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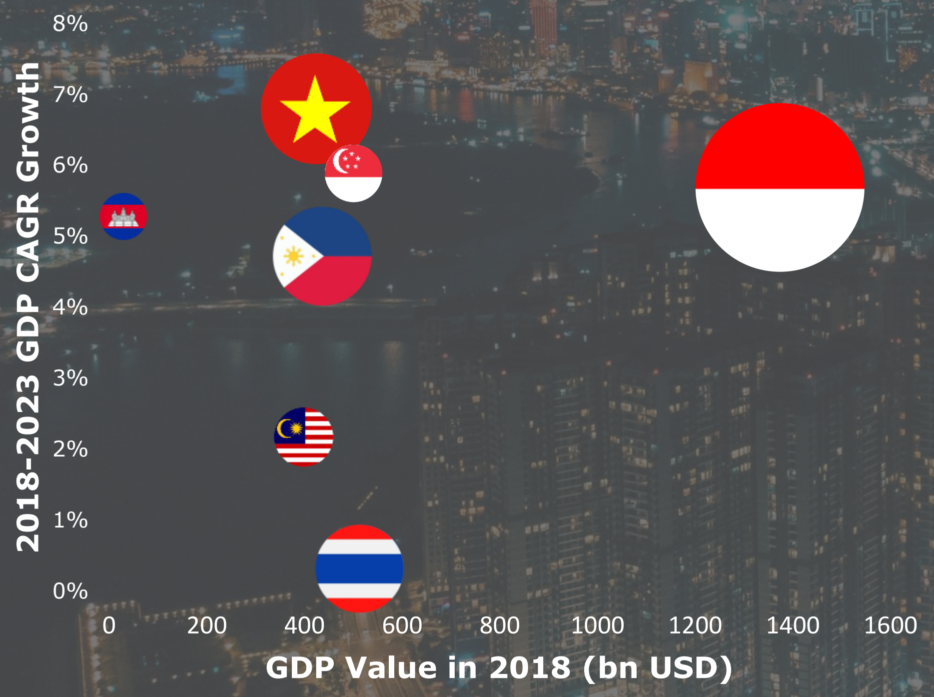
Vietnam's economic growth has resumed

October 2024

Vietnam Economy
At a Glance



*The bubble size represent labor force size, with Vietnam being 56 million people

Source: World Bank

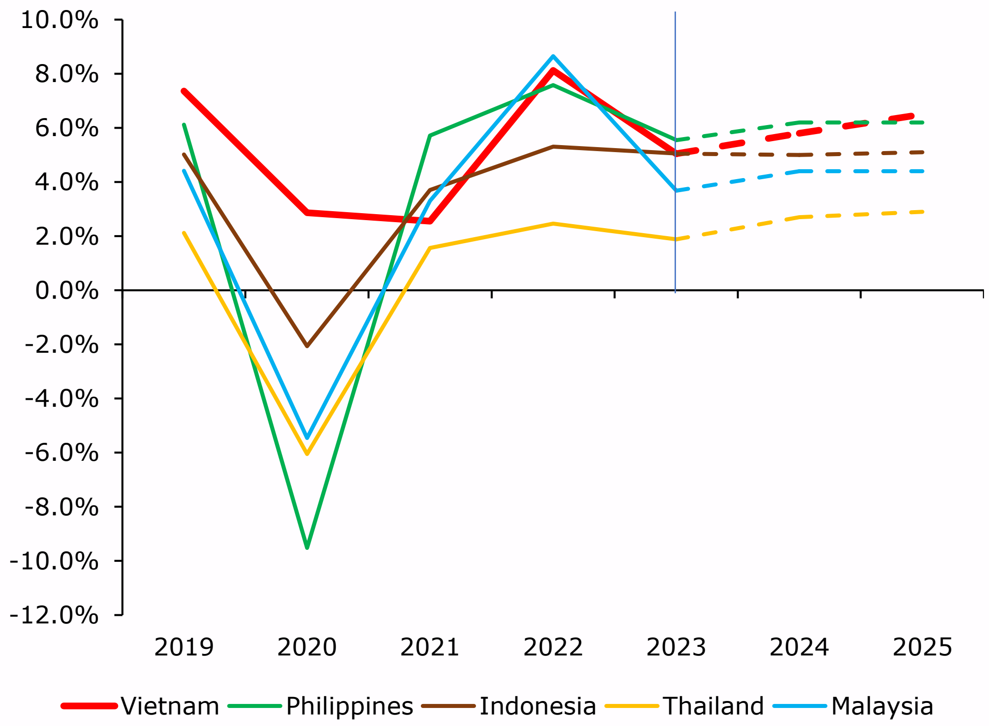
Vietnam experienced robust growth during **2018-2023**, with GDP growth **at a CAGR 6.7%,** driven by strong exports, manufacturing, and foreign direct investment (FDI).

