

## Viet Nam

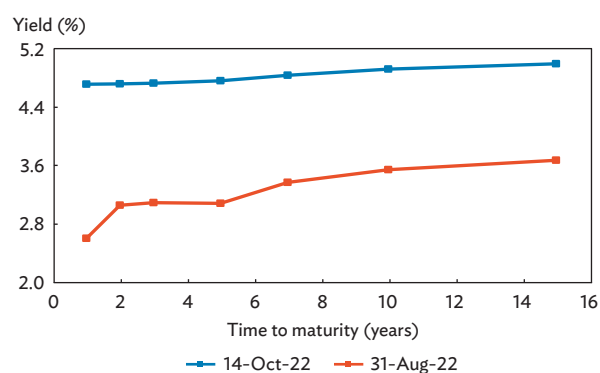
### Yield Movements

Between 31 August and 14 October, Viet Nam's local currency (LCY) government bond yields climbed across the curve, resulting in the yield curve shifting upward (**Figure 1**). Bond yields gained the most at the shorter-end, with the 1-year maturity rising 212 basis points (bps), and rose the least at the longer-end, with the 15-year bond gaining 132 bps. Yield upticks for the 2-year to 5-year maturities averaged 166 bps, while those for tenors of 7 years to 10 years climbed 143 bps on average. As yields rose more at the shorter-end than the longer-end, the yield curve flattened during the review period, leading the spread between the 10-year and 2-year bonds to narrow from 49 bps on 31 August to 20 bps on 14 October.

Viet Nam posted the largest upticks in both the 10-year and 2-year tenors among all emerging East Asian markets during the review period. Higher bond yields were largely driven by the surprise 100 bps rate hike by the State Bank of Vietnam (SBV) on 23 September. Subsequently, the SBV raised rates by another 100 bps on 25 October, lifting the refinancing rate to 6.0%. The rate hikes were taken to contain inflationary pressure and lead inflation below the government's target of 4.0% for 2022. Year-to-date consumer price inflation soared to 4.0% in September and climbed further to 4.2% in October. In addition, the rate hike also aimed to help stabilize the Vietnamese dong (VND) amid the broad strengthening of the United States (US) dollar due to the aggressive pace of monetary tightening by the Federal Reserve. Next to the Hong Kong dollar, the dong depreciated the least among regional currencies during the review period, weakening by only 2.8% against the US dollar.

Also contributing to the yield gains in Viet Nam was its strong economic performance thus far in 2022. Economic growth, as measured by real gross domestic product (GDP) accelerated to 13.7% year-on-year (y-o-y) in the third quarter (Q3) of 2022 after rising 7.7% y-o-y in the second quarter (Q2). GDP growth for Q3 2022 was buoyed by strong performances in manufacturing and exports, but was also due in part to a low-base effect from a year earlier. GDP growth in Q3 2022 was the second-fastest print among all regional markets that have released Q3 data at the time of writing. Since Q2 2022,

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



Source: Based on data from Bloomberg LP.

Viet Nam's GDP growth has returned to pre-pandemic levels as economic activities rebounded. In the first 9 months of the year, GDP grew 8.8% y-o-y, the fastest pace since 2011, exceeding the revised 7.0% target by the Ministry of Planning and Investment for full-year 2022.

### Size and Composition

At the end of Q3 2022, Viet Nam's LCY bond market showed a marginal contraction of 0.2% quarter-on-quarter (q-o-q) to a size of VND2,323.5 trillion (USD97.4 billion), reversing the previous quarter's rapid growth of 8.0% q-o-q (**Table 1**). The decline was mainly due to a contraction in the government bond segment and a slowdown in the corporate bond segment. Compared with the same quarter in the previous year, Viet Nam's bond market grew 21.1% y-o-y in Q3 2022, slowing from the 31.4% y-o-y expansion in Q2 2022. At the end of September, government bonds remained prevalent in Viet Nam's LCY bond market, accounting for a 69.1% share of the total bond stock. The remaining 30.9% share was attributable to corporate bonds.

