Global Investment Research | Equities

Vietnam on the rise: Tailwinds continue

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Executive summary

Vietnam has emerged as one of ASEAN’s fastest-growing economies and surpassed the Philippines – an economy already classified as Emerging Market by FTSE Russell – in both GDP per capita and equity market capitalisation – since 2020. Over past decades, Vietnam delivered high growth among major ASEAN countries, supported by structural reforms and strong foreign direct investment (FDI). FDI has been a key driver of Vietnam’s transformation into an export-oriented economy. Electronics and machinery now dominate exports, replacing textiles as the top category since 2019, as global tech firms continue to expand operations in Vietnam. This shift has strengthened Vietnam’s role in global value chains and helped sustain trade surpluses since 2018, reinforcing macro stability alongside relatively low fiscal deficits and government debt level.

Vietnam’s capital markets have grown rapidly in tandem with its economic expansion. The FTSE Frontier Vietnam Index market cap rose from US$11 billion in 2015 to US$59 billion in 2025, outperforming both frontier and emerging market benchmarks. While the economy’s growth is manufacturing-led, the equity market is concentrated in domestic-revenue-driven industries. Real Estate and Financials account for more than 60% of market capitalisation, reflecting structural drivers such as urbanisation, industrial expansion, rising incomes, and credit growth. FTSE Russell’s planned upgrade of Vietnam to Secondary Emerging Market status in 2026 is expected to attract further institutional inflows and improve liquidity, offering investors exposure to Vietnam’s long-term growth story, albeit indirectly through domestic-oriented industries.

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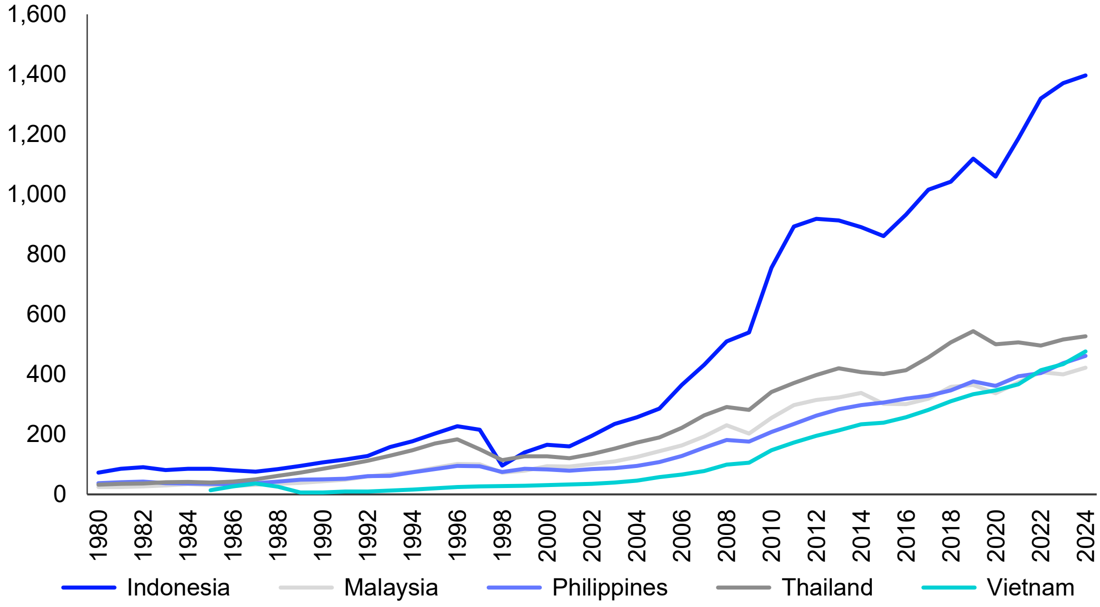
Vietnam’s high economic growth

Vietnam, given its high growth, has become the fourth-largest ASEAN country by nominal GDP, following Indonesia, Singapore and Thailand (Exhibit 1). ASEAN includes 11 member states. On a GDP per capita basis, Vietnam, the 101 million population country, has surpassed the Philippines since 2018, ranking fifth among ASEAN countries after Singapore, Malaysia, Thailand and Indonesia. According to the World Bank, Vietnam's GDP per capita (current US$) for 2024 is estimated at US$ 4,717, higher than the Philippines’ US$3,985, and approaching Indonesia’s US$4,925.

Exhibit 1: Nominal GDP (US$bn) – Vietnam is larger than the Philippines and Malaysia



Source: World Bank, FTSE Russell and LSEG. Annual data as of December 2024.

Vietnam has delivered high growth over the past two decades. Vietnam's compound annual growth rate (CAGR) for GDP was 6.1% for the past 10 years ending 2024, the highest among major ASEAN countries (Table 1). Even CAGR for the past five years from 2020 to 2024 was 5.2%, also the highest among ASEAN countries, despite a slowing global growth trend.