- **Pre-COVID:** The country became one of the fastest-growing economies in the world, with its key sectors—electronics, textiles, and agriculture—booming due to global demand and trade agreements like CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership).
- **COVID Impact (2020):** Vietnam still maintained a positive growth rate of 2.9% in 2020, making it one of the few countries globally to avoid recession that year.
- **Recovery (2021-2023):** Vietnam rebounded strongly, with GDP growth **reaching 8.02% in 2022**, the highest in Asia, driven by many factors. Firstly, Vietnam's deep penetration in the global trade strengthen its export value amid revival in global trade post pandemic. Additionally, Vietnam's competitive edge in cheap labor cost and neutral political stance continued to attract strong FDI flows, with FDI in Vietnam reaching 23 billion USD in 2023, the **2nd highest level seen among ASEAN-6**.

A DEEPER LOOK

Vietnam's GDP has been growing at a **6.7% CAGR from 2018-2023**, even though there were **times** when Vietnam **lost the leading position** due to the strong **impact of the pandemic**. However, the concerted efforts of the Vietnamese Government and Businesses are effectively helping the country **regain its status** within the region, as GDP growth in 9M2024 was **6.8**%, making Vietnam **one of the fastest growing economy** in Asia region.

Vietnam GDP Growth yoy vs Regional Peers



Source: IMF Forecast

Net Trade
38% share
2.1% 3Y CAGR

Net trade accounts for **38% of total GDP growth**, due to the fact that Vietnam has been substantially relying on exporting (accounting for **84%** nominal GDP in 2023). FDI companies made up **69%** of total export value thanks to increasing investment in Vietnam manufacturing. With strong momentum in 8M2024 (export increase **16%** yoy), **we believe Vietnam net trade will sustain at a high level** in line with recovery in major economies, hence drive the GDP growth further.

Investment
29% share
1.8% 3Y CAGR

The investment pillar contributed **29% of GDP Growth in 2023**. In addition to significantly contributing to trading activities, FDI enterprises account for roughly **20% total investment**, with the rest belonging to domestic enterprises and government spending. With busy infrastructure pipeline and high FDI registered value, coupled with **favorable monetary and fiscal policy** we expect this pillar to continue **growth momentum.**

Consumption
38% share
2.7% 3Y CAGR

In contrast to other pillars, Vietnam's consumption pillars has weakened since COVID-19, due to weaker consumer sentiment. However, we believe that strong fundamental value including **100 million** population, rising middle class income to **75% of total household** and favorable fiscal policy, Vietnam consumption growth remains promising in the future.

VIETNAM ECONOMY REGAINS THE POSITION

And we are now making strong comeback in the first 9 months of 2024, Vietnam's economy continues **strong economic activities** post pandemic, thanks to robust exporting activity (**+15.4% yoy)**, which drove the industrial activity to grow at **8.2% yoy**. This growth **outperformed** the growth trajectory over the past 3 years (average 3Y growth in **Agriculture** was **3.2**%, **Industry** was **6.4%** and **Service** was **6.2%**)

GDP Growth*
6.8%

(*) as of 9M2024

Agriculture, Forestry & Fisheries — ▲ **3.2%** 9M2024 vs 9M2023

Agriculture accounts for the lowest portion (**11.64%** in total GDP in 9M2024), due to the nature of low in value and also being affected by the Yagi Typhoon. Also, agriculture products are among of **major exporting products**, which account for roughly **9%** of total export.

Industry and Construction — ▲ **8.2%** 9M2024 vs 9M2023

In contrast, the industry and construction witnessed strong growth, accounting for **37% in 9M2024**. Such growth was fueled by **strong export demand**, driven by continuous strong **manufacturing FDI into Vietnam**. These inflows seen no signs of slowing down in 2024, hence we expect the industrial pillar will continue this trend.

Service — ▲ **7.0%** 9M2024 vs 9M2023

Aligned with **the increase in trading activities** and the **positive economic outlook**, the service sector contributed **42.8%** in 9M2024. Such growth was fueled by strong increases in port and logistic sector (**+11%**), retail and wholesales (**+7.6%**), banking and finance (**+6.5%**).

