

Viet Nam

Yield Movements

The yields of local currency (LCY) government securities in Viet Nam rose for most tenors between 28 February and 15 May. (**Figure 1**). Yields on 5-year and 15-year bonds increased the most at 4 basis points (bps) and 5 bps, respectively, while those on 1-year and 10-year maturities increased by less than 1 bp each. Declining yields were seen for the 2-year tenor (-8 bps) and 7-year tenor (-0.6 bps). The yield on the 3-year bond was unchanged. The yield spread between the 2-year and 10-year tenors widened from 172 bps to 180 bps during the review period.

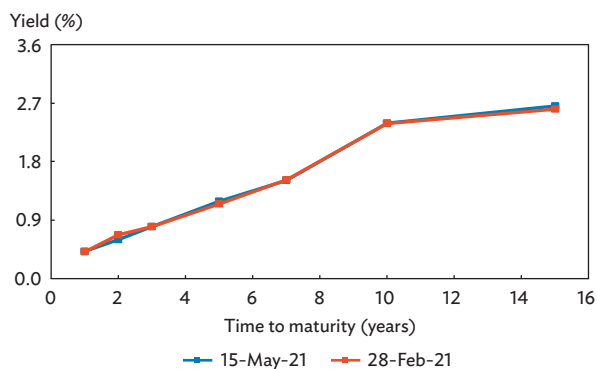
The modest general increase in LCY government bond yields signaled that ample liquidity remained in the system and that risk aversion is sustaining the demand for government securities, thereby limiting the increases in rates.

The accommodative monetary policy stance of the State Bank of Vietnam also influenced yield movements. A low-interest-rate environment persists, with the central bank reducing the key policy rate by 50 bps to 4.0% on 1 October 2020.

Inflationary pressure remained relatively weak. The prices of consumer goods in Viet Nam increased 2.9% year-on-year (y-o-y) in May, largely due to higher oil prices in the world market that translated into higher domestic transportation costs. The May figure and the resulting year-to-date inflation of 1.3% were still in line with the government's goal to keep inflation below 4.0% for 2021. Nonetheless, inflationary pressure may build in the coming months as businesses and consumers adapt to the new normal and the global economy recovers, thereby driving up demand.

Viet Nam's economy continued to expand as its GDP grew 4.5% y-o-y in the first quarter (Q1) of 2021. The domestic economy remained resilient despite the resurgence of COVID-19 cases in some areas. The expansion was the same as in the fourth quarter of 2020 but was up from 3.8% y-o-y in Q1 2020. While all economic sectors posted growth during the quarter, the manufacturing sector contributed the most to the overall

**Figure 1: Viet Nam's Benchmark Yield Curve—
Local Currency Government Bonds**



Source: Based on data from Bloomberg LP.

expansion. The government is targeting annual GDP growth of 6.5% y-o-y in 2021.

The Vietnamese dong was stable against the United States dollar during the review period, trading at VND23,040 per USD1 on 15 May, reflecting only a marginal depreciation of 0.1% from 28 February. The stability of the dong was underpinned by trade surpluses and sufficient foreign exchange reserves.

Size and Composition

Viet Nam's total LCY bonds outstanding slightly declined 0.3% quarter-on-quarter (q-o-q) to VND1,637.3 trillion (USD71.0 billion) at the end of Q1 2021, reversing the previous quarter's expansion of 8.1% q-o-q (**Table 1**). The market contraction was due to lower outstanding government debt even as corporate bonds outstanding increased. Government bonds accounted for a dominant share of Viet Nam's bond market at 82.1% versus corporate bonds with a 17.9% share. On an annual basis, the bond market expanded 19.0% y-o-y in Q1 2021, led by corporate bonds, which grew more than double during the quarter.

Government bonds. The government bond market contracted 1.1% q-o-q in Q1 2021, reducing the government's outstanding debt to VND1,343.5 trillion. A large volume of maturities was seen in government

