

ECONOMY REVIEW AND OUTLOOK

Comprehensive strategic profits as exports surge

While the Tet holiday continued to add a seasonal skew in February, the aggregated data for the first two months of the year showed promising economic indicators. Total exports rose 19.2% YoY to \$59.3bn in 2M24 (Fig. 2), while imports increased 18.0% YoY to \$54.5bn. Major markets where Vietnam has upgraded diplomatic relations have seen significant growth. Exports to the US and Japan surged 34% YoY and to China by 17.3%. The sustained recovery is further underscored by the PMI remaining above 50 for two consecutive months (50.3 and 50.4 in January and February, respectively), as companies received new export orders and increased hiring efforts. After Tet, many businesses announced they have orders until June 2024, especially in the textile and timber industries. This resurgence in activity extends to Vietnam's seaports, which handled nearly 112m tons of cargo, marking an 8% YoY increase in 2M24, alongside a 27% YoY increase in container cargo transports.

Easing the leash: monetary policy supports growth

The growth in exports further demonstrates the effects of easing monetary policy. Fixed lending rates for new two-year loans have nearly halved from 12-14% a year ago to just 6-8% p.a. Preferential interest rate packages have also been introduced by a group of commercial and state banks. A notable example is a \$20bn loan program offering preferential rates to retail and corporate clients of 4.0% p.a for short-term loans and 9% p.a for medium-to-long-term loans. A targeted \$1.2bn package also aims to bolster the agricultural, fishery, and timber sectors. Additionally, the recovery of South Korea's semiconductor exports in recent months was mirrored by Vietnam's increase in exports of phones, computers and other electronic products, up 33.9% YoY (Fig. 3).

Local heroes outshine FDI counterparts

Another encouraging trend is export growth of 33.3% from domestic enterprises outpacing 14.7% from FDI companies (including crude oil). After recent upgrades to infrastructure, production processes, and ESG standards, a robust domestic supply chain is emerging, enabling more local firms to comply with stringent rules of origin and gain access to more markets. Exports to Africa, West Asia, Eastern Europe, and North America grew by single digits in the first two months of the year. The solid growth of domestic businesses helps reduce Vietnam's reliance on FDI. Furthermore, domestic retail sales grew 5.0% YoY in 2M 2024, driven by holiday demand and tourism, indicating a recovery in domestic consumption. FDI showed continued strength, however, with registrations in 2M 2024 up 38.6% YoY to \$4.3bn. Among the countries investing in Vietnam in the first 2 months of 2024, Singapore accounted for nearly 50% of registrations. Disbursement over the same period reached \$2.8bn, up 9.8%, while February alone saw a record \$1.3bn disbursed.

Fig.1

ECONOMIC FORECASTS

29-Feb-24	Unit	2021	2022	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.1	6.0
Nominal GDP	\$bn	366.1	408.8	430.0	463.0
CPI (average)	%	1.8	3.2	3.3	4.0
Export Growth (cif)	%	19.0	10.6	-4.4	9.8
Import Growth (cif)	%	26.7	8.4	-9.2	10.2
Trade Bal (cif)	\$bn	3.3	12.4	28.0	29.3
FX Reserves	\$bn	106.5	85.0	89.0	100
FDI Disbursed	\$bn	19.8	22.4	23.2	24.2
VND:\$	1	22,800	23,550	24,500	25,000

