95,600	135.8	14,013	6.20	13.0	31.3	31.0	1.1	2.4	2.3	0.4	-	-
3	Vinhomes	76,700	91.8	12,077	5.30	5.2	7.9	6.9	0.8	1.3	1.1	0.4	-	-
4	BIDV	36,300	-3.3	9,771	4.30	13.5	12.1	10.7	1.9	1.6	1.4	-	-	-
5	Techcombank	34,200	38.7	9,262	4.10	8.4	10.3	8.4	1.2	1.5	1.3	3.0	2.0	2.5
6	Vietinbank	41,900	10.8	8,625	3.80	8.9	8.3	7.1	1.4	1.3	1.1	-	-	-
7	Airports Corporation VN	98,500	-21.8	8,220	-	29.1	22.4	20.1	4.6	3.0	2.5	-	-	-
8	FPT	118,200	-21.8	6,712	3.00	31.0	20.8	17.4	7.5	4.9	4.2	1.5	2.2	2.5
9	Hoa Phat Group	22,700	2.2	6,679	2.90	14.2	10.6	8.0	1.5	1.4	1.2	-	1.8	1.8
10	PV Gas	67,800	-0.4	6,089	2.70	15.7	15.0	14.7	2.6	2.5	2.4	8.7	5.2	5.2
11	MB Bank	25,800	18.2	6,035	2.70	6.1	6.2	5.2	1.2	1.2	1.0	2.1	-	-
12	VP Bank	18,500	-1.0	5,627	2.50	9.4	7.7	6.1	1.0	0.9	0.8	5.2	3.9	4.9
13	Masan Consumer	126,700	-29.4	5,107	-	23.7	17.1	15.6	17.3	7.7	6.4	12.4	3.6	3.6
14	Vinamilk	58,000	-5.3	4,647	2.00	15.2	15.9	15.1	4.0	3.9	4.1	6.2	7.5	7.5
15	Masan Group	76,800	9.7	4,235	1.90	50.4	29.3	23.5	3.3	3.3	2.9	1.7	1.6	1.6
16	ACB	21,300	-1.2	4,194	1.80	6.7	6.2	5.4	1.3	1.1	0.9	3.4	1.6	1.9
17	Mobile World Group	65,500	7.4	3,713	1.60	24.0	16.7	14.4	3.2	3.0	2.6	0.8	1.5	1.6
18	LienViet Post Bank	32,250	10.8	3,693	1.60	8.9	10.3	9.4	2.0	1.9	1.6	-	-	-
19	Sacombank	46,700	26.6	3,375	1.50	6.9	7.3	6.0	1.3	1.3	1.1	-	-	-
20	Vietnam Airlines	37,900	32.3	3,217	1.40	8.4	9.2	10.7	neg	11.3	5.5	0.4	-	-
21	HD Bank	21,800	-14.5	2,921	1.30	7.0	5.0	4.2	1.6	1.1	0.9	3.3	-	-
22	Becamex IDC	64,200	-9.4	2,547	1.10	33.6	33.3	30.7	3.7	3.8	3.4	1.4	-	-
23	Sabeco	47,000	-10.0	2,311	1.00	15.8	17.7	17.7	2.9	3.0	3.5	6.5	10.6	10.6
24	Vincom Retail	24,650	43.7	2,147	0.90	9.5	12.0	10.5	0.9	1.2	1.1	-	-	-
25	Binh Son Refining	17,850	-21.7	2,122	0.90	112.0	54.0	44.2	1.3	1.0	1.0	3.1	3.9	3.9

All forecasts are Dragon Capital estimates

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