

Viet Nam

Yield Movements

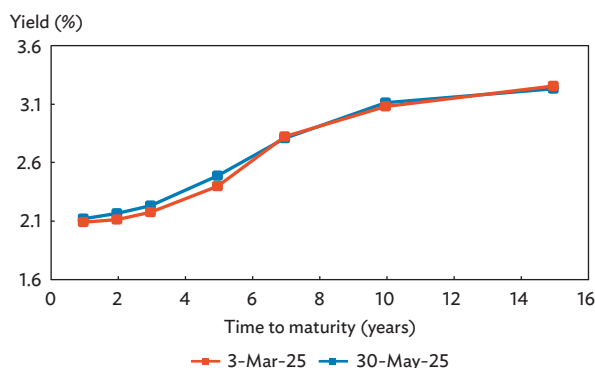
Between 3 March and 30 May, the local currency (LCY) government bond yield curve in Viet Nam was relatively steady. Yields across the curve moved an average of 3 basis points amid market expectations that the State Bank of Vietnam will keep its refinancing rate unchanged, at least through the first half of 2025, to foster economic growth (Figure 1). The central bank has held the policy rate steady at 4.50% since June 2023. On 6 April, the government maintained its full-year 2025 growth target of at least 8.0% despite global trade uncertainties, following 7.1% growth in 2024. Viet Nam's economy grew 6.9% year-on-year (y-o-y) in the first quarter (Q1) of 2025, which was slower than the 7.6% y-o-y growth recorded in the previous quarter due to softened growth in both the service (7.7% y-o-y), and industry and construction (7.4% y-o-y) sectors amid a slowdown in global demand. Despite a slight uptick, inflation remained within the government's ceiling of 4.5%. In May, y-o-y inflation inched-up to 3.2% from 3.1% in April and March, driven by increases in electricity and housing prices.

Local Currency Bond Market Size and Issuance

LCY bond market growth slowed in Q1 2025, dragged down by a contraction in central bank securities. At the end of March, total LCY bonds outstanding reached VND3,222.5 trillion, posting moderated quarter-on-quarter (q-o-q) growth of 1.9%, down from 5.0% in the previous quarter (Figure 2). The slowdown was largely driven by a contraction in the stock of central bank securities (–32.1% q-o-q) due to a large volume of maturities. Additionally, because of the low volume of issuance during the quarter, the total corporate debt stock also posted slower growth of 1.0% q-o-q in Q1 2025 versus 4.4% q-o-q in the previous quarter. Meanwhile, Treasury and other government bonds grew 4.4% q-o-q at the end of March amid increased government borrowing.

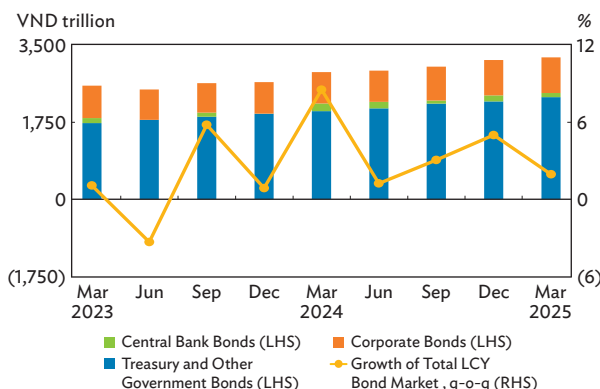
Total LCY bond issuance rebounded in Q1 2025 on increased debt sales from the government and central bank. Overall issuance climbed 33.0% q-o-q to VND1,240.9 trillion in Q1 2025, reflecting a recovery from

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



Source: Based on data from Bloomberg LP.

