



INDOCHINA
CAPITAL
MONTHLY
NEWSLETTER

Can Tho City, Viet Nam

Stock Market Commentary

- Despite notable selling pressure from foreigners, the VN Index had an impressive performance in the last month of 2023 to close the year up at 1,130 points. The stock market's positive momentum was predominantly steered by increased inflows from domestic investors, fueled by the allure of lower deposit rates.
 - **The VN Index** registered a **monthly gain of 3.34%** and a **full-year gain of 9.07% in USD terms**.
 - All the major sectors of the VN Index rose, including the real estate sector (+4.1% MoM), the consumer and retail sector (+2.3% MoM), the banking sector (+2.2% MoM), the materials sector (+3.5% MoM) and the oil and gas sector (+1.4% MoM).
- Liquidity **slid by 5.0% MoM** last month with a combined **average daily trading value of US\$727.2 million** on Ho Chi Minh and Hanoi Stock Exchanges.
- In **December, foreign investors net sold US\$405.0 million**, the highest net selling value in the last 31 months, raising the total value of foreign net sell in 2023 to **US\$896.7 million**.
- **Vietnam's listed market capitalization** reached **US\$198.95 billion** at the end of **December**. The **VN Index** was trading at a **positive trailing P/E of 12.3x**, relatively cheaper than ASEAN peers' average of 12.6x despite better growth outlook.

Vietnam's economy is forecast to accelerate in 2024 and corporate earnings to bottom out from the trough in 2023. The existing level of low interest rates should be a key support not only to economic growth but also to money inflows to Vietnam's stock market.

Macroeconomic Update

	Q4 2022	Q4 2023	2022	2023	FY2024 Govt Target
GDP Growth Rate (YoY)	5.92%	8.83%	8.02%	5.05%	6.0% - 6.5%
CPI (YoY change)	4.55%	3.58%	4.55%	3.58%	4.0% - 4.5%
YTD Trade Balance (US\$ billion)	11.20	28.00	11.20	28.00	
Exchange Rate (US\$/VND)	23,681	24,359	23,681	24,359	
YTD Disbursed FDI (US\$ billion)	22.40	23.18	22.40	23.18	
PMI Manufacturing Index	46.4	48.9			
Credit Growth (YTD YoY)	12.87%	13.50%	12.87%	13.50%	15.00%
Industrial Production growth (YTD YoY)	7.76%	1.46%	7.76%	1.46%	
Nominal Retail Sales Growth (YTD YoY)	19.84%	9.60%	19.84%	9.60%	
VN Index	1,007.09	1,129.93	1,007.09	1,129.93	