**Government bonds.** Viet Nam's LCY government bond market contracted 2.0% q-o-q to a size of VND1,604.9 trillion at the end of September. Much of the decline can be attributed to central bank bills, whose outstanding bond stock fell significantly by 70.3% q-o-q in Q3 2022. In contrast to the previous quarter's aggressive expansion, central bank bills displayed the largest decline

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,919,434	84	2,327,764	100	2,323,523	97	8.3	23.7	(0.2)	21.1
Government	1,427,691	63	1,637,409	70	1,604,918	67	4.3	9.8	(2.0)	12.4
Treasury Bonds	1,284,678	56	1,392,934	60	1,434,693	60	4.5	11.0	3.0	11.7
Central Bank Bills	0	0	102,410	4	30,400	1	-	-	(70.3)	-
Government-Guaranteed and Municipal Bonds	143,014	6	142,066	6	139,826	6	2.3	(0.3)	(1.6)	(2.2)
Corporate	491,743	22	690,355	30	718,606	30	22.0	96.1	4.1	46.1

(-) = negative, - = not applicable, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third 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.

among all bond segments during Q3 2022. At the end of September, the total stock of central bank bills slumped to VND30.4 trillion from VND102.4 trillion at the end of June. While issuance of central bank bills in Q3 2022 surged more than threefold, it had no significant impact on the outstanding stock due to the short-term nature of the bills' maturity profile.

At the end of September, Treasury bonds expanded to VND1,434.7 trillion in Q3 2022, continuing to dominate the government bond segment in Viet Nam. Growth picked up to 3.0% q-o-q in Q3 2022 from 0.8% q-o-q in Q2 2022 on increased issuance during the quarter. Treasury bond issuance rose 64.3% q-o-q to reach USD45.7 trillion in Q3 2022. Issuance of Treasury bonds was concentrated in long-term maturities, with 10-year bonds comprising 56.5% of the total issuance during the quarter. The remaining 43.5% share was accounted for by newly issued 15-year Treasury bonds.

In Q3 2022, the outstanding size of government-guaranteed and municipal bonds showed a slight drop of 1.6% q-o-q compared with the modest growth of 2.3% q-o-q in Q2 2022. The total size decreased to VND139.8 trillion at the end of September from VND142.1 trillion at the end of June, as issuance exceeded maturities. The sole issuance of government-guaranteed bonds during the quarter came from the Vietnam Bank for Social Policies' issuance of 3-year bonds amounting to VND500.0 billion.

**Corporate bonds.** Growth in the corporate bond segment moderated to 4.1% q-o-q in Q3 2022 from 9.5% q-o-q in Q2 2022. At the end of September, the total outstanding

corporate bond stock climbed to VND718.6 trillion and was mainly dominated by the banking and property industries, which collectively accounted for 75.3% of the aggregate corporate bond stock.

Viet Nam's top 30 corporate issuers largely comprised firms from the banking and property sectors, including a few finance and energy firms. The top 30 firms had an aggregate bond stock amounting to VND448.6 trillion at the end of September, which was equivalent to 62.4% of the total LCY corporate bond market (**Table 2**). The top corporate issuer remained the state-owned Bank for Investment and Development of Vietnam, with an outstanding bond stock of VND58.4 trillion at the end of Q3 2022, or the equivalent of 8.1% of the total corporate bond stock of Viet Nam.

In Q3 2022, bond issuance activities from the corporate segment slowed, with total debt sales amounting to VND48.5 trillion. This represented a contraction of 29.8% q-o-q in Q3 2022, reversing the strong 120.5% gain posted in the preceding quarter. Issuance was dragged down by the implementation of tighter regulations for the issuance and trading of private placement issues. The majority of corporate bonds in Viet Nam are issued via private placement.

The five largest corporate bond issuances in Q3 2022 are presented in **Table 3**, all of which were from banking institutions. Orient Commercial Joint Stock Bank was the top corporate issuer during the review period with aggregate issuance amounting to VND5.6 trillion in multiple tranches of 3-year bonds. The top issuer in the previous quarter, state-owned Bank for Investment and