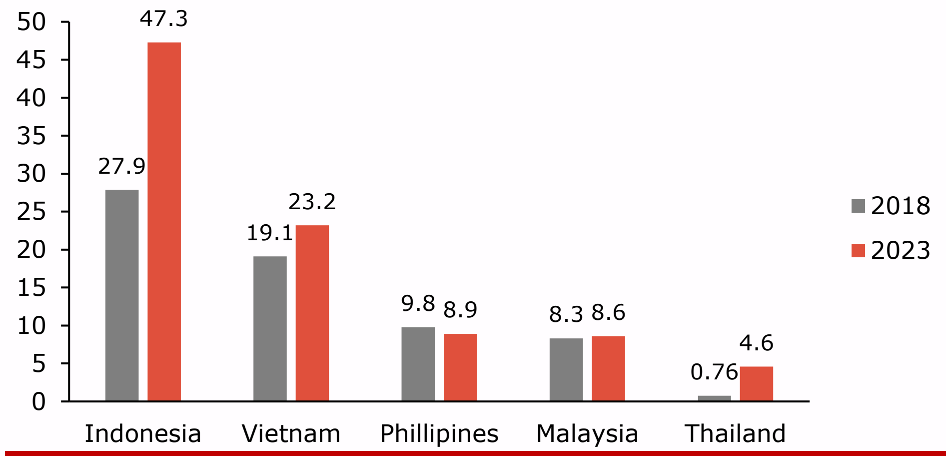
Source: GSO

FOREIGN DIRECT INVESTMENT BEING A MAJOR GROWTH CATALYST

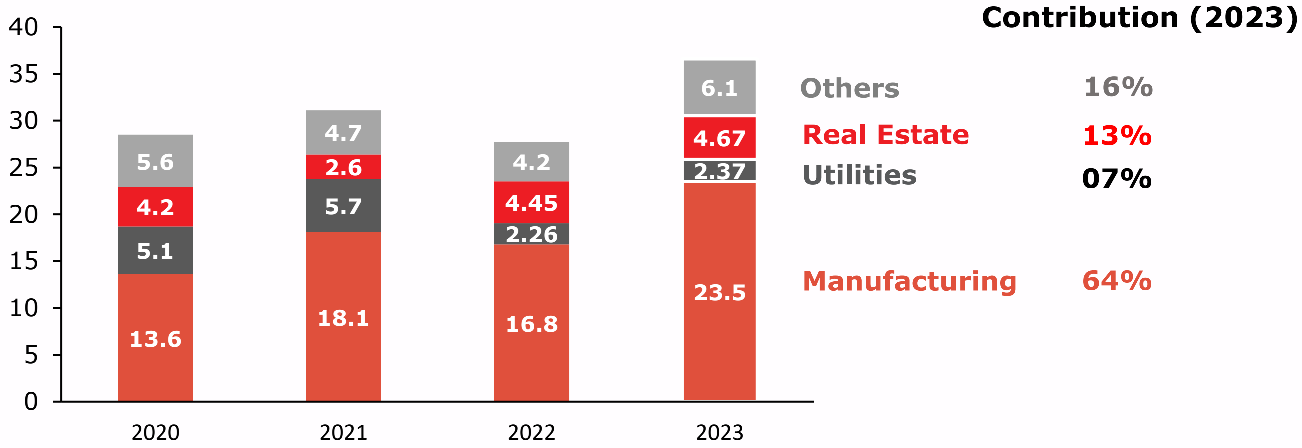
The observations regarding foreign investors' skepticism about Vietnam's growth potential post-pandemic are noteworthy. The FDI figures from the first half of the year indicate a **promising recovery** in the economy and **heightened confidence** among foreign investors in Vietnam's economic prospects. This signals resilience and potential for future growth.

Top sectors that get highest FDI: Manufacturing, Utilities, Real Estate

FDI Inflows to ASEAN Countries (bn USD)



Investment Inflows (FDI & FII) by Industry (bn USD)



Major FDI Investor in 2023

#1 Singapore **$6.8** billion	**#2 Japan** **$6.6** billion	**#3 Hongkong** **$4.7** billion
#4 China **$4.5** billion	**#5 Korea** **$4.4** billion	**#6 Taiwan** **$2.9** billion

