



FUND LAUNCHED

**2005**

FUNDS UNDER MANAGEMENT

**£542.7**  
MILLION

NET ASSET VALUE PER SHARE

**425.4%**  
SINCE INCEPTION\*



# Vietnam – the darling of Asia?

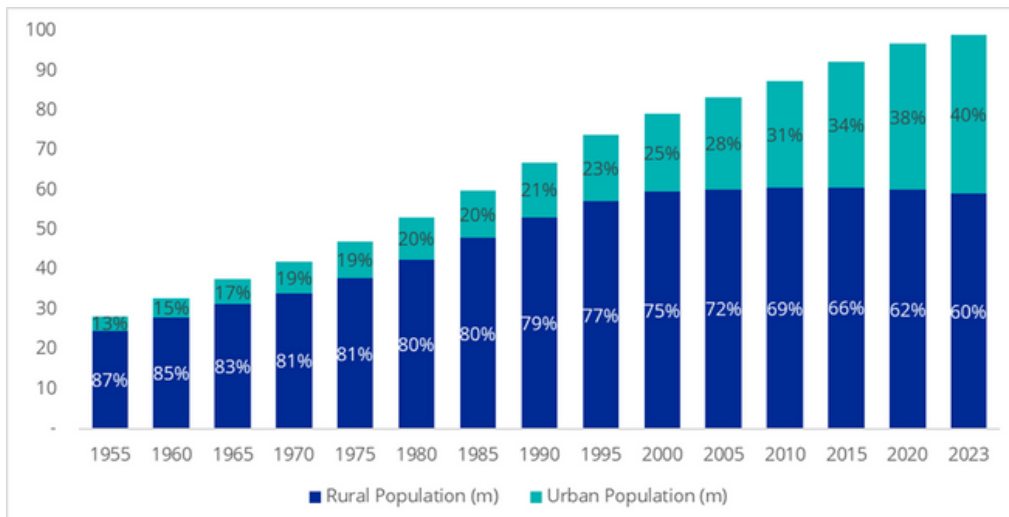
February 2024

In 2024, Vietnam is expected to be one of the world's top 20 highest growing economies with forecasted GDP growth of 5.8%.<sup>1</sup> This surpasses the global average of 2.3% and is higher than regional peers. 2025 GDP growth is also expected at 6.9%.<sup>1</sup> So, what is driving this growth?

Vietnam has strong underlying fundamentals, with solid demographics driving their median to long term GDP growth. The average age of its 99 million population is 33 years<sup>2</sup> which should provide more than 10+ years of consumption boom as the population ages and moves into the higher consumer spend categories of 45-50 years.

As the increase in GDP per capita will drive the prospects of a better quality of life and higher wages, Vietnam is expected to reach urbanisation levels of 44% of the population by 2030<sup>3</sup> (currently 40%,<sup>4</sup> compared to Thailand at 52.9%, Indonesia at 57.8% and China at 63.6%<sup>5</sup>). Increased urbanisation typically results in improved productivity and subsequently improved economies of scale, in turn providing growing investment opportunities within the utility, infrastructure and telecom sectors that support it.

