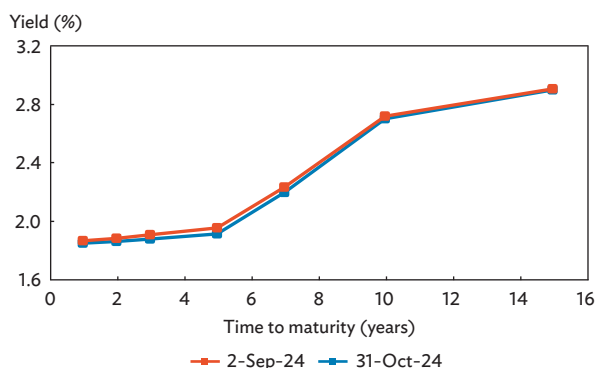


Viet Nam

Yield Movements

Between 2 September and 31 October, local currency (LCY) government bond yields in Viet Nam fell an average of 2 basis points across all tenors, propelled by the State Bank of Vietnam’s (SBV) accommodative monetary policy stance (Figure 1). On 17 October, the SBV signaled its openness to reducing the policy rate to support the economy, as the government aims to lift annual economic growth above 7.0% in 2024. Viet Nam’s economy grew a stronger-than-expected 7.4% year-on-year in the third quarter (Q3) of 2024, up from 6.9% year-on-year in the previous quarter, despite the destruction caused by Typhoon Yagi in September. Furthermore, the SBV reduced its interest rate for open market operations by 25 basis points each on 5 August and 17 September, bringing the rate down to 4.00% in order to support businesses and encourage borrowing.

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



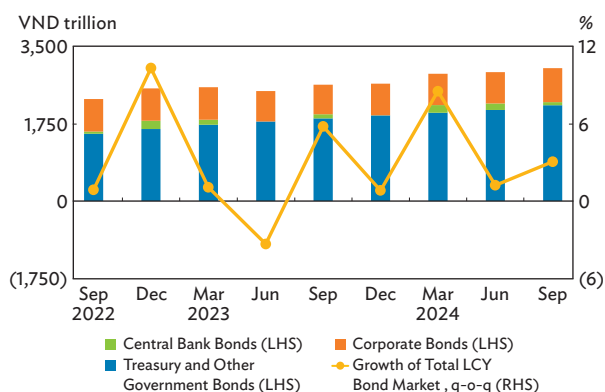
Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Total LCY bonds outstanding grew 3.1% quarter-on-quarter (q-o-q) to reach VND3,010.0 trillion at the end of Q3 2024, supported by strong issuance. Treasury and other government bonds outstanding grew 5.3% q-o-q in Q3 2024 to VND2,171.0 trillion, while the total corporate

debt stock rebounded strongly with growth of 8.4% q-o-q, reversing the previous quarter’s contraction of 0.5% q-o-q (Figure 2). The banking and property sectors are the two largest issuers in the economy’s LCY bond market, comprising 60.3% and 21.3%, respectively, of total corporate bonds outstanding at the end of Q3 2024.

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

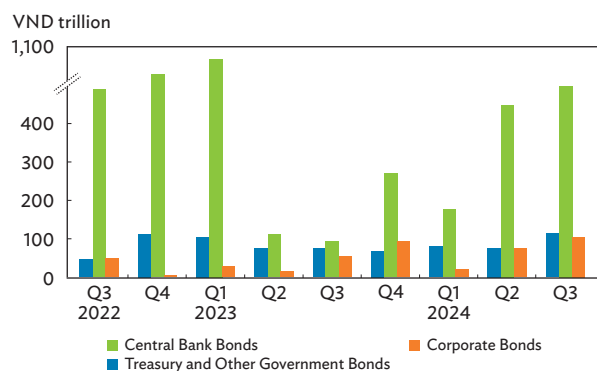


() = negative, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, VND = Vietnamese dong.
 Note: Other government bonds comprise government-guaranteed and municipal bonds.
 Sources: Hanoi Stock Exchange, State Bank of Vietnam, Vietnam Bond Market Association,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

LCY bond issuance grew 35.0% q-o-q in Q3 2024 amid lowered interest rate in open market operations.

