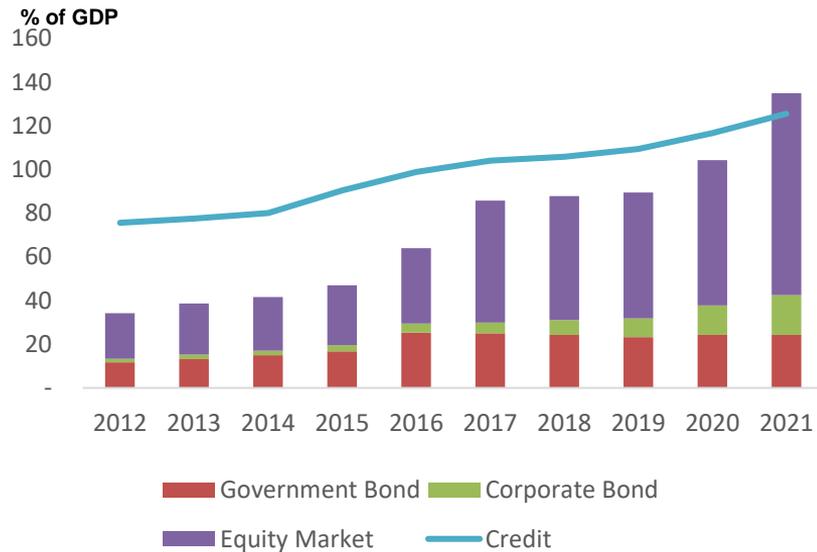


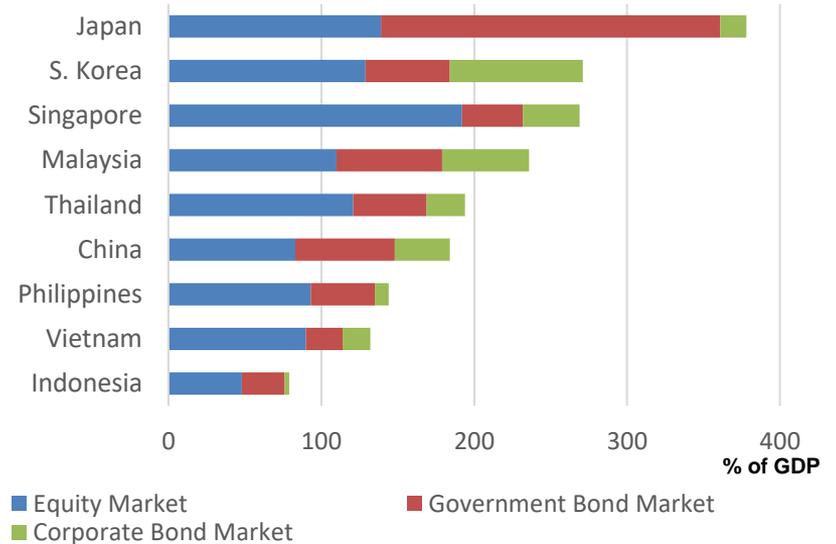
# Remarkable growth in Vietnam capital markets: catching up with peer countries