Table 1: Size and Composition of the Local Currency Bond Market in Viet Nam

| | Outstanding Amount (billion) | | | | | | Growth Rate (%) | | | |
|---|------------------------------|-----|-----------|-----|-----------|-----|-----------------|-------|---------|---------|
| | Q1 2020 | | Q4 2020 | | Q1 2021 | | Q1 2020 | | Q1 2021 | |
| | VND | USD | VND | USD | VND | USD | q-o-q | y-o-y | q-o-q | y-o-y |
| Total | 1,375,700 | 58 | 1,642,790 | 71 | 1,637,288 | 71 | 10.4 | 14.4 | (0.3) | 19.0 |
| Government | 1,260,477 | 53 | 1,358,315 | 59 | 1,343,539 | 58 | 10.5 | 15.4 | (1.1) | 6.6 |
| Treasury Bonds | 970,436 | 41 | 1,207,228 | 52 | 1,199,863 | 52 | (0.9) | 5.6 | (0.6) | 23.6 |
| Central Bank Bills | 136,986 | 6 | 0 | 0 | 0 | 0 | - | - | - | (100.0) |
| Government-Guaranteed and Municipal Bonds | 153,055 | 6 | 151,087 | 7 | 143,677 | 6 | (5.6) | (9.0) | (4.9) | (6.1) |
| Corporate | 115,223 | 5 | 284,475 | 12 | 293,749 | 13 | 9.9 | 4.1 | 3.3 | 154.9 |

(-) = negative, - = not applicable, q-o-q = quarter-on-quarter, Q1 = first quarter, Q4 = fourth quarter, USD = United States dollar, VND = Vietnamese dong, y-o-y = year-on-year.

Notes:

1. Bloomberg LP end-of-period local currency-USD rates are used.
2. Growth rates are calculated from local currency base and do not include currency effects.

Sources: Bloomberg LP and Vietnam Bond Market Association.

securities during the quarter, which was accompanied by low or no issuance across government bond segments.

Treasury bonds outstanding declined 0.6% q-o-q to VND1,199.9 trillion in Q1 2021, reversing the 6.9% q-o-q growth in the preceding quarter. The decline came on the back of lower bond offerings and issuance volumes by the State Treasury of Vietnam and was compounded by the large volume of securities that matured during the quarter. The issuance of Treasury bonds decreased by more than 50.0% q-o-q in Q1 2021 to VND39.2 trillion.

Outstanding government-guaranteed and municipal bonds declined 4.9% q-o-q to VND143.7 trillion due to maturities and the absence of issuance in this government bond segment in Q1 2021. There were no outstanding central bank bills at the end of Q1 2021 as the State Bank of Vietnam continued to support liquidity in the market.

Corporate bonds. Corporate bonds posted growth of 3.3% q-o-q in Q2 2021, lifting the total outstanding amount to VND293.7 trillion at the end of March. The increase, however, was slower compared to the growth of 13.5% q-o-q in the previous quarter. The slowdown in growth can be traced to lower issuance volume from the corporate sector due to regulations that raised standards for corporate bond issuance to promote transparency and fairness in the market.

The aggregate bonds outstanding of the top 30 LCY corporate issuers amounted to VND199.9 trillion, or 68.1% of the total corporate bond market, at the end

of March (**Table 2**). The top 30 corporate issuers were mostly from the banking industry with cumulative outstanding bonds equal to VND107.0 trillion, or more than half of the top 30's outstanding bonds. Property firms were the next most prolific issuers with VND44.7 trillion in bonds outstanding, or 22.4% of the top 30's total debt. The Bank for Investment and Development of Vietnam was the single-largest issuer with outstanding debt of VND22.0 trillion at the end of Q1 2021.

Issuance from the corporate sector in Q1 2021 amounted to VND18.6 trillion, down from VND45.6 trillion in the fourth quarter of 2020. Debt issuance from property firms dominated the list of new corporate bonds with sales amounting to VND12.8 trillion, which accounted for about 70.0% of total issuance in Q1 2021. There were 32 corporate bond issuers in Q1 2021, 17 of which are property firms. Notable bond issuances during the quarter were mainly from the property sector, led by Vingroup with cumulative issuance of VND4.4 trillion from three tranches of 3-year bonds (**Table 3**).