## Urbanisation rate in Vietnam (%)



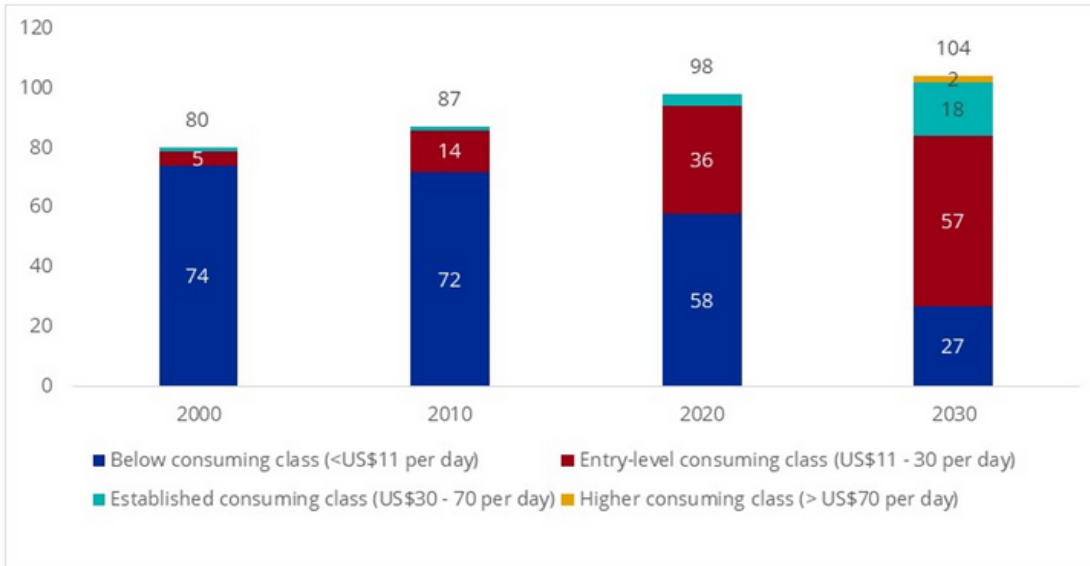
Source: Vietnam Demographics 2023 (Population, Age, Sex, Trends) - Worldometer

# Vietnam – the darling of Asia?

February 2024

Vietnam’s GDP per capita has trebled since joining the World Trade Organisation in 2007 and with an increase in GDP per capita comes the growth of the middle class. Vietnam’s goal is to become an upper-middle-income country by 2035, and a high-income country by 2045<sup>6</sup>. It is also estimated to add 36 million people to the consuming class in the next decade.<sup>3</sup>

## Population (in millions) by income growth (daily spending)

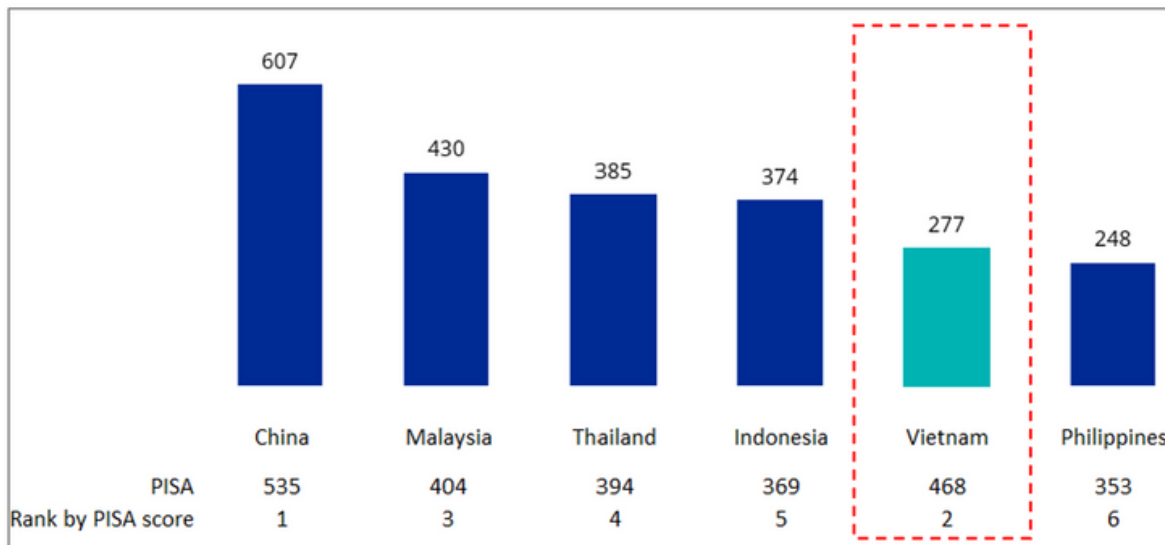


Source: The new faces of the Vietnamese consumer | McKinsey

Vietnam also benefits from a highly educated and affordable work force. Its population continues to be one of the most educated compared to neighbouring ASEAN peers, achieving a PISA score of 468.<sup>7</sup> With a 98% literacy rate, it is also ranked the second highest among the top ten investible frontier countries.<sup>8</sup>

Combined with a manufacturing wage of US\$277<sup>9</sup> on a monthly basis, Vietnam has started to attract more manufacturing business from foreign investors.