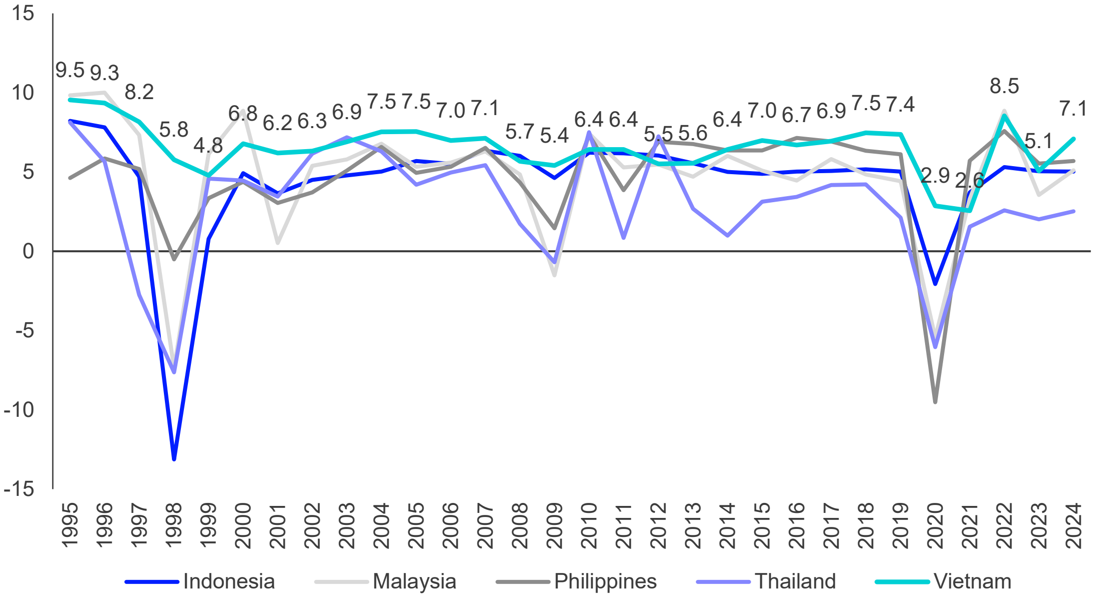
The high growth (Exhibit 2) can be attributed to the country’s continuous reform efforts over the past decades. Since the 1986 Doi Moi reform, Vietnam has transitioned to a more market-oriented economy. The economic and political reform has welcomed foreign direct investment (FDI), encouraged private enterprises, and reduced subsidies to stated-owned enterprises, allowing exports and manufacturing sector to become the growth engine. Indeed, foreign investments are, in general, one important funding source for investment in emerging markets, while FDI brings in relatively stable and long-term capital.

Table 1: GDP compound annual growth rate – Vietnam has been the highest among ASEAN peers

	Vietnam	Indonesia	Malaysia	Philippines	Singapore	Thailand	China
5y CAGR	**5.2**	3.4	3.0	2.8	3.2	0.5	4.9
10y CAGR	**6.1**	4.2	3.9	4.7	3.2	1.9	5.8
20y CAGR	**6.2**	5.0	4.4	5.0	4.6	2.7	7.9

Source: World Bank, FTSE Russell and LSEG. Data as of December 2024.

Exhibit 2: Annual GDP growth (%) – The GDP growth of Vietnam has been high among peers



Source: World Bank, FTSE Russell and LSEG. Annual data as of 2024.

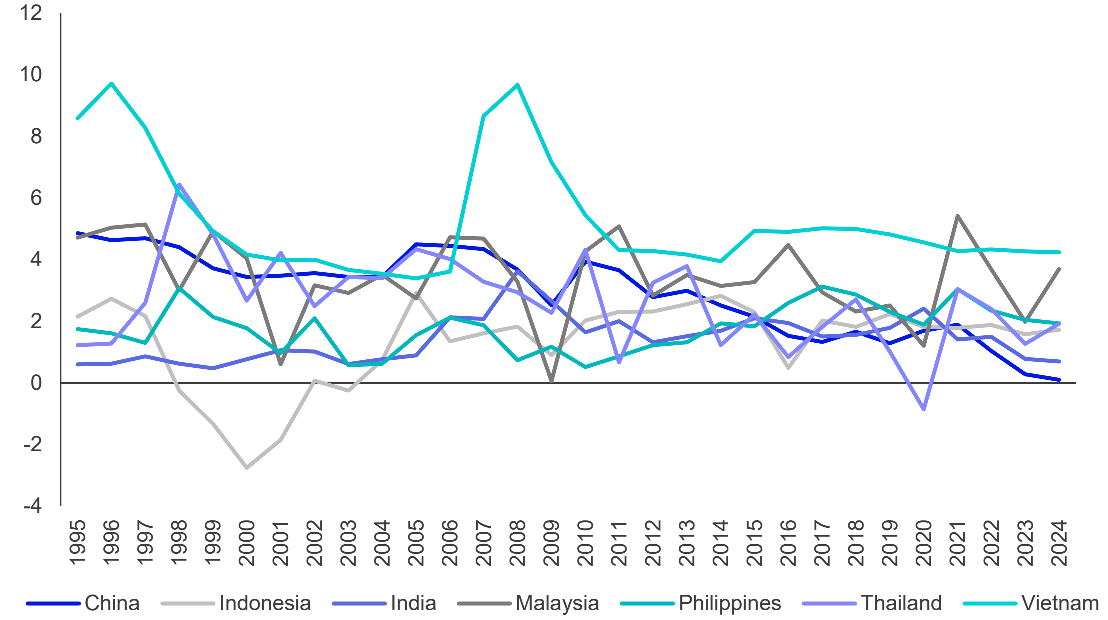
The important role of strong foreign direct investment

Since 1986, Vietnam has attracted strong foreign direct investment as it strengthens its role in the global manufacturing supply chain. The FDI flows have been an important source for the country's growth. In percent of GDP terms, Vietnam has, on average, seen the highest FDI inflows over the past 30 years among ASEAN. Exhibit 3 shows that most countries have seen a declining trend in FDI inflows, but Vietnam's inflow has stayed steady at ~4% of GDP over the past decade ending 2024.