Investor Profile

Insurance firms and banks together held nearly all government securities outstanding at the end of December 2020, accounting for a combined share of 99.3% (**Figure 2**). The insurance sector held 54.1% of government bonds outstanding, slightly down from 54.7% at the end of December 2019, while the banking sector held 45.2%, up from 43.9% during the same period. The remaining outstanding bonds were held by

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in Viet Nam

| | Issuers | Outstanding Amount | | State-Owned | Listed Company | Type of Industry |
|---|--|-------------------------|-------------------------|-------------|----------------|------------------------|
| | | LCY Bonds (VND billion) | LCY Bonds (USD billion) | | | |
| 1. | Bank for Investment and Development of Vietnam | 22,023 | 0.95 | Yes | Yes | Banking |
| 2. | Masan Group | 16,900 | 0.73 | No | Yes | Finance |
| 3. | Ho Chi Minh City Development Joint Stock Commercial Bank | 12,248 | 0.53 | No | Yes | Banking |
| 4. | Vinhomes Joint Stock Company | 10,890 | 0.47 | No | Yes | Property |
| 5. | Lien Viet Post Joint Stock Commercial Bank | 10,600 | 0.46 | No | Yes | Banking |
| 6. | Tien Phong Commercial Joint Stock Bank | 9,649 | 0.42 | No | Yes | Banking |
| 7. | Vietnam Prosperity Joint Stock Commercial Bank | 9,150 | 0.40 | No | Yes | Banking |
| 8. | Vietnam International Joint Stock Commercial Bank | 9,050 | 0.39 | No | Yes | Banking |
| 9. | Vietnam Joint Stock Commercial Bank for Industry and Trade | 8,850 | 0.38 | Yes | Yes | Banking |
| 10. | Saigon Glory Company Limited | 8,000 | 0.35 | No | No | Property |
| 11. | Sovico Group Joint Stock Company | 7,550 | 0.33 | No | Yes | Diversified Operations |
| 12. | Orient Commercial Joint Stock Bank | 7,535 | 0.33 | No | No | Banking |
| 13. | Vingroup | 5,425 | 0.24 | No | Yes | Property |
| 14. | Asia Commercial Bank JSC | 5,300 | 0.23 | No | Yes | Banking |
| 15. | Vinpearl | 5,080 | 0.22 | No | No | Hotel Operator |
| 16. | Vietnam Technological and Commercial Joint Stock Bank | 5,000 | 0.22 | No | No | Banking |
| 17. | Bac A Commercial Joint Stock Bank | 4,640 | 0.20 | No | Yes | Banking |
| 18. | Phu My Hung Corporation | 4,497 | 0.19 | No | No | Property |
| 19. | Ho Chi Minh City Infrastructure Investment Joint Stock Company | 4,390 | 0.19 | No | Yes | Construction |
| 20. | Nui Phao Mining and Processing Co., Ltd. | 4,310 | 0.19 | No | No | Mining |
| 21. | NoVa Real Estate Investment Corporation JSC | 4,207 | 0.18 | No | Yes | Property |
| 22. | Vincom Retail | 3,050 | 0.13 | No | Yes | Property |
| 23. | Vietnam Maritime Joint Stock Commercial Bank | 2,999 | 0.13 | No | Yes | Banking |
| 24. | Tuong Minh Investment and Real Estate Company Limited | 2,950 | 0.13 | No | No | Property |
| 25. | TNL Investment and Leasing Joint Stock Company | 2,926 | 0.13 | No | No | Property |
| 26. | Phu Long Real Estate Joint Stock Company | 2,800 | 0.12 | No | No | Property |
| 27. | Binh Hai Golf Investment and Development Joint Stock Company | 2,745 | 0.12 | No | No | Leisure |
| 28. | Masan Resources | 2,500 | 0.11 | No | No | Manufacturing |
| 29. | Hoan My Medical Corporation | 2,330 | 0.10 | No | No | Healthcare Services |
| 30. | Refrigeration Electrical Engineering Corporation | 2,318 | 0.10 | No | Yes | Manufacturing |
| Total Top 30 LCY Corporate Issuers | | 199,912 | 8.67 | | | |
| Total LCY Corporate Bonds | | 293,749 | 12.74 | | | |
| Top 30 as % of Total LCY Corporate Bonds | | 68.1% | 68.1% | | | |

LCY = local currency, USD = United States dollar, VND = Vietnamese dong.

Notes:

1. Data as of 31 March 2021.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Sources: *AsianBondsOnline* calculations based on Bloomberg LP and Vietnam Bond Market Association data.

Table 3: Notable Local Currency Corporate Bond Issuances in the First Quarter of 2021

| Corporate Issuers | Coupon Rate (%) | Issued Amount (VND billion) |
|---|-----------------|-----------------------------|
| Vingroup ^a | | |
| 3-year bond | Floating | 1,860 |
| 3-year bond | Floating | 1,515 |
| 3-year bond | Floating | 1,000 |
| Nhat Quang Property Development Corporation | | |
| 3-year bond | - | 2,150 |
| Smart Dragon Investment JSC | | |
| 3-year bond | - | 1,900 |
| Masan Group | | |
| 3-year bond | Floating | 1,400 |

- = not available, VND = Vietnamese dong.

