

Vietnam: In the Sweet Spot between Frontier and Emerging Markets

White Paper
October 14, 2025



SUMMARY

In an era when strong, sustained growth has become elusive, Vietnam stands out as an economic powerhouse at the intersection of frontier dynamism and emerging market maturity. The country combines frontier-level growth with emerging market stability, underpinned by a decisive shift toward market liberalization, a thriving private sector, and rising foreign investment. This policy evolution has created twin engines of structural growth—exports and domestic consumption—that continue to propel the economy forward. Vietnam's equity market mirrors this balance: Still inefficient and under-researched enough to offer meaningful alpha potential, yet deep, diverse, and increasingly accessible to global investors. With clear parallels to China's trajectory two decades ago and an upgrade to emerging market status on the horizon, Vietnam now represents one of the most compelling and under-owned opportunities across global equities, best accessed through experienced specialists who can navigate its complexity and unlock this investment's full potential.

KEY INSIGHTS

- **A DUAL ENGINE DRIVING OUTSIZED SUSTAINABLE GROWTH:** Vietnam has emerged as a rare economic powerhouse, delivering frontier-level growth with emerging market stability. Fueled by policy reform, foreign investment, and a rapidly expanding private sector, the country's dual engines of domestic consumption and exports have positioned it on a long-term growth trajectory that combines structural depth with exceptional resilience.
- **FRONTIER INEFFICIENCY MEETS EMERGING MARKET SCALE:** Vietnam's equity market sits in a rare sweet spot: Large, liquid, and increasingly accessible like an emerging market, yet inefficient and under-owned enough to offer meaningful alpha potential. Combining frontier-style mispricings with emerging market scale and diversity, the country presents one of the most compelling opportunities for active investors across global equities today.
- **A KEY CATALYST ON THE HORIZON:** Vietnam stands on the verge of a long-awaited upgrade to emerging market status, with FTSE Russell announcing a planned