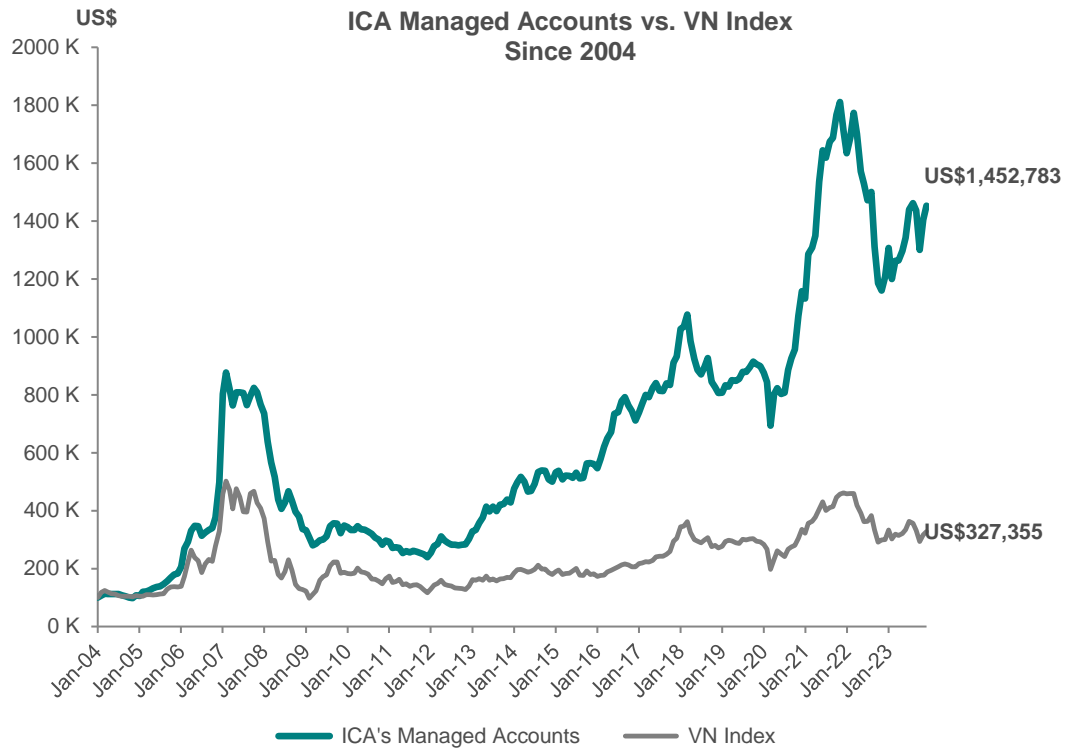
Source: GSO, Customs Office

Vietnam's output surged in Q4 thanks to rebounding exports, a thriving tourism sector, and higher public investments. Despite a mixed outlook, industrial production and exports improved the most since Q4 2022. Meanwhile, inflation remained under control, the trade surplus at historic high, and pressures on the VND eased.

- Q4 GDP growth** strengthened to +6.72%. YoY growth accelerated in each of the last three quarters (Q1: +3.41%, Q2: +4.25%, Q3: +5.47%). The growth trajectory of the economy mirrored that of the manufacturing sector which moved from a mild contraction in Q1 (-0.37% YoY) to YoY growth of 7.97% in Q4 as export picked up. Meanwhile, the growth of the service sectors has normalized from post-Covid resurgence.
- Vietnam's economy expanded 5.05% YoY** (2022:8.02%), below government target (6.5%) and analysts' consensus at the beginning of the year (5.5%-6%).
 - Services revenue increased by 6.82% YoY (2022: 9.99%), easing from post-Covid momentum but still overtaking the economic powerhouse position of the industrial and construction sectors. Notable growth was seen in transportation & storage (+9.18% YoY), accommodation & food services (+12.24% YoY), education (+4.47% YoY) and wholesale, retail sales (+8.82% YoY).
 - The industrial and construction sectors recorded a modest growth of 3.74% YoY (2022: +7.78%). Despite having accelerated in each of the last three quarters, the manufacturing sub-sector recorded the weakest growth in the last 14 years of 3.62% (2022: 8.10%) due to export demand headwinds.
 - The agriculture, fishery and forestry sectors posted expanded by 3.83% YoY in 2023 (2022: +3.36%).
- Vietnam's Manufacturing PMI** rose slightly to **48.9** in December from November's 47.3, signaling a softer rate of deterioration in the sector's health.
 - Total new orders decreased for the second consecutive month but the pace of reduction eased from that seen in November.
 - Production volumes declined for the fourth consecutive month. Despite challenges, firms predict output growth in 2024 and maintain stable employment and purchasing activity.
- The Index of Industrial Production (IIP)** rose by **0.12% MoM** and **5.76% YoY** in December. For **2023**, IIP rose by **1.46% YoY**.
 - December's manufacturing (+0.89% MoM and +7.61% YoY) accelerated, driven by food products (+3.22% MoM and +8.72% YoY), machineries (+29.32% MoM and 7.78% YoY), and electronics & optical products (-3.44% MoM and +7.97% YoY).
- Revenue of retail sales and services** remained resilient with **MoM growth picking up to 2.55%** (vs. +1.19% MoM in November). For 2023, this number increased by **9.60% YoY**.
 - In December, tourism (+71.29% YoY), accommodation and catering services (+11.94% YoY) picked up during the Christmas holidays. Meanwhile, retail sales of goods expanded by 8.57% YoY. Other services grew slightly by 9.64% YoY.
 - December witnessed a 11.17% MoM increase in international arrivals. In 2023, international arrivals reached 12.6 million, up by 3.4x YoY, but still 30% below the pre-pandemic level in 2019.