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	58,422	2.45	Yes	Yes	Banking
2.	Vietnam Prosperity Joint Stock Commercial Bank	30,600	1.28	No	Yes	Banking
3.	Orient Commercial Joint Stock Bank	29,535	1.24	No	No	Banking
4.	Vietnam International Joint Stock Commercial Bank	28,950	1.21	No	Yes	Banking
5.	Asia Commercial Joint Stock Bank	28,700	1.20	No	Yes	Banking
6.	Ho Chi Minh City Development Joint Stock Commercial Bank	28,182	1.18	No	Yes	Banking
7.	Lien Viet Post Joint Stock Commercial Bank	25,090	1.05	No	Yes	Banking
8.	Masan Group	18,800	0.79	No	Yes	Finance
9.	Military Commercial Joint Stock Bank	18,646	0.78	No	Yes	Banking
10.	Tien Phong Commercial Joint Stock Bank	17,949	0.75	No	Yes	Banking
11.	Vietnam Joint Stock Commercial Bank for Industry and Trade	17,589	0.74	Yes	Yes	Banking
12.	Vietnam Technological and Commercial Joint Stock Bank	14,600	0.61	No	Yes	Banking
13.	An Binh Commercial Joint Stock Bank	11,300	0.47	No	No	Banking
14.	NoVa Real Estate Investment Corporation JSC	10,981	0.46	No	Yes	Property
15.	Saigon - Ha Noi Commercial Joint Stock Bank	10,150	0.43	No	Yes	Banking
16.	Vinhomes JSC	9,935	0.42	No	Yes	Property
17.	Vietnam Maritime Joint Stock Commercial Bank	9,399	0.39	No	Yes	Banking
18.	Sovico Group Joint Stock Company	8,550	0.36	No	Yes	Property
19.	Bank for Foreign Trade of Vietnam JSC	8,240	0.35	No	Yes	Banking
20.	Saigon Glory Company Limited	8,000	0.34	No	No	Property
21.	Southeast Asia Commercial Joint Stock Bank	7,826	0.33	No	Yes	Banking
22.	Bac A Commercial Joint Stock Bank	7,535	0.32	No	Yes	Banking
23.	Golden Hill Real Estate JSC	5,701	0.24	No	No	Property
24.	Vietnam Bank for Agriculture and Rural Development	5,688	0.24	Yes	No	Banking
25.	Vingroup	5,425	0.23	No	Yes	Property
26.	Sai Gon Thuong Tin Commercial Joint Stock Bank	4,800	0.20	No	Yes	Banking
27.	Thai Son - Long An JSC	4,600	0.19	No	No	Property
28.	VPBank SMBC Finance Company Limited	4,500	0.19	No	No	Finance
29.	Phu My Hung Corporation	4,497	0.19	No	No	Property
30.	Trung Nam Dak Lak 1 Wind Power JSC	4,440	0.19	No	No	Energy
<b>Total Top 30 LCY Corporate Issuers</b>		<b>448,629</b>	<b>18.80</b>			
<b>Total LCY Corporate Bonds</b>		<b>718,606</b>	<b>30.12</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>62.4%</b>	<b>62.4%</b>			

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

Notes:

1. Data as of 30 September 2022.

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 Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)	Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)
Orient Commercial Joint Stock Bank <sup>a</sup>			Vietnam Joint Stock Commercial Bank for Industry and Trade <sup>a</sup>		
3-year bond	4.50	1,000	8-year bond	0.9% + average interest rate for 12-month deposit	195
3-year bond	-	1,000	15-year bond	6.80	185
3-year bond	-	1,000	8-year bond	0.9% + reference rate	50
3-year bond	-	500	8-year bond	0.9% + average interest rate for 12-month deposit	50
3-year bond	-	300	15-year bond	-	100
3-year bond	-	300	8-year bond	-	230
3-year bond	-	1,000	10-year bond	-	90
3-year bond	-	500	8-year bond	1.1% + interest rate for 12-month deposit	3,000
Bank for Investment and Development of Vietnam <sup>a</sup>			Asia Commercial Joint Stock Bank <sup>a</sup>		
8-year bond	0.9% + average interest rate for 12-month deposit	1,000	1-year bond	4.50	500
1.75-year bond	4.60	1,500	1-year bond	-	150
1.75-year bond	4.60	1,500	1-year bond	-	150
8-year bond	0.9% + reference rate	370	1-year bond	-	500
7-year bond	0.75% + reference rate	124	1-year bond	-	1,000
15-year bond	-	60	2-year bond	-	1,500
7-year bond	-	500	Military Commercial and Joint Stock Bank <sup>a</sup>		
			3-year bond	4.80	3,000
			3-year bond	-	500
			7-year bond	-	100

- = not available, VND = Vietnamese dong.

<sup>a</sup> Multiple issuance of the same tenor indicates issuance on different dates.

Source: Vietnam Bond Market Association.

Development of Vietnam came in as the second-largest issuer in Q3 2022, with bonds totaling VND5.1 trillion in multiple issuances of varied tenors. In Q3 2022, 83 new corporate bonds issued by 34 companies were added to the corporate bond stock. Of the total issuance amount, 75.1% was from firms in the banking sector.