^a Multiple issuance of the same tenor indicates issuance on different dates.

Sources: Vietnam Bond Market Association.

security companies, investment funds, offshore investors, and other investors. Foreign investors held 0.6% of government securities at the end of December 2020, which remained the smallest foreign holdings share among all emerging East Asian economies.

Ratings Update

On 1 April, Fitch Ratings affirmed Viet Nam's sovereign credit rating at BB and raised the outlook to positive. The rate affirmation and improved outlook were based on Viet Nam's strong economic performance as it was able to maintain positive growth despite the pandemic, largely because of success in containing its COVID-19 outbreak;

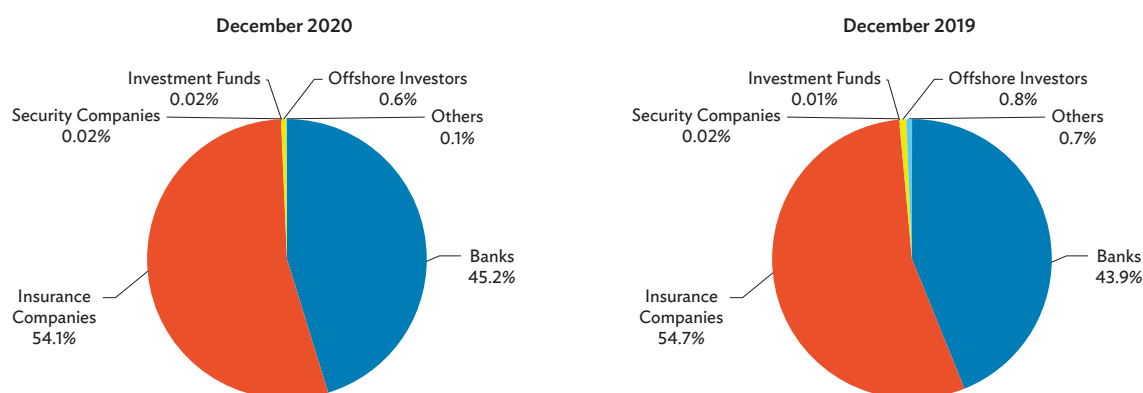
an improvement in public finances; and a strong external finance position on the back of a current account surplus and rising foreign exchange reserves. Sustained high economic growth, further improvement in public finances, and sustainable fiscal consolidation over the medium-term could lead to a rating upgrade, while a deterioration of these conditions could be rating-negative.

On 21 May, S&P Global Ratings retained Viet Nam's sovereign credit rating at BB and upgraded the outlook to positive. The rating agency noted that the decision was based on Viet Nam's impressive economic achievements and policy reforms, and measures in response to the negative impacts of the pandemic. S&P Global Ratings expects that Viet Nam will continue to enjoy a firm economic recovery, supported by its robust macroeconomic fundamentals, well-managed public debt, and flexible fiscal policy.

Policy, Institutional, and Regulatory Developments

Ministry of Finance Lists Market Makers

Viet Nam's Ministry of Finance released Decision No. 2290/QD-BTC, which lists market makers for the debt market effective 1 January–31 December 2021. The market makers for 2021 comprise 17 commercial banks and securities firms, up from only 13 in 2020. The entities have the right to participate in the bidding of government bonds, act as the main guarantor organization for the

Figure 2: Local Currency Government Bonds Investor Profile

Source: Viet Nam Ministry of Finance.

issuance of government bonds, and provide inputs for drafting new policies for the bond market. The Ministry of Finance will evaluate the entities toward the end of the year if they can maintain their status as market makers.

State Bank of Vietnam Issues Regulation to Control Credit Quality in Risky Sectors

In May, the State Bank of Vietnam issued Official Dispatch No. 3029/NHNN-TTGSNH to credit institutions and foreign bank branches, instructing them to implement strict control over the quality of credit in sectors with potential risks such as real estate and securities. High-risk credit areas include investments in corporate bonds, securities credit, real estate, build-operate-transfer, and consumer loans. For corporate bonds, issuance from the real estate sector has rapidly increased in volume, with almost none having any collateral. This risks the formation of a property bubble that could inflict huge losses on investors when the bubble bursts.