The strong FDI inflows have helped Vietnam became an export-driven economy and achieved high growth. In 1986, the exports share was only 6.6% of GDP, according to World Bank data. However, since the 2000s, the exports share of GDP for Vietnam has surpassed 50%, and rose further to 90% in 2024, higher than other EM ASEAN peers (Exhibit 4). In addition, the share of investment (gross capital formation) for Vietnam, is the highest among its peers – 31% of GDP in 2024. According to government estimates[1], the manufacturing and processing sector saw the most FDI inflows in 2024, followed by real estate business. By country, Singapore, South Korea and China (excl. Hong Kong) were the top three sources and accounted for a total of 58% of Vietnam's FDI in 2024.

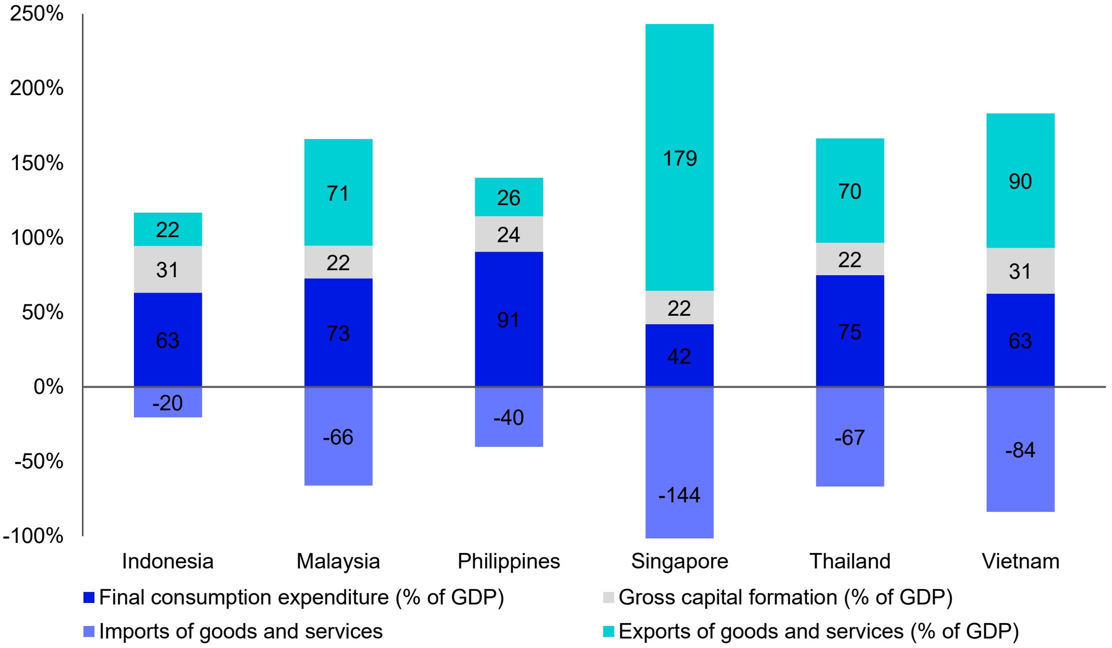
[1] Ministry of Planning and Investment. *FDI attraction situation in Vietnam and Vietnam's overseas investment in 2024.* Jan 6, 2025. https://www.mpi.gov.vn/en/Pages/2025-1-14/FDI-attraction-situation-in-Vietnam-and-Vietnam-s-ehsipf.aspx

Exhibit 3: Foreign direct investment inflows (% of GDP) – Vietnam's FDI inflows have been on average more than 4% of GDP over the past 10 years



Source: World Bank, FTSE Russell and LSEG. Annual data as of 2024.

Exhibit 4: GDP breakdown by expenditure (2024, % of GDP) – Vietnam and Singapore are highly dependent on exports