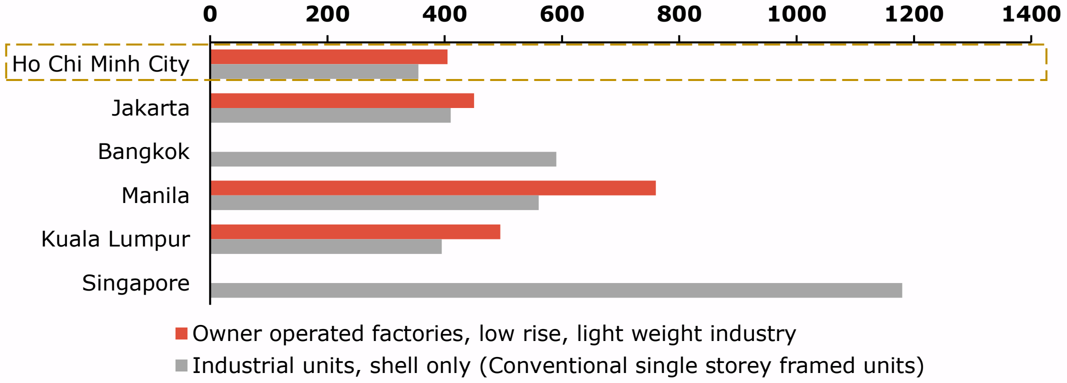
Source: GSO, World Bank

VIETNAM'S COMPETITIVE EDGE IN ATTRACTING FDI

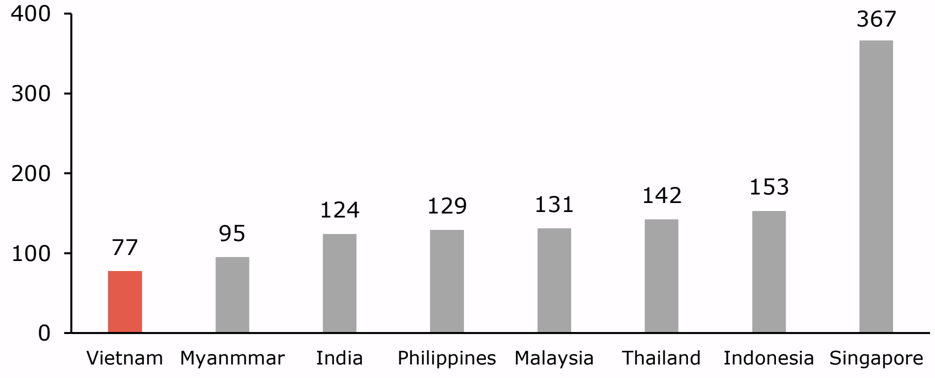
Not only possesses **cost advantage**, Vietnam choice of foreign policy - the "bamboo diplomacy" (referred to the choice of **independence**, **self-reliance** and **diversification** of relations), also plays a vital role in attracting FDI amid escalating geopolitical risk and US-China Trade War.

Vietnam offer a golden age population (with 53% population in working age), at a low cost to construct and operate plants