Fig.2

EXPORTS REBOUNDED IN 2M 2024

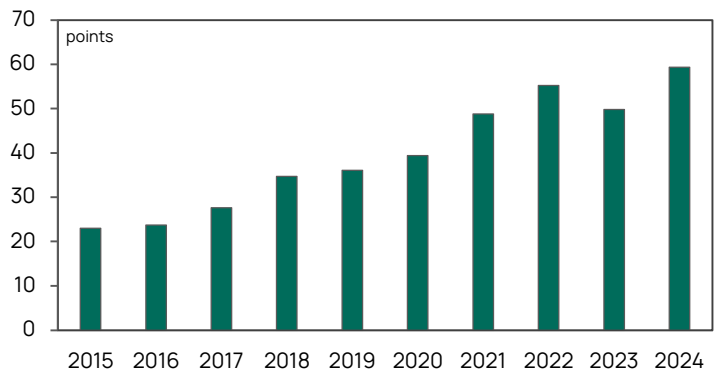


Fig.3

ELECTRONICS EXPORTS CLIMBED

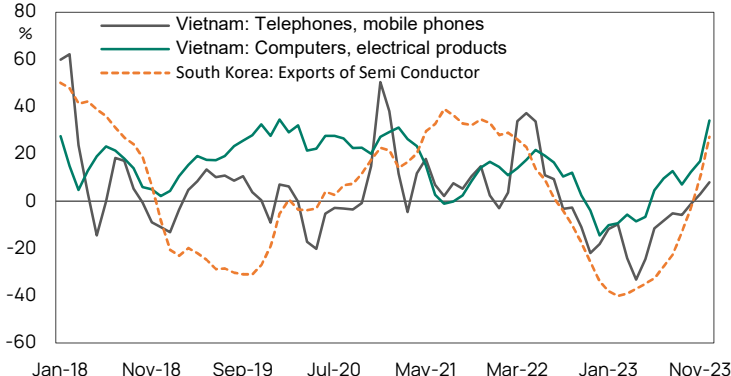
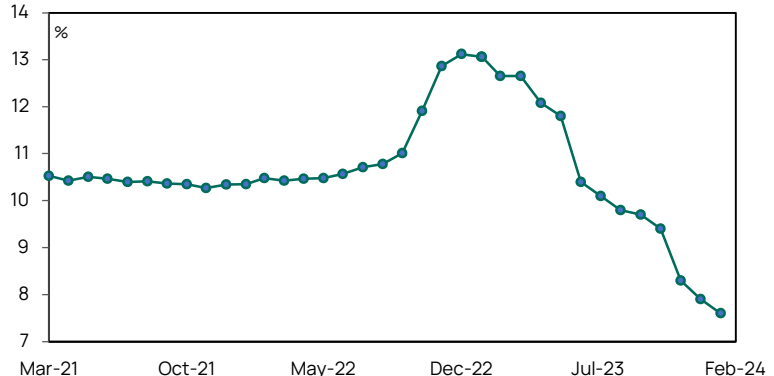


Fig.4

LENDING RATES DROPPED SHARPLY



MARKET REVIEW AND OUTLOOK

VNI rides liquidity wave to climb 6.6%

Low rates and government initiatives drive market returns

Foreign outflows shift down a gear

FTSE EM upgrade could be a small slice of a large pie

The VNI concluded February on a positive note, climbing 6.6% MoM (TR\$) to 1,252 and surpassing last year's high of 1,245. Activity was muted leading up to the Tet holiday in early February, but average daily turnover increased significantly from 15 February when the market reopened. This led to a 24.8% MoM increase in volume, reaching \$848m/day.

Equities continue to offer an appealing alternative to fixed-term deposits, with current 12-month deposit rates averaging 4.7% vs. the 2023 peak of more than 10%. Sector inflows were seen in IT (+13.1%), exports (+10.9%), materials (+9.6%), and banks (+9.1%). Export companies such as garment producer TNG Investment and Trading reported they were starting to rehire with an order backlog into 3Q24, and fishery exporter Vinh Hoan Corporation was propelled by news of rising average sales prices, with the Red Sea shipping crisis so far having limited impact. The materials sector was led by Hoa Phat Group after the Ministry of Finance reported a 21.8% YoY increase in domestic investment and development spending to \$2.4bn in the first two months of 2024. This push is set to invigorate the materials sector, spurred by increased demand from infrastructure initiatives.

While February's performance paints an optimistic picture, the continued net outflows from foreign investors, totalling more than \$1.2bn since April 2023, underscores the broader global economic uncertainties impacting investor sentiment and market stability. However, recent trends in foreign flow show potential signs of improvement, dropping to ~100m YTD after net outflows peaked in December 2023 at over \$400m. The VNI's valuation remains attractive with a 2024F PE of 11.4x, compared to its ASEAN peers Thailand (16.0x), Malaysia (14.1x), Indonesia (13.0x), and the Philippines (12.6x).