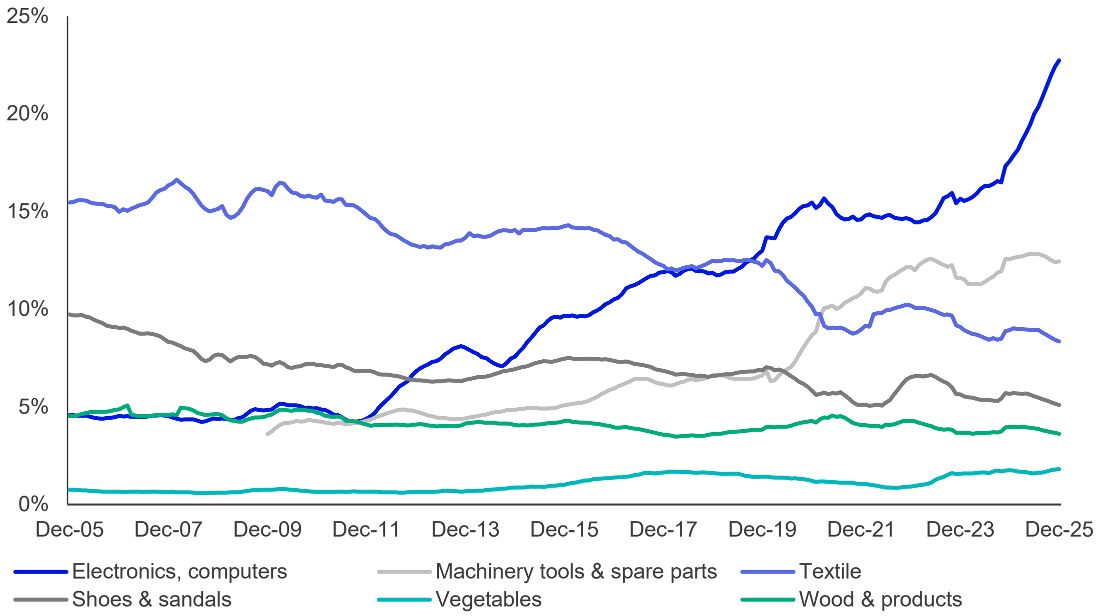


Source: World Bank, National Statistics Office, FTSE Russell and LSEG. Annual data as of 2024.

Vietnam's export transformation: from textiles to electronics

Over the past four decades, Vietnam has transformed into an export-oriented economy and pivoted from a textile-heavy exporter to an electronics powerhouse, deepening the country's role in global value chains. The growth of electronics, computers and machinery exports have accelerated further since 2019 (Exhibit 5), as Vietnam became one popular China alternative destination amid the escalation of US-China trade tensions in 2018. Vietnam attracts supply chain relocation given competitive labour costs, high labour participation (both total and female) and pro-business government policies and free trade agreements. For instance, technology firms such as Samsung, LG, Foxconn and Intel have continued to expand their factories or R&D centres in Vietnam.

Exhibit 5: Vietnam major export commodities (% of total exports, 12m sum) – Electronics and computers lead exports



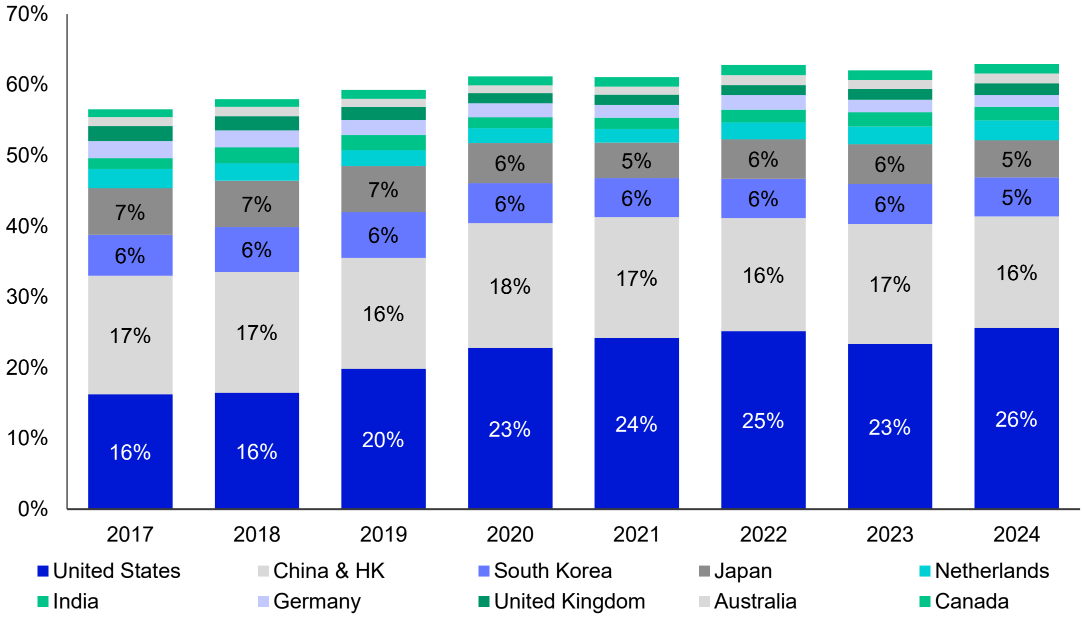
Source: FTSE Russell and LSEG. Data as of December 2025.

Export destinations have also shifted. Vietnam's trade ties with the US have strengthened since the onset of US-China trade tensions. While the share of exports to China has remained stable, the US share of Vietnam's exports rose from 16% in 2018 to 26% in 2024 (Exhibit 6), reflecting electronics-led gains and supply chain relocation effects.

As electronic and machinery products – such as smartphones, electronic components, semiconductor related devices and EV parts – grow to dominate Vietnam's exports, Vietnam continues to move up the global value chain. This structural shift coincides with a sustained improvement in Vietnam's external position. As shown in Exhibit 7, Vietnam's trade balance has remained in positive territory since 2018, the same period when electronic products surpassed textile in export values. Trade surplus has helped Vietnam accumulate FX reserves. Vietnam's international reserves (excl. gold) grew from US$49bn in December 2017 to US$82bn in July 2025, according to IMF estimates. This allows Vietnam to strengthen its macro stability and reduce external vulnerability. Reducing external vulnerability is important for export-oriented countries like Vietnam where FX stability underpins the country's macro stability.

