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Vietnam:

Domestic Reforms Poised to Offset Trade-Driven Uncertainty

While an uncertain picture across global trade remains a headline risk for the recipients of U.S. tariffs, Vietnam's domestic policy momentum is poised to offset international factors with even conservative forecasts placing the country among top performers in GDP terms. This reinforces our constructive outlook on select Vietnamese equities, especially those in sectors and industries that are positioned to benefit from long-term domestic policy shifts.

Vietnam continues to stand out as one of the most resilient and growth-oriented economies in Asia, supported by strong macroeconomic fundamentals and a broad-based domestic reform agenda.

The government has set a GDP growth target of at least 8% for 2025, underpinned by a low debt-to-GDP ratio expected to remain below 37%, a low unemployment rate of just 2.2% and stable 10-year government bond yields at approximately 3.12%*. Together, these indicators reflect a high degree of investor confidence, sound fiscal management and a healthy labour market. Building on this solid foundation, Vietnam has embarked on a far-reaching reform programme aimed at improving the efficiency of public administration and unlocking infrastructure-led growth. Reforms include ministry mergers and accelerated fiscal disbursement, targeting long-standing inefficiencies in public investment that have limited the country's headroom for growth.

At the same time, the government is pivoting decisively toward empowering the domestic private sector as the primary engine of innovation and productivity. This shift is backed by a US$20 billion credit facility and targeted investment vehicles aimed at lifting local industrial capacity and supporting upstream integration.

* Source: SSI Equity Research, as at 13 May 2025

While short-term uncertainty persists due to external factors – most notably U.S. tariff risks and global protectionism – Vietnam's domestic policy momentum offers a powerful counterbalance. As one of the largest exporters to the U.S., Vietnam is not immune to trade shocks, but the structural reforms underway are designed to reduce reliance on low-cost assembly and external demand. With one of the region's most stable macro environments and a clear roadmap for transformation, Vietnam is uniquely positioned to sustain and accelerate its long-term growth trajectory. Three factors in particular provide strong justification for further consideration.

While short-term disruptions – including a temporary rise in unemployment from government layoffs and slower bureaucratic approvals – may weigh on near-term activity, we see these as transitional frictions rather than structural headwinds. In fact, we view these reforms as analogous in ambition to the Doi Moi liberalisation of the 1980s that lifted Vietnam's growth ceiling, with the potential to elevate the country's long-term growth trajectory through productivity gains, private sector development and deeper supply chain integration.

Three factors in particular provide strong justification for further consideration.

1

Structural Gearing

Vietnam's government has launched a sweeping restructuring agenda, including merging ministries, streamlining bureaucratic layers and initiating public sector layoffs. These measures aim to improve the efficiency of fiscal disbursements, a long-standing bottleneck in Vietnam's growth story, with public investment consistently under-implemented since 2016. **The goal is to unlock more effective deployment of government capital, particularly in infrastructure.**

2

Source of Funding Shift

Recent policy messaging signals a pivot toward greater support for the domestic private sector, which has traditionally received fewer incentives than state-owned enterprises (SOEs) or foreign investors. With the government calling for the **private sector to become the "main and leading force" in innovation and productivity,** reforms could help unlock higher domestic value-added, especially if they encourage local firms to integrate into the supply chains of foreign manufacturers already operating in the country.

3

Value-Chain Upgrade

Although foreign direct investment (FDI) remains robust, especially in low-cost assembly and manufacturing, labour productivity in FDI-linked sectors has plateaued, with most of the value chain remaining dependent on imported inputs. By contrast, broader ASEAN economies have made greater strides in upstream integration. **Vietnam now appears to be addressing this gap, with the launch of targeted investment funds and a US$20 billion credit package to support local infrastructure and high-value sectors.**

Our Emerging Markets Investment Approach

Our investment philosophy is rooted in a detailed bottom-up analysis of companies that should benefit from the top-down domestic reform.

While we have successfully capitalised on the past decade of growth driven by Vietnam's export engine and strong foreign direct investment inflows, we believe the country is now entering the second leg of its structural growth story – one underpinned by domestic reform and rising private sector participation.

This transition comes at a pivotal time, with a potential FTSE upgrade expected in September 2025. Among the clearest beneficiaries are banks with a strong orientation toward corporate lending. With GDP per capita still around US $4,700 (IMF 2024 Projections), we see this shift as a powerful catalyst for broad-based value creation.

Unlocking growth in corporate credit while also driving positive spillover effects across retail banking, consumer industries and other sectors poised to benefit from accelerating private investment.

Vietnam Exposure Across Fiera Capital's Emerging and Frontier Markets Strategies

Strategy	Vietnam Exposure*
Magna New Frontiers	23.7%
OAKS Emerging & Frontier Opportunities	21.1%
Fiera OAKS EM Select	12.5%
Fiera Emerging Markets	4.5%

* As at 13 May 2025.

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