Prime Minister Chinh chaired a conference for developing the stock market alongside the MoF, SBV, major state and commercial banks, and listed companies. It laid out a strategy to elevate Vietnam to FTSE's secondary emerging market status by 2025. Our analyses suggest around \$700-\$800bn is currently invested in this market segment. Should Vietnam secure inclusion, its share of this investment pool could represent 0.2%, equivalent to an inflow of approximately \$1.3bn.

Fig.1 DC TOP-80 FORECASTS

29-Feb-24	Unit	2021	2022	2023	2024F
PER	x	14.3	9.0	11.7	10.5
EPS Growth	%	39.3	-1.6	-4.4	18.6
PEG	x	0.4	Neg.	Neg.	0.5
Sales Growth	%	22.1	12.3	1.4	13.0
EBIT Growth	%	50.8	2.4	1.0	27.1
PBT Growth	%	38.3	1.3	-1.2	21.0
NPAT Growth	%	42.3	-0.2	-2.7	22.9
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	2.2	1.7

Fig.3 VNI TRAILING 5Y PB

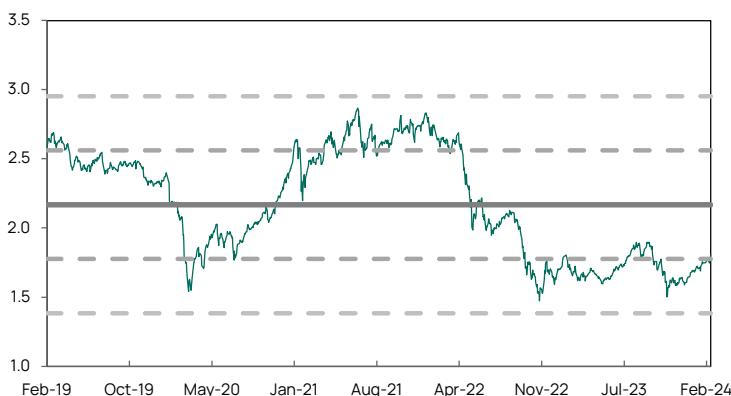


Fig.2 MARKET PERFORMANCE

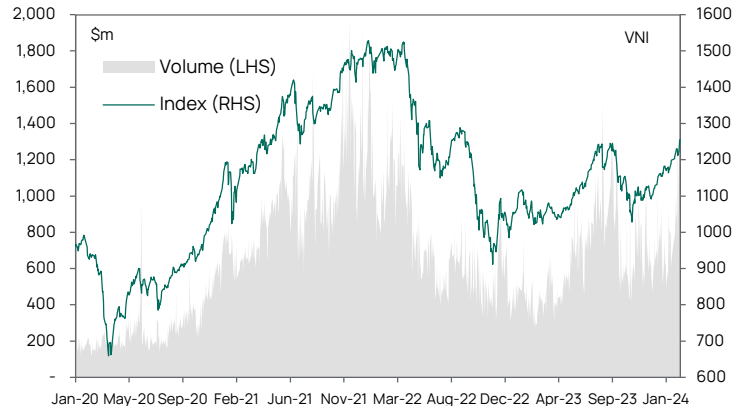
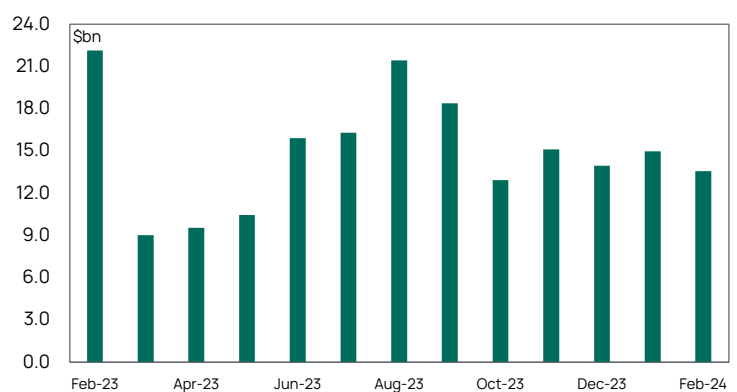


Fig.4 VNI MONTHLY VOLUME



Sources: Bloomberg, Credit Suisse / Refinitiv - all adjusted for free float



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