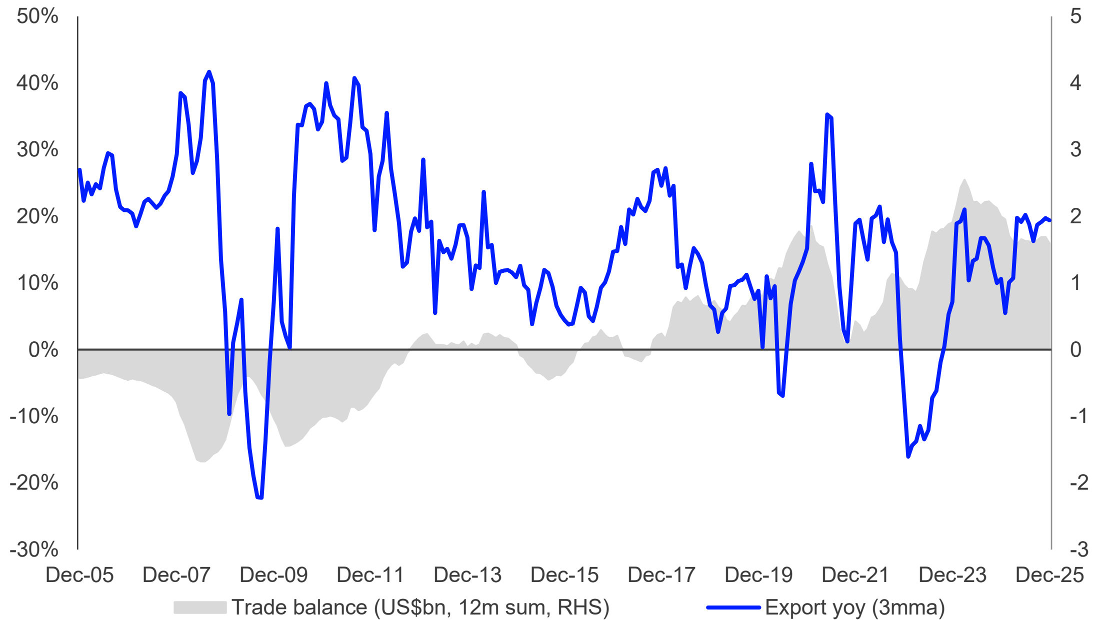
Export momentum remained resilient in 2025 despite tariff uncertainty earlier in the year. In April 2025, the US initially imposed a 46% reciprocal tariff on Vietnamese imports, but later reduced it to 20%, similar to other ASEAN peers, following rounds of negotiations. Exhibit 7 shows that export growth was less affected than initially feared, underscoring Vietnam's entrenched role in global supply chains.

Exhibit 6: Vietnam's top 10 export destinations (% of total exports) – The US share of Vietnam's exports has risen since 2018



Source: FTSE Russell and LSEG. Latest data as of December 2024.

Exhibit 7: Vietnam trade balance and export growth – Export growth momentum remains strong



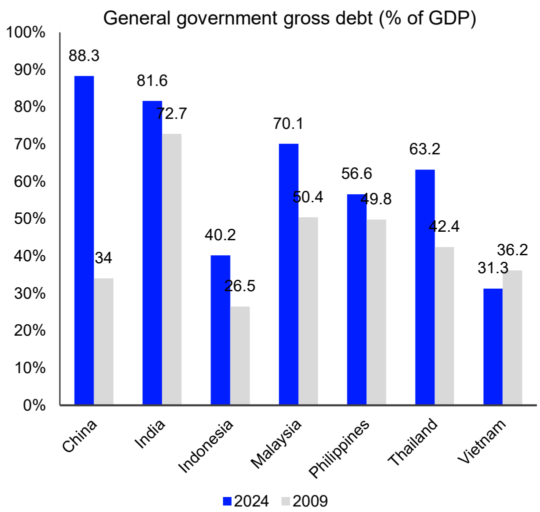
Source: FTSE Russell and LSEG. Data as of December 2025.

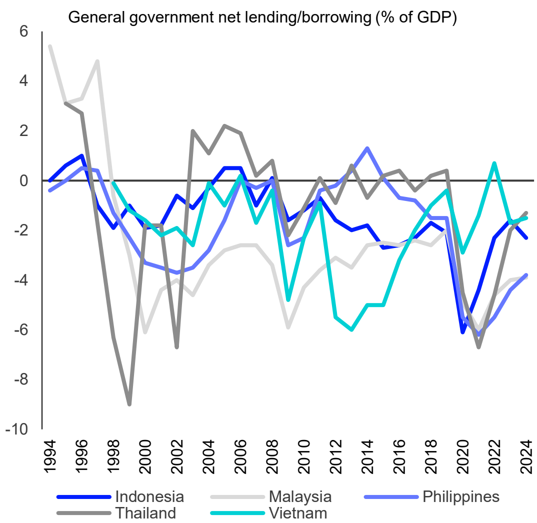
Vietnam's relatively healthy fiscal position

As Vietnam transitioned into a trade-surplus economy, its current account has remained largely positive since 2018, with the exception of 2021 when the COVID-19 pandemic severely disrupted logistics and tourism. This sustained surplus has strengthened the country's external balance sheet and reduced reliance on external debt, reinforcing overall macroeconomic stability.

On the fiscal front, Exhibit 8 shows that Vietnam's fiscal position has improved over the past decade ending 2024 and has remained better compared to other EM ASEAN countries since 2020. Vietnam's general government debt stood at just 31.3% of GDP in 2024, the lowest among its EM ASEAN and EM Asia peers. A narrower fiscal deficit and lower debt burden provide greater policy flexibility, enabling the government to respond to shocks, such as pandemics or global financial crises, without compromising fiscal sustainability much.

Exhibit 8: Vietnam has relatively low debt pressure than its ASEAN peers





Source: IMF, FTSE Russell and LSEG. Annual data as of 2024.