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



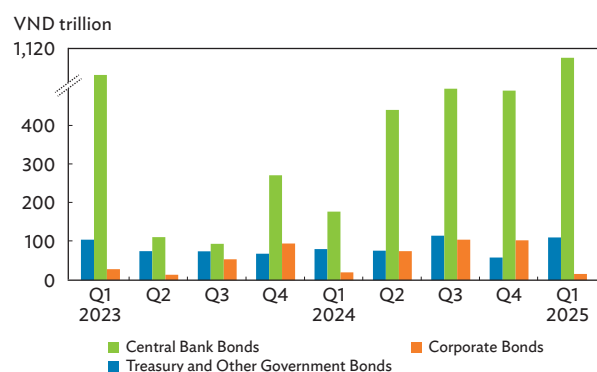
() = negative, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, VND = Vietnamese dong.

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.

the previous quarter's 6.0% q-o-q contraction (Figure 3). Growth was buoyed by a substantial 88.1% q-o-q increase in government bond issuance, as the government ramped up its borrowing to foster economic growth amid global trade challenges. Additionally, issuance of central bank securities in open market operations rose 44.5% q-o-q to support the financial system. In contrast, corporate bond issuance fell 84.2% q-o-q in Q1 2025 due to a lack of participation by nonfinancial entities. During the

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.

quarter, the banking and finance sectors were the only issuers of LCY corporate bonds, accounting for 64.3% and 35.7%, respectively, of the corporate issuance total. VPS Securities issued the largest corporate bond in Q1 2025 with a debt sale of VND5.0 trillion, accounting for 30.8% of total corporate bond issuance during the quarter.

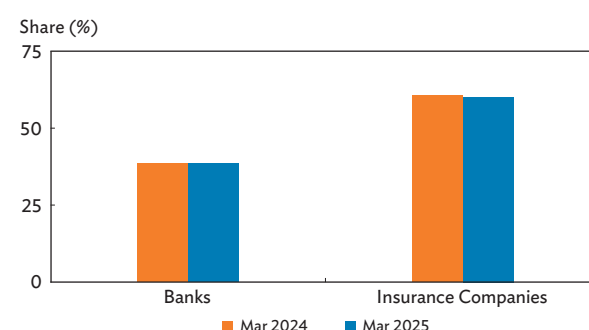
Investor Profile

Banks and insurance companies remained the two largest investor groups in the LCY government bond market. Collectively, these two dominant investor groups held 98.9% of LCY government bonds outstanding at the end of March, though this was down slightly from 99.5% a year earlier (**Figure 4**). Viet Nam had the highest Herfindahl–Hirschman Index score in emerging East Asia at the end of March, reflecting the least diversified investor holdings structure among its regional peers.¹⁷

Sustainable Bond Market

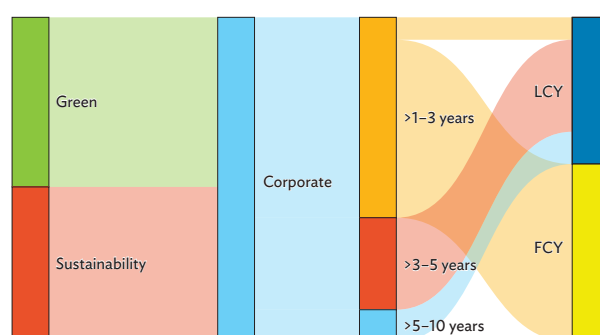
Viet Nam's sustainable bond market comprises green and sustainability instruments issued solely by the private sector. At the end of March, green and sustainability bonds accounted for 52.2% and 47.8%, respectively, of the total sustainable debt stock

Figure 4: Market 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 March 2025



FCY = foreign currency, LCY = local currency.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

(**Figure 5**). Total outstanding sustainable bonds reached USD1.1 billion in Q1 2025, making it one of the smallest sustainable bond markets in emerging East Asia, accounting for only 0.2% of the regional total. Foreign-currency-denominated sustainable bonds accounted for 54.8% of the total. Outstanding sustainable bonds were mainly concentrated in tenors of 1–3 years (61.7%) at the end of March. This led to a size-weighted average tenor of 2.7 years, among the shortest tenors across the region's sustainable bond markets.

¹⁷ 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.