- **The Consumer Price Index (CPI)** experienced a **MoM increase of 0.12%** and an **uptick of 3.58% YoY**, driven by elevated prices in healthcare services, food, and construction materials.
 - Inflationary pressures came from (i) the government's decision to raise electricity price and public healthcare prices in November, and (ii) higher prices of rice and steel. Those are partially offset by lower prices of hog and fuel.
 - The target inflation for 2024 is 4.0% – 4.5%.
- **Vietnam** recorded a **trade surplus of US\$2.28 billion** in **December**, leading to a **record full-year trade surplus of US\$28.00 billion**.
 - December's export value reached US\$32.91 billion (+5.89% MoM & +13.11% YoY), marking the strongest monthly growth over the last 16 months. Meanwhile, import value was US\$30.63 billion (+2.79% MoM and +12.30% YoY).
 - For 2023, exports totaled US\$355.5bn (-4.4% YoY), import value US\$327.50bn (-8.9% YoY). While global demand remains subdued, Vietnam exports improved in each of the last six months. While June exports dropped 10% YoY, export growth accelerated since September.
- **2023 registered FDI** picked up to **US\$36.61 billion (+62.25% YoY)** while **disbursed FDI** posted at **US\$23.18 billion (+3.50% YoY)**, both at historic high levels.
 - The manufacturing sector accounted for the bulk of registered FDI at 64.19%, followed by the real estate sector at 12.76%, the electricity generation sector at 6.47%, the financial and banking sectors at 4.26%, and the remaining sectors 12.32%.
- **Public investments** in 2023 also reached a record high of US\$23.7 billion, up 33.1% YoY and 73.5% of annual target.
- **The USD/VND exchange rate remained stable at 24,359 (-0.06% MoM)** in **December**. The VND depreciated by 2.86% against the USD in 2023.
 - US Fed's rates peaking means the interest rate gap between the USD and the VND is likely to narrow, hence reducing pressures on the VND.
 - Contained inflation, a record high trade surplus in 2023 and robust FDI inflows are expected to support USD/VND stability in 2024.
- **Credit growth** reached **13.50% (2022: +12.87%)**, slightly below government's target (14%) but higher than consensus forecast.
 - More than half of last year's credit growth came in in Q4, which could be a function of both interest rates at levels lower than Covid-period and some technical year-end boost (to set a high base for next year credit growth).
 - The SBV granted a system-wide credit growth quota for 2024 of 15% at the beginning of January this year.
- Despite global geopolitical tensions, Vietnam was a darling in 2023. After US President's Biden visit in September, the country received Chinese President in December. Several MOUs and agreements have been inked between companies in Vietnam and the two countries during these visits.
- Vietnam's National Assembly set **2024 growth target at 6 – 6.5%**, relatively ambitious compared to consensus forecast from 5.5% to 5.8%. Regardless, the growth outlook for Vietnam's economy remains strong with robust FDI inflows and resilient domestic consumption.
 - The IMF expected the country's GDP to expand at a CAGR of 6.8% during 2025-2028.
 - In December, Fitch Ratings upgraded Vietnam's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'BB+', from 'BB' with a Stable outlook. The agency believes the near-term headwinds from the property sector are unlikely to affect the medium-term prospect of Vietnam's economy which is forecast to grow at around 7% pa.

