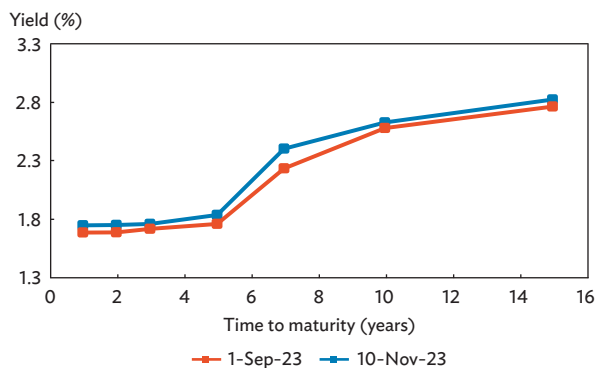


# Viet Nam

## Yield Movements

Viet Nam’s local currency (LCY) government bond yields climbed across all tenors between 1 September and 10 November due to an uptick in inflation and the United States Federal Reserve’s decision to keep interest rates at a 22-year high in its September and November meetings (Figure 1). Due to rising food and fuel prices, Viet Nam’s year-on-year consumer price inflation, increased to 3.6% in October from 2.1% in July. However, it remained below the government’s target of 4.5%.

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

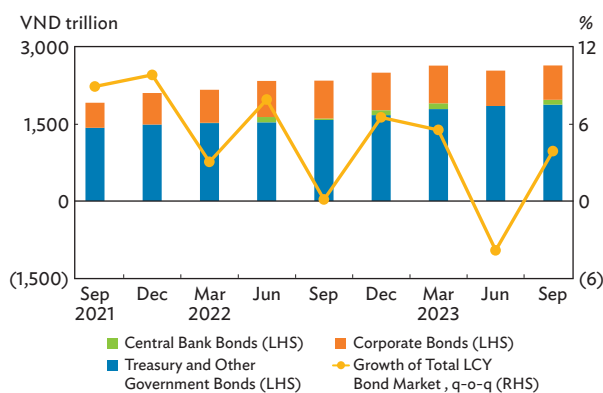


Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

The LCY bond market in Viet Nam grew 3.9% quarter-on-quarter (q-o-q) in the third quarter (Q3) of 2023, driven by the State Bank of Vietnam’s (SBV) resumption of central bank securities issuance (Figure 2). Amid slow credit growth, the SBV resumed issuance of central bank securities to mop up excess liquidity in the banking system. Growth in outstanding government bonds slowed to 1.5% q-o-q in Q3 2023 from the 3.3% q-o-q growth in the previous quarter due to the low volume of maturities and a decline in issuance. Meanwhile, corporate bonds contracted 3.1% q-o-q, driven by large volume of maturities in Q3 2023 despite strong corporate bond issuance. Per a news release from *The Investor*, Vietnamese broker VNDirect estimated that corporate bond maturities in August and September exceeded VND27.9 trillion and VND25.8 trillion, respectively, marking them among the largest monthly maturity values in 2023.

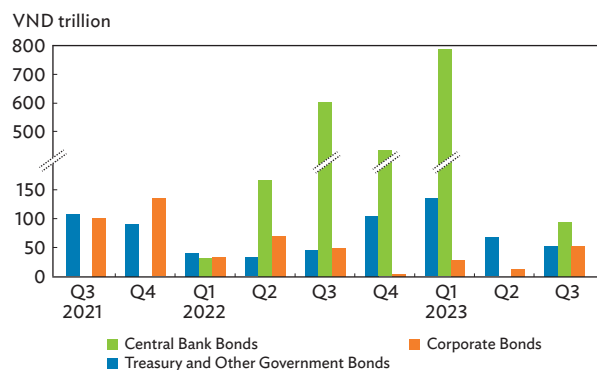
**Figure 2: Composition of Local Currency Bonds Outstanding in Viet Nam**



LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, VND = Vietnamese dong.  
 Note: Other government bonds comprise government-guaranteed and municipal bonds.  
 Sources: Vietnam Bond Market Association and Bloomberg LP.

**Increased issuance from corporates drove total LCY bond issuance to expand 144.6% q-o-q to VND198.1 trillion in Q3 2023 (Figure 3).** Corporate bond issuance climbed more than threefold in Q3 2023 from the previous quarter as Vietnamese banks increased their issuance after the government issued circulars No. 2 and 3 in April, which removed some bottlenecks in debt payment rescheduling and bond repurchases. Bond issuance from the banking sector accounted for 59.0% of the economy’s total LCY corporate bonds issued in Q3 2023, with the largest issuance coming from Asia Joint Stock Commercial Bank on aggregated debt sales of VND13.5 trillion. On the other hand, issuance of government bonds contracted 21.6% q-o-q as the government moderated issuance during the quarter, with some auctions not fully awarded. To help stabilize the foreign exchange market, the SBV resumed its issuance of central bank securities in September (VND93.8 trillion) since its last issuance in March 2023.

**Figure 3: Composition of Local Currency Bond Issuance in Viet Nam**

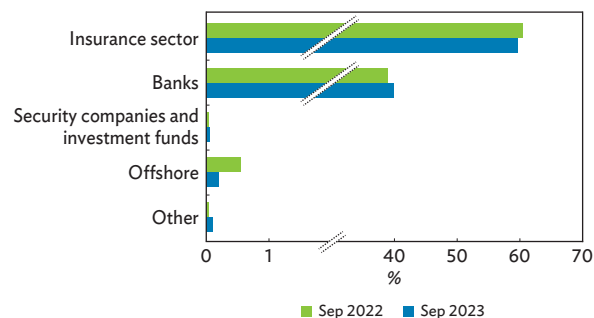


Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, VND = Vietnamese dong.  
 Note: Other government bonds comprise government-guaranteed and municipal bonds.  
 Sources: Vietnam Bond Market Association and Bloomberg LP.

## Investor Profile

**At the end of September, insurance firms and banks continued to hold nearly all outstanding LCY government bonds in Viet Nam’s market (Figure 4).** Collectively, their bond holdings accounted for 99.6% of the total, up from 99.4% in the same period a year earlier. Viet Nam had the highest Herfindahl–Hirschman Index score among its regional peers as the market has only two dominant investors.<sup>13</sup> Insurance companies remained the single-largest investor group with their holdings share declining to 59.7% at the end of September from 60.5% a year earlier, while the holdings share of banks increased to 39.9% from 38.9% in the same period. At the end of September 2023, securities companies and investment funds, nonresidents, and other investors held a marginal aggregate share of 0.4%.

**Figure 4: Investor Profile of Local Currency Government Bonds**



Note: At the end of September 2023, the holdings share of securities companies and investment funds was 0.06%, while other investors’ holdings share was 0.1%.  
 Source: Viet Nam Ministry of Finance.

<sup>13</sup> The Herfindahl–Hirschman Index is a commonly accepted measure of market concentration. In this case, the index is used to measure the investor profile diversification of the LCY bond market and is calculated by summing the squared share of each investor group in the bond market.