## Vietnam Financial Markets (2012-2021)



Source: AsiaBondOnline, MOF, IMF, GSO (Revised GDP), Staff calculation

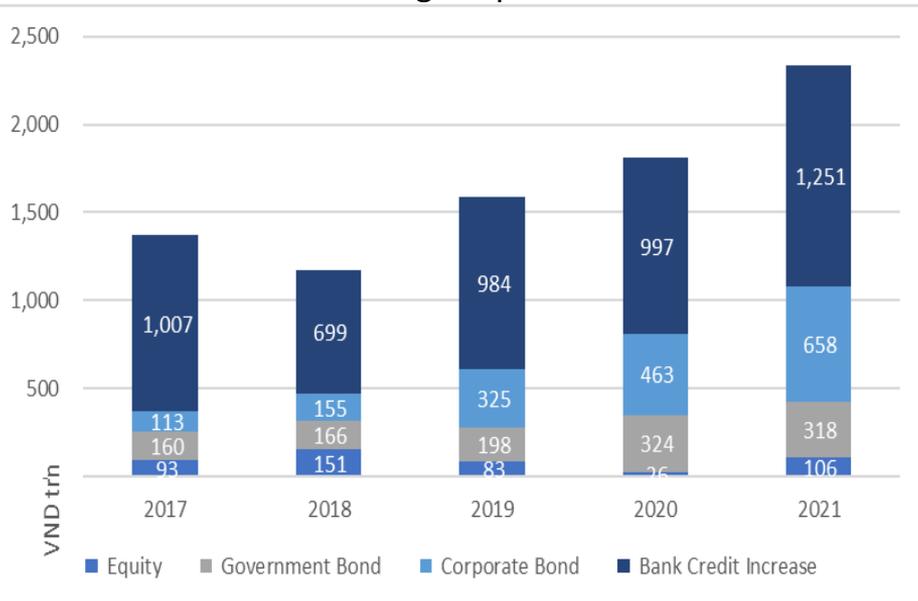
## East Asia Market Capitalization (2021)



Source: AsiaBondOnline, CEIC, MoF

## Key Development Indicator 1: Capital Markets as a FUNDING Mechanism

Fund mobilization through capital markets and banks



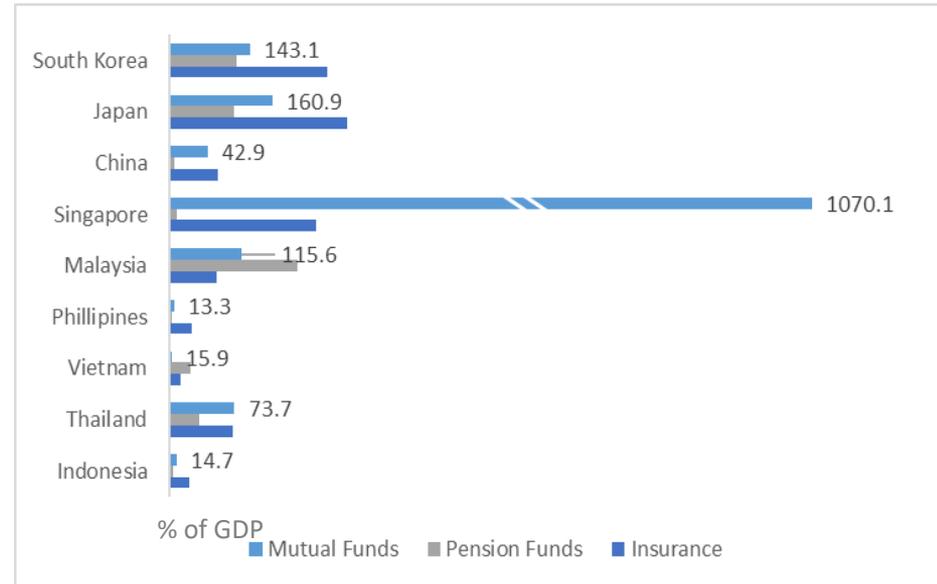
- Despite the large equity market capitalization, the amount of funds raised through shares between 2017-2021 was only VND 92 trillion (USD 4 billion) per year.
  - Most listings are “introduction to trade” not with IPO (fundraising)
- Bonds are relatively more significant, with about VND 233 trillion (USD 10 billion) and VND 343 trillion (USD 15 billion) issued annually in government bonds and corporate bonds
- Corporate bond’s recent jump has come with a risk

## Key Development Indicator 2: Capital Markets as a SAVINGS Mechanism

Low total savings relative to the economy

- **Public Pension (VSS):** By far the largest institutional investors (10% of GDP), but has not invested in other than government bonds (85% government bonds, 15% bank deposits)
- **Insurance companies:** meaningful size (5% of GDP) and growing importance but high in cash (43%)
- **Private pension:** miniscule (near 0% of GDP); growth is constrained by lack of incentives for long-term savings
- **Investment funds:** small (under 2% of GDP) but has a strong potential to grow; also lack of incentives