Historical Performance

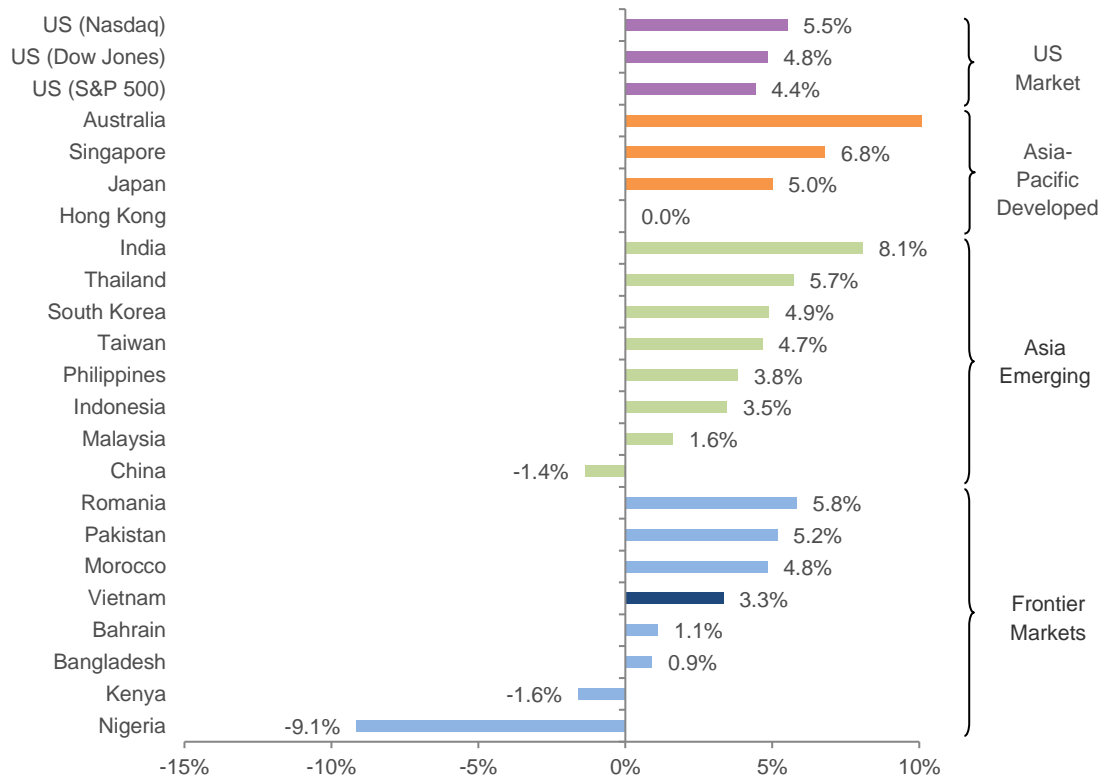


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

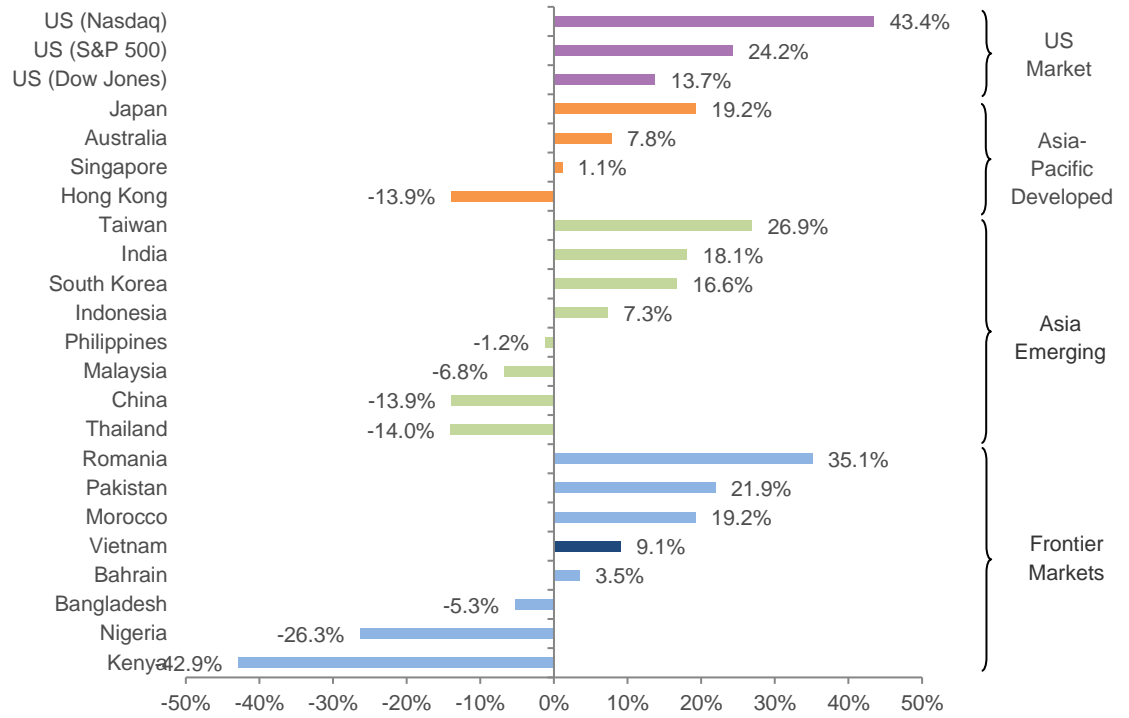
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of December 29, 2023

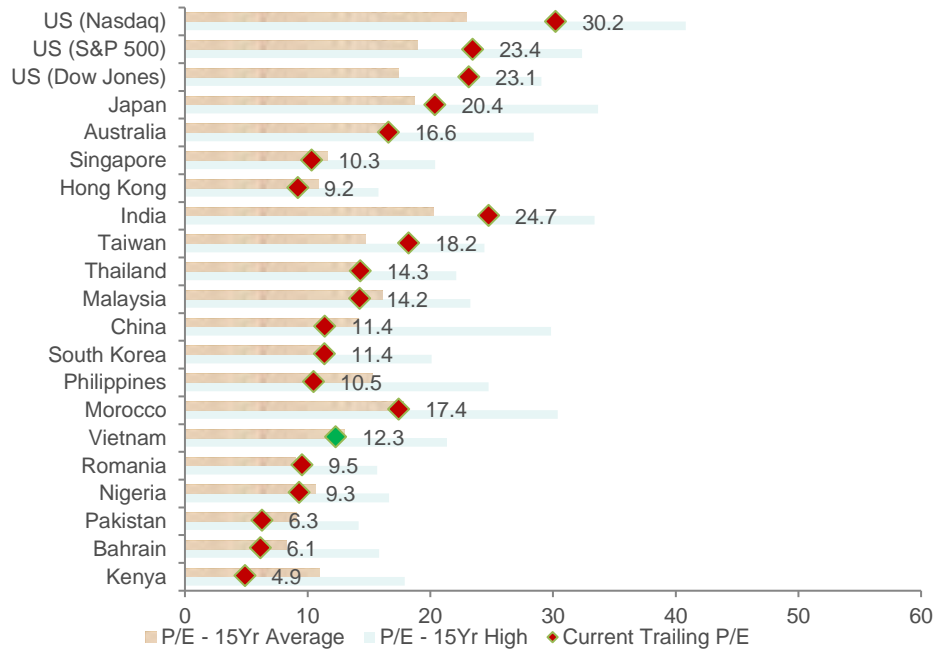
Stock Market Monthly Returns by Country (in USD) as of December 29, 2023



Stock Market YTD Returns by Country (in USD) as of December 29, 2023



Stock Market P/Es by Country Current Trailing, 15-Year Average & 15-Year High



* Adjusted positive P/E

** Data for Bangladesh and Indonesia not available

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