## Manufacturing costs (monthly cost in US\$k) and PISA scores



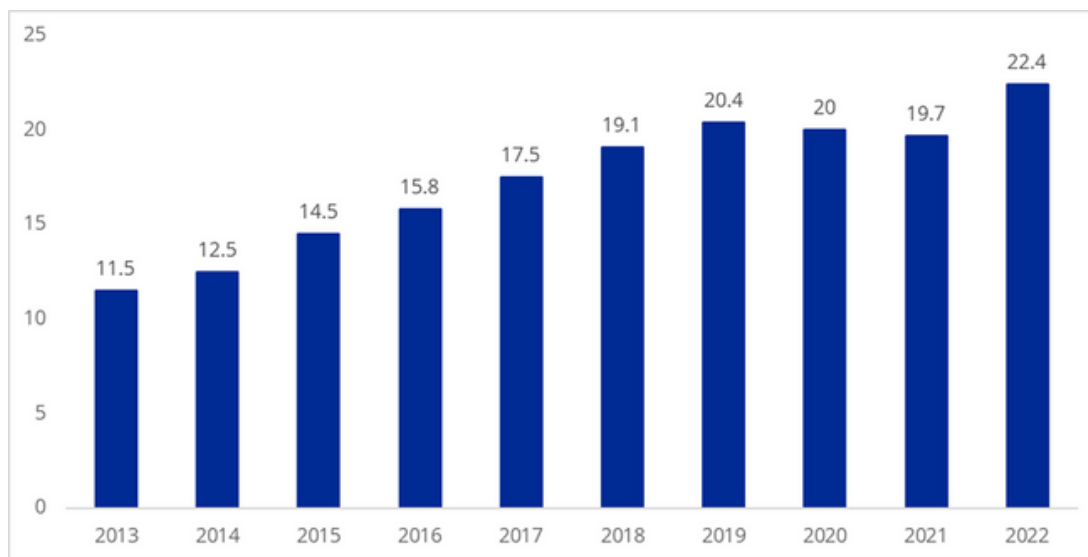
Source: CSLA, 2022 Manufacturing Wage on a Monthly Basis

# Vietnam – the darling of Asia?

February 2024

Amid the global shift triggered by Covid-19, Vietnam has emerged as a clear beneficiary of the “China Plus One” model, attracting manufacturing businesses seeking diversification. For example, Apple has located part of its production hub of MacBooks in Vietnam and has asked several of its suppliers to build new capacity as they are looking to embark upon further product development in the country. This strong and sustainable influx of foreign direct investment (FDI) has helped drive industrialisation and also enable Vietnam to start producing higher end products, shifting away from being just purely the assembler. Over the last 10 years Vietnam has seen a 7.7% CAGR (2013 – 2022) in FDI.

## FDI investment – disbursed foreign direct investment (in US\$bn)



Source: Foreign investment in Vietnam – FT.com

The increasing geopolitical tensions between the US and China have also played to Vietnam’s favour. The elevation of the US and Vietnam’s relationship to a “Comprehensive Strategic Partnership” in September 2023 emphasises Vietnam’s growing importance to the US and is likely to result in a further boost to FDI in the coming years. Despite proximity to China, Vietnam has deftly managed to keep relations through its ‘bamboo diplomacy’, and President Xi’s visit in early December 2023 indicated an important part of their relationship, and a potential increase in more direct and stronger economic ties.