Size of institutional investors (Asia)

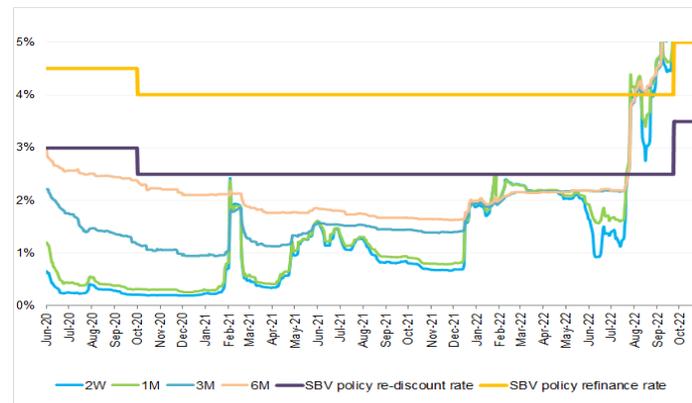


**Long-term savings for long-term investment**

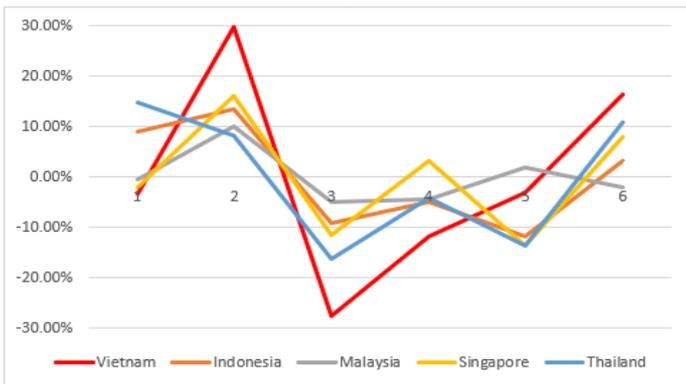
# Key Development Indicator 3: Capital Markets as a PRICING Mechanism

1. **Money market rates** does not link to policy rates
2. **Government bond market rates** :
  - Are not used as an anchor for other financial market products (e.g., corporate bonds use bank deposit rates + spread)
  - Sometimes different between primary market and secondary market rate
3. **Equity market price** is volatile (most volatile in the region)

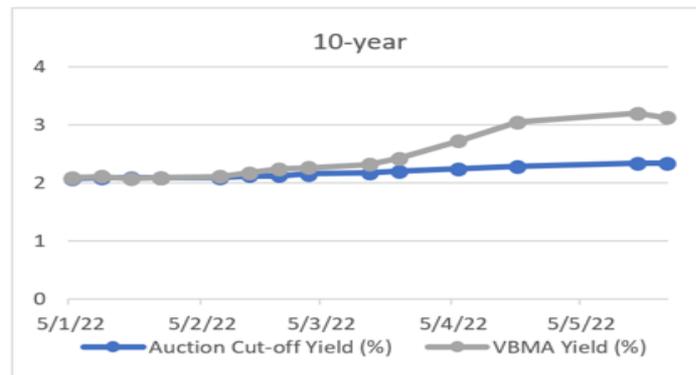
Short-term Benchmark Rates, Refinance & Rediscount Rates



Stock market returns' volatility 2016-2021



Government bonds primary and secondary market yields (select dates)



## Potential new funding for economic development through capital markets

Financing  
for the  
corporate  
sector up  
to 2030

**Pension reforms** could bring **US\$25 billion\*** from

- Public pension/VSS investment reallocation and excess returns
- Private pension growth

**Emerging Market** upgrade could bring new investment from **international investors** up to **US\$25 billion\***

+

**Investment funds** could grow further and add **US\$13 billion\*** of savings mobilization

**Insurance companies** could add **US\$15 billion\*** investment into corporate securities (asset re-allocation) subject to improved investment environment

>>

*Total **\$78 billion\*** funding for the corporate sector through the capital markets*

- *Corporate bond market could absorb US\$33 billion*
- *Equity market could absorb the rest*