Issuance of Treasury and other government bonds grew 51.0% q-o-q, reversing the previous quarter’s 4.9% q-o-q contraction (Figure 3). Total corporate bond issuance also grew 39.3% q-o-q in Q3 2024, extending the 268.4% q-o-q growth in the preceding quarter. The banking sector remained the key driver of issuance in Viet Nam’s LCY corporate bond market—representing 83.6% of the quarterly total—as financial institutions continued to raise capital amid improved credit growth. The property sector, which accounted for 12.4% of the corporate issuance total in Q3 2024, remained the second-largest issuer of corporate bonds, as property companies sought capital amid lingering pressure from debt repayments and bond maturities.

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: Hanoi Stock Exchange, State Bank of Vietnam, Vietnam Bond Market Association, and Bloomberg LP.

same period. This high concentration of just two investor groups led to Viet Nam having the least diversified investor profile in emerging East Asia and the highest Herfindahl–Hirschman Index score in the region at the end of September.²⁰

Sustainable Bond Market

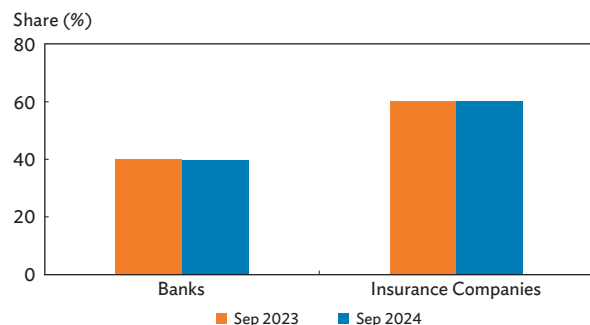
Viet Nam’s sustainable bond market mainly comprises foreign-currency-denominated green and sustainability bond instruments issued solely by corporates.

The economy’s sustainable bond market totaled USD0.8 billion at the end of September (Figure 5). Green bonds accounted for 46.9% of the market, while sustainability bonds represented 53.1%. Over 78.0% of total sustainable bonds outstanding at the end of September were denominated in a foreign currency and carried tenors of 3 years or less, resulting in a size-weighted average tenor of 2.7 years.

Investor Profile

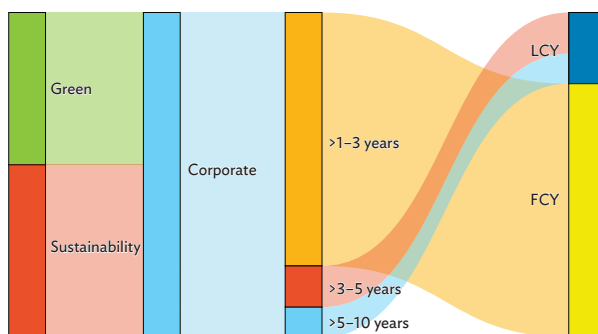
Insurance firms and banks remained the predominant holders of outstanding LCY government bonds at the end of September. Collectively, these two investor groups held 99.2% of the total LCY government debt stock at the end of Q3 2024 (Figure 4). Insurance firms, the largest investor group, slightly increased their holdings share to 59.8% from 59.7% the previous year. Conversely, banks saw their holdings share dip to 39.4% from 39.9% over the

Figure 4: Profile of the Two Dominant Investors for Local Currency Government Bonds



Source: Ministry of Finance, Viet Nam.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Viet Nam at the End of September 2024



FCY = foreign currency, LCY = local currency.
 Source: AsianBondsOnline calculations based on Bloomberg LP data.

²⁰ Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea. The Herfindahl–Hirschman Index is a common measure of market concentration. The index is used to measure the investor profile diversification of the local currency bond market by summing the squared share of each investor group in the bond market.