However, Vietnam has teething issues. Firstly, in 2022 the Vietnam Stock Index (VNI) was down 33%<sup>10</sup> as a result of liquidity tightening and anti-corruption investigations which led to the arrest of several business leaders. This has slowed the pace of public investment and has made obtaining government approvals for private investment challenging. 2023 saw the VNI recover by 12%, however, more will need to be done in the medium term to restore both public and private investor confidence to keep up with the country’s growth aspirations. We have already seen the government implement programmes to ramp up infrastructure spend, cut interest rates and value added tax, and introduce measures to help ease financing within the property sector.

Secondly, Vietnam’s manufacturing activity is closely linked to its export market, with external trade equating to 186% of GDP.<sup>11</sup> Most Vietnamese manufactured goods are exported, with around 25% of exports to the US. Despite 2023 seeing exports down 4.4%<sup>12</sup> due to the US witnessing inventory destocking built up during Covid-19 resulting in weaker demand for Vietnamese products, these inventory levels are now at a much more reasonable level, with supply chain disruption now calmed.

# Vietnam – the darling of Asia?

February 2024

With positive indications (per 4Q23 export data) that 2024 should witness export improvements, this should filter through to help promote consumer confidence.

If the Vietnamese government can navigate these factors well, Vietnam could possibly become the investment darling of Asia.

## Jacqueline Broers

23 February, 2024

Source Data: ICM Limited

- [1] International Monetary Fund, World Economic Outlook Database, October 2023
- [2] Worldometer – Vietnam Population (2023) – Worldometer (worldometers.info)
- [3] The new faces of the Vietnamese consumer | McKinsey
- [4] Vietnam Demographics 2023 (Population, Age, Sex, Trends) – Worldometer (worldometers.info)
- [5] Urban population (% of total population) | Data (worldbank.org)
- [6] Rising middle class in Vietnam driving new trends of consumption – Source of Asia
- [7] PISA Scores by Country 2023 (worldpopulationreview.com) – a two hour test in maths, science and english conducted in over 65 counties to test critical thinking of 15 year olds.
- [8] Per Vietnam Holding Limited.
- [9] 2022 manufacturing wage on a monthly basis - per CLSA.
- [10] As per Bloomberg.
- [11] Trade as percentage of GDP - Trade (% of GDP) - Viet Nam | Data (worldbank.org)
- [12] As per Reuters - Vietnam 2023 economic growth slows to 5.05% as exports fall | Reuters

\*Total return is calculated based on undiluted Net Asset Value, plus dividends reinvested and adjusted for the exercise of warrants and subscription shares

### Risk Warning

The information presented on this document is solely for information purposes and is not intended to be, and should not be construed as, an offer or recommendation to deal in Utilico Emerging Markets Trust plc ("UEM"). Investments in UEM are subject to investment risks, and the value of investments and the income derived from them may fall as well as rise and investors may not get back the principal amount invested. Past performance is not indicative of future performance. Investors should read the prospectus along with the supplement(s) and seek relevant professional advice before making any investment decision. The information presented has been obtained from sources believed to be reliable, but no representation or warranty is given or may be implied that they are accurate or complete. UEM is managed by ICM Limited and ICM Investment Management Limited. The Investment Managers reserve the right to make any amendments to the information at any time, without notice. Issued by ICM Investment Management Limited (registered in England: 08421482), which is authorised and regulated by the Financial Conduct Authority (FRN: 630094). The information in the title banner is as at 31 January, 2024 and approved by ICM Limited.

### Utilico Emerging Markets Trust plc | Registered Office

The Cottage, Ridge Court, The Ridge, Epsom Surrey, KT18 7EP, United Kingdom

Company registration number: 11102129

[www.uemtrust.co.uk](http://www.uemtrust.co.uk)

**Subscribe to our newsletter on [uemtrust.co.uk](http://uemtrust.co.uk)**