Vietnam's fast-growing equity market

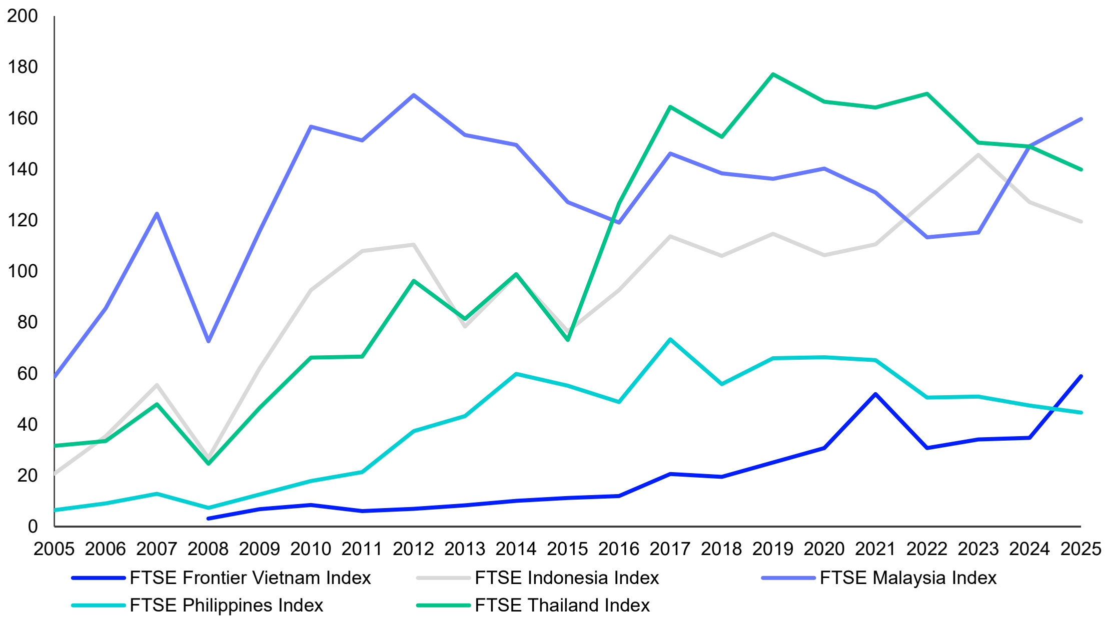
As Vietnam grew to become one of the largest economies among ASEAN countries, its capital markets have grown significantly. The outstanding amount of the sovereign bond market increased by almost 6x – from ~US$14.3mn as of end-2015 to ~US$82.9mn as of end-2025[2]. Vietnam's sovereign credit rating has been raised from BB to BB+ in 2022 and 2023 by major global rating agencies, only one grade apart from investment grade.

As for the equity market, the market cap of FTSE Frontier Vietnam Index has grown from US$11bn in 2015 to US$59bn in 2025, surpassing the US$45bn of FTSE Philippines Index (Exhibit 9). As shown in Exhibit 10, over the past 15 years, Vietnam's equity market mostly outperformed not only the broader frontier market index but also the EM index in most years. Solid macro fundamental outlook, foreign investment, and Vietnam's rising importance in global supply chains have continued to drive strong equity returns. Additionally, FTSE Russell upgrading Vietnam from Frontier classification to Secondary

[2] Includes only local currency treasury bonds that are included in FTSE Vietnamese Government Bond Index

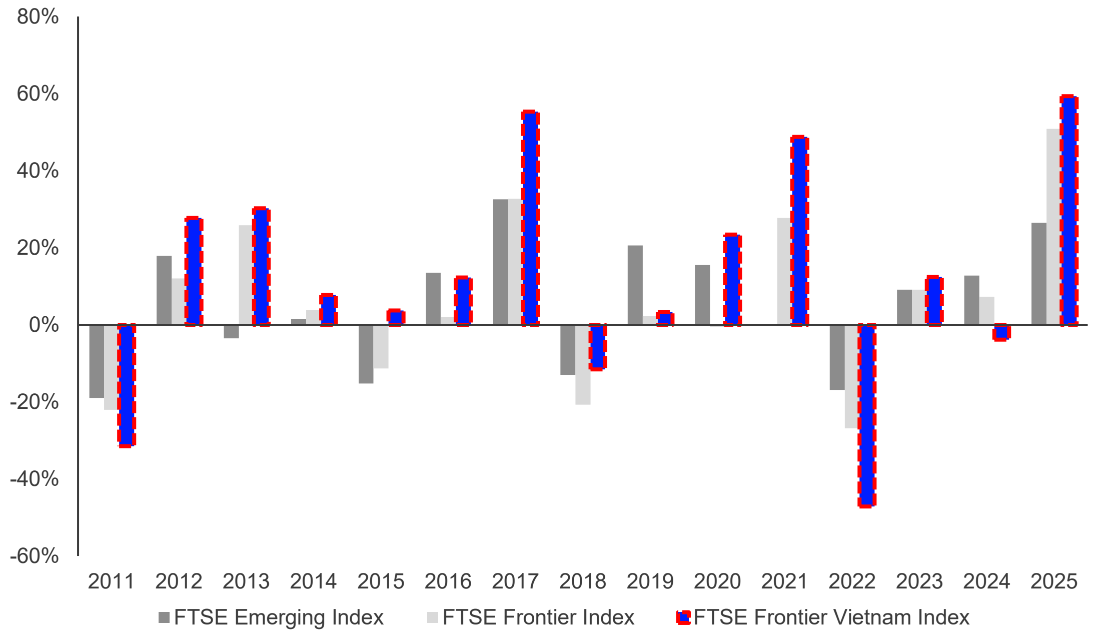
Emerging market status, effective in September 2026, is expected to bring more institutional inflows and further improve market liquidity. In 2025, FTSE Frontier Vietnam Index delivered a 60% return, in USD terms, outperforming both FTSE Frontier and FTSE Emerging indices.