Construction Cost in ASEAN Region *(USD/m²)*

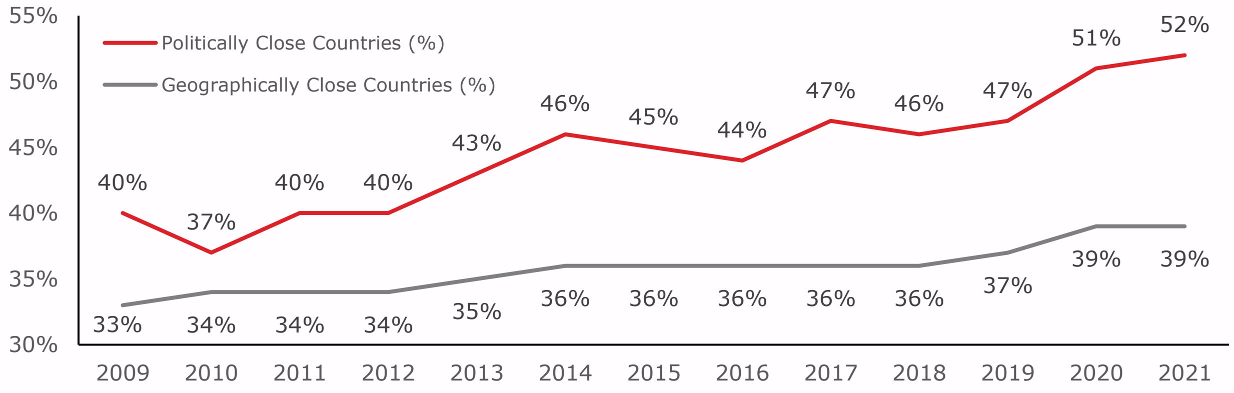


Monthly Operation Expense in ASEAN *('000USD)*

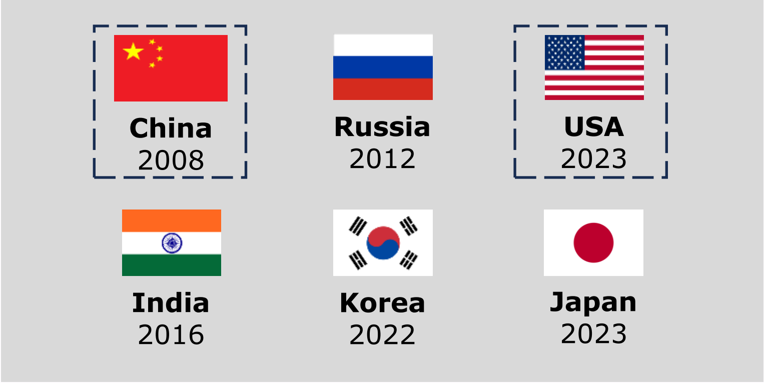


By securing multiple bilateral partnership with major economies and remain neutral status, Vietnam is benefit from the **"Friend-shoring"** trend.

Share of Global FDI *(%)*



Signed Comprehensive Strategic Partnership



Vietnam being the **1st country** to sign strategic partnership with both **USA & China**

Source: TMX Consulting, INF, ILOSTAT

STAND OUT SECTORs

Align with Vietnam's competitive advantage in cost advantage in labor and operating expense, coupled with neutral political stance, **manufacturing is one of the sector getting highest FDI**. Aligned with this theme, **industrial park real estate** and **logistic services** are showing the interested of the investors

1 Manufacturing

Supporting Catalyst

- Low labor and operating cost in general (construction, electricity, etc).
- Especially, **electronics, EVs, semiconductors** are few example of which investors will benefit from Vietnam's extensive **trade agreements**, in which avoid significantly high tariff on China exports to US and EU

Government Initiatives

- The Government has consistently been showing positive attitudes toward attracting manufacturing, by offering multiple cost incentive layout in **Law on Investment, issued in 2020**

2 Industrial Park Real Estate

Supporting Catalyst

- Increasing manufacturing demand has driven the need for more industrial parks, which currently witnessing **high occupation rate** (**>90%** in the **South** and **>85%** in the **North**). Therefore, it signal a potential **shortage in supply.**

Government Initiatives

- The Government showed high care to this sector, through issuing **Decree No. 35/2022/ND-CP** in which simplified the investment process, or **discount on land use** & **rental fee**

3 Logistic Service

Supporting Catalyst

- Increasing manufacturing to meet up the export demand may boost the need for logistic service include **transportation, seaport, inventory storing, etc.**

Government Initiatives

- Recently, one Government member highlight **keen interest** in developing logistic become a **high-added-value sector**, with initiative to **remove tax obstacle** in this sector

STAND OUT SECTORs

Strong economic growth and rising job opportunities have created a rapidly growing middle class. Coupled with a large population based of with a population of **100 million inhabitants,** making it the **3rd largest** in Southeast Asia, therefore we believe that sectors serving the large middle-income class will perform well in the coming years, including: **residential real estate, healthcare, education**.

4 Residential Real Estate

Supporting Catalyst

- There is a **record low supply of affordable apartments** in the **southern market**, while **prices has been rising** significantly, indicating a growing unmet demand.

Government Initiatives

- Recently, the Government has updated **03 Laws** related to this sector, with the aim to **strengthen legal framework**, boost buyers' sentiment and should benefit developers with **strong financial background**;
- By maintaining **low interest rate** level, the Government also enable developers to access lower funding cost.

5 Healthcare

Supporting Catalyst

- **Increasing health awareness** after COVID-19 has increased the demand for **healthcare sector**;
- Public hospitals are experiencing **overcapacity**.

Government Initiatives: Currently, no recent government initiatives have been observed in this sector

6 Education

Supporting Catalyst

- The rising demand for a **high-quality education** system from the middle-class population has **outpaced** the capacity and resources of public schools.
- **Public schools** in major cities are facing **overcapacity**, evident in large class sizes (reaching up to **50 students** in some Hanoi schools) and **intense competition** for high school and university entrance exams.

Government Initiatives: Currently, no recent government initiatives have been observed in this sector

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THANK YOU!

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