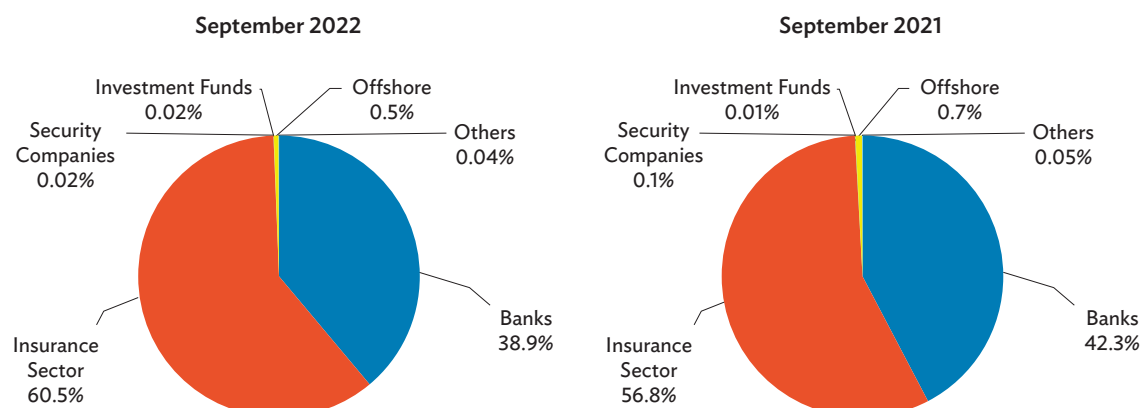
## Investor Profile

Viet Nam's LCY government bonds are largely held by insurance and banking institutions (**Figure 2**). At the end of September 2022, 60.5% of outstanding government bonds were held by insurance companies, up from a 56.8% holdings share in September 2021. During the same review period, banking institutions' holdings share in the LCY government bond market dropped to 38.9% from 42.3%. Offshore investors continued to account for a marginal share of less than 1.0% at the end of Q3 2022.

## Ratings Update

On 28 October, Fitch Ratings affirmed Viet Nam's long-term foreign currency credit rating at BB with a positive outlook. The rating affirmation was an indication of Viet Nam's strong medium-term growth prospects, favorable external debt profile, and lower government debt compared to its peers. The positive outlook was also retained in anticipation of continued medium-term growth in Viet Nam's exports stemming from its cost competitiveness, trade diversion from the People's Republic of China, and implementation of key trade agreements despite the vulnerability of Viet Nam's economy to external shocks due to the high degree of its trade openness.

Figure 2: Local Currency Government Bonds Investor Profile



Source: Ministry of Finance, Government of Viet Nam.

## Policy, Institutional, and Regulatory Developments

### Government Releases Guidance on Offering and Trading Privately Issued Corporate Bonds

In September, the Government of Viet Nam promulgated Decree No. 65/2022/ND-CP (Decree 65) to amend the existing regulations on the offering and trading of privately issued bonds. Decree 65 aims to enhance transparency and sustainability in the bond market by tightening disclosure requirements and imposing more stringent conditions on bonds' private placements. It was developed to protect investors in several key areas, such as limiting the purpose of bond proceeds, implementing new requirements on the issuer's credit rating, and mandating additional disclosures by the issuers. Decree 65 also launches the centralized bond exchange system for bond registration and trading, which is expected to be operational by June 2023.

### State Bank of Vietnam Regulates Bank Guarantees

In September, the SBV issued Circular No. 11/2022/TT-NHNN regulating bank guarantees. The circular presents the legal framework and the practical requirements to ensure consistency with international practices and conformity with the applicable laws and regulations.

It also aims to resolve the current gaps in regulation while still ensuring the effectiveness, safety, and smooth operations of bank guarantees performed by local and foreign credit institutions. The new circular will take effect on 1 April 2023 and will replace previous circulars regulating bank guarantees that were issued in 2015 and 2017.

### State Bank of Vietnam Releases Guidance on Foreign Exchange Management for Foreign Borrowing and Foreign Debt Repayment

At the end of September, Circular No. 12/2022/TT-NHNN was issued by the SBV to provide guidelines on foreign exchange administration relating to institutions' foreign borrowings and foreign debt repayments, which are not guaranteed by the government. The new circular focuses on public administrative reform, supplementing related processes and procedures, and improving the reporting mechanism to sustain enterprises' practical needs to borrow and pay off foreign debts and meet the SBV's management objectives. The circular seeks to improve the legal framework for companies' borrowing and repayment of foreign loans, reflect the targets of public administrative reform through simplification and application of information technology in providing public services, and support companies to mobilize foreign financial resources for their business operations.