Exhibit 9: Market cap of major ASEAN countries (US$bn) – The market cap of Vietnam (US$59bn) has surpassed the Philippines (US$45bn)



Source: FTSE Russell and LSEG. Data as of December 2025. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

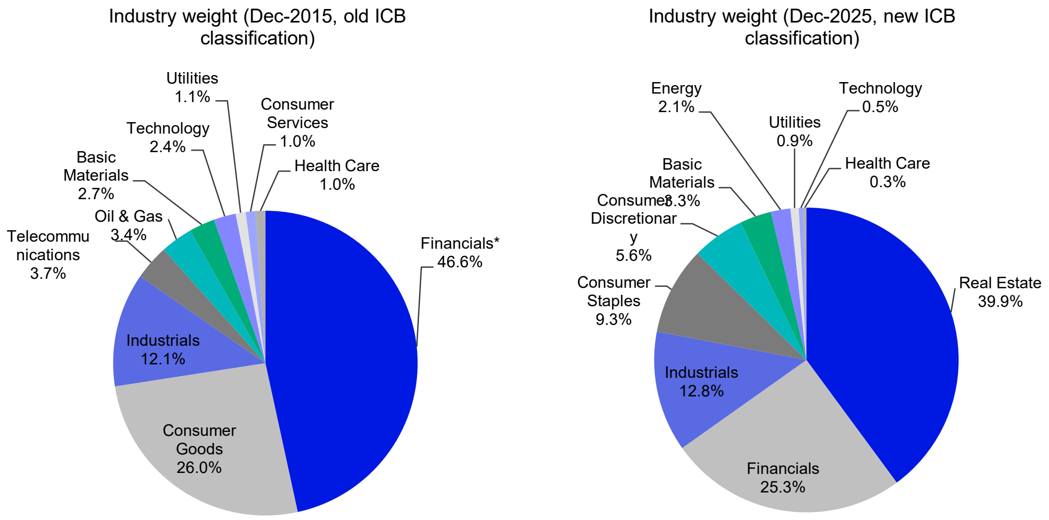
Exhibit 10: Vietnam vs frontier and EM equities total return (USD) - Vietnam outperformed its EM and frontier peers in 2025



Source: FTSE Russell and LSEG. Data as of December 2025. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

Vietnam's economic transformation has been driven largely by manufacturing and its growing role in the global tech supply chain. However, investors should note that owning Vietnam equities provides exposure to the second-order effects of economic growth, rather than direct exposure to manufacturing. Unlike Vietnam's GDP structure, which is highly exposed to exports (Exhibit 4), Vietnam's stock market is concentrated in domestic-revenue-oriented industries. As of December 2025, Real Estate and Financials represented 39.9% and 25.3%, respectively, of the FTSE Frontier Vietnam Index (Exhibit 11). This reflects the fact that many manufacturing activities in Vietnam are owned by foreign companies, as discussed in previous sections, and are not listed in public trading markets locally.

Exhibit 11: FTSE Frontier Vietnam Index industry weight – 10y change

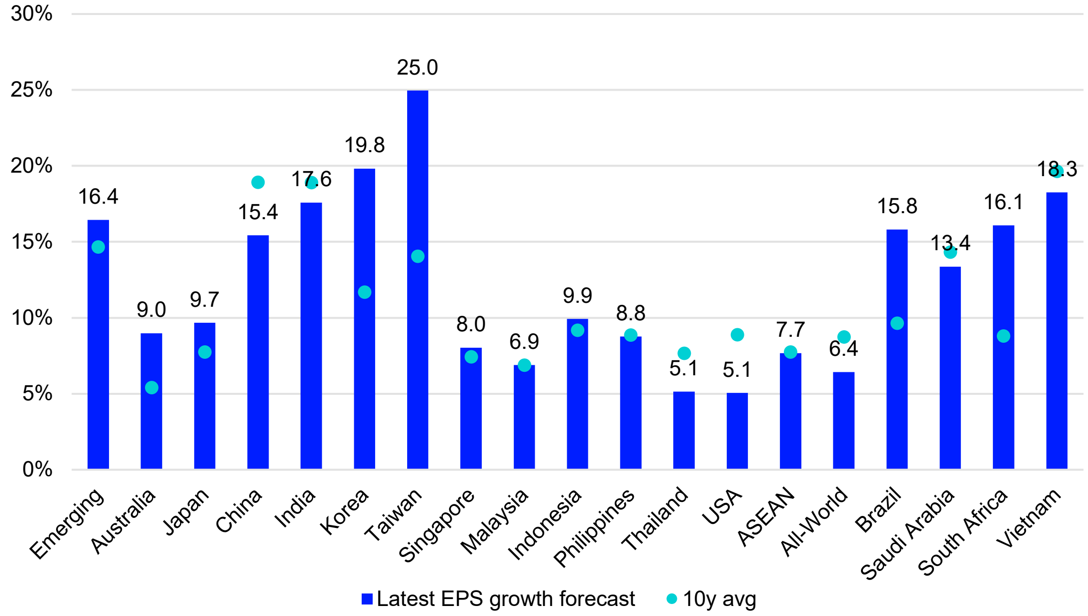


Source: FTSE Russell and LSEG. Data as of December 2025. *Real Estate was included in Financials under the old ICB classification.

