

2024 Vietnam Market Outlook

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Despite the slower than expected economy in 2023, the Vietnamese stock market (Ho Chi Minh Index) returned 7.6% in SGD terms.



Vietnam's preliminary data for Gross Domestic Product (GDP) growth in 2023 was 5.1% which is lower than earlier expectations. This was on an uneven economic recovery where exports contracted because of soft demand in developed markets, which in turn affected spending by low-income consumers as manufacturing jobs were lost and over-time work was cut. These negatives were partially mitigated by tourism that recovered to approximately 70% of 2019's level, strong foreign direct investments, and government spending. Despite the slower than expected economy in 2023, the Vietnamese stock market (Ho Chi Minh Index) returned 7.6% in SGD terms as it rebounded on attractive valuation and the rout in 2022 where it fell 35.5% in SGD terms.

For 2024, Vietnam's consensus GDP growth of 6% is the highest in Southeast Asia. This should be driven by exports and services, which includes tourism. Exports should recover from the low base in 2023, although the expected improvement is predicated on the durability of demand in developed markets, especially the USA and Europe, and China. Tourism should continue to expand, and foreign arrivals could reach 2019 numbers by this year. The property market should see further improvement, but full recovery is not expected until 2025. This is because developers plan to launch projects gradually and buyers remain cautious until new land laws become effective in 2025 and when buyers regain confidence that the economy is on a firmer footing. Inflation is forecast at 3.5% for 2024, which should allow the Vietnamese government to sustain its accommodative monetary and fiscal policies. Against this backdrop of counteracting factors, the stock market could struggle in the short-term to find direction and fluctuate in a range bound fashion. However, over the medium to longer term, Vietnamese corporates should experience multi-year earnings growth as it leverages on Vietnam's low economic base, attractiveness to foreign direct investments, openness to trade, a large domestic market, and a stable government. Theoretically, the direction of the Vietnamese stock market should correlate with the long-term potential earnings growth of its listed companies.

Therefore, the **LionGlobal Vietnam Fund** continues to look for companies that could be long-term beneficiaries of Vietnam's economic growth. The Fund is currently overweight consumption, banking, industrials, information technology and tourism.

Key concerns are the outlook on inflation, interest rates, demand in the USA, Europe, and China, and the potential negative impact on costs from the conflict in Europe and the Middle East.

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For more information about the LionGlobal Vietnam Fund, visit <https://www.lionglobalinvestors.com/en/fund.html?officialNav=LGVS>

All data are sourced from Lion Global Investors and Bloomberg as of 13 Feb 2024 unless otherwise stated.

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