Instead, Real Estate's dominance in Vietnam's equity market reflects the country's strong growth fundamentals. Rapid urbanisation, rising household incomes, and a growing middle class have fuelled demand for residential housing and commercial spaces. Industrial expansion and FDI inflows have also boosted demand for industrial parks, logistics hubs and supporting infrastructures. The Financials industry has been supported by strong credit growth, rising consumer spending, increasing deposit base and improving asset quality. Real Estate and Financials together accounted for 65% of Vietnam's equity market, up from 46.6% in December 2015, providing investors with indirect exposure to Vietnam's manufacturing-driven economic growth over the past decade.

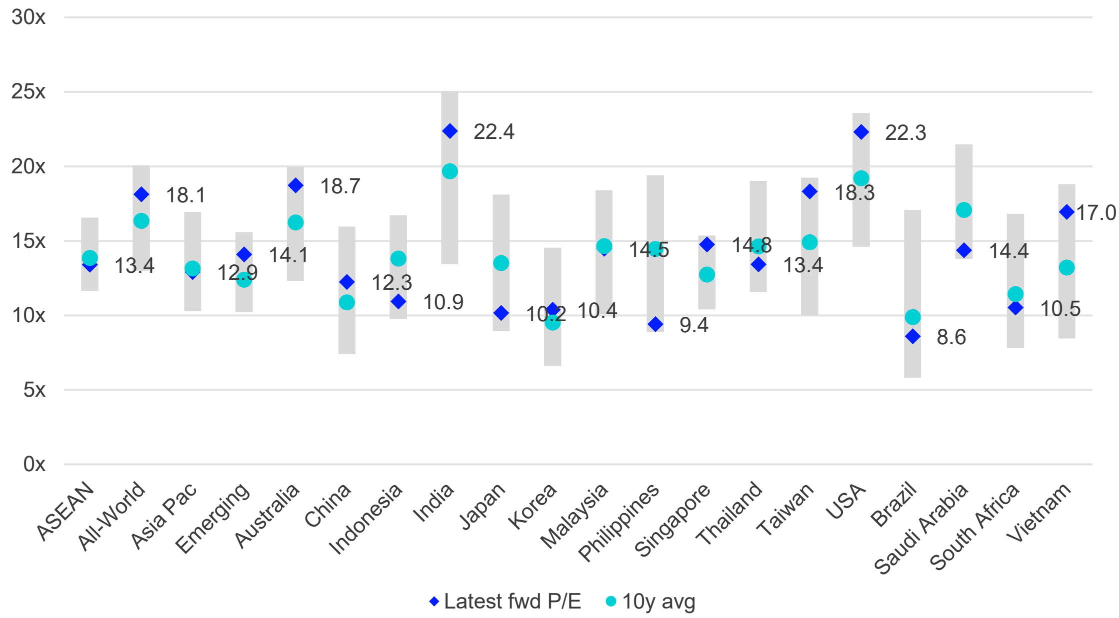
Exhibit 12 also shows that Vietnam offers a better EPS growth outlook than its regional peers and EM peers. However, investors should also note the valuation, particularly given the strong performance Vietnam's equity market has experienced over the past one year. As shown in Exhibit 13, Vietnam equity is now trading at a relatively expensive level, compared to its 10y historical average. When compared to its Asia peers and EM, the valuation is not cheap.

Exhibit 12: 2-year forecast growth of EPS – Vietnam offers a stronger EPS growth outlook than most EM peers



Source: FTSE Russell and LSEG. Data as of December 2025. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

Exhibit 13: 12-month forward P/E ratio – Vietnam equity valuation has been above its 10y average



Source: FTSE Russell and LSEG. Data as of December 2025. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

Conclusion

Vietnam’s economic trajectory reflects a decisive step-change in its development path. With sustained reforms, strong FDI inflows, and deepening integration into global supply chains, the country has achieved the highest growth among major ASEAN economies over the decade ending 2024 while steadily improving macro fundamentals. Vietnam has now surpassed the Philippines – an economy already classified as Emerging Market by FTSE Russell – in both GDP per capita and equity market capitalisation. This catch-up signals that Vietnam has moved significantly closer to the economic profile of an EM economy, supported by reinforced macro stability and resilience – a trade surplus, a relatively healthy fiscal position, and increasing external resilience.

Moreover, Vietnam’s capital markets have expanded in parallel with its economic rise, with the FTSE Frontier Vietnam Index increasing more than fivefold over the past decade and consistently outperforming frontier and emerging market benchmarks. The high weights of Real Estate and Financials in the equity market reflect powerful domestic growth drivers – urbanisation, rising incomes and credit growth. This industry structure provides investors with indirect but meaningful exposure to Vietnam’s manufacturing-driven growth story. Looking ahead, Vietnam’s forthcoming upgrade to the FTSE Secondary Emerging Market status, continued FDI momentum, and strong earnings outlook could provide additional tailwinds for financial markets. Together, these trends strengthen Vietnam’s positioning as one of Asia’s most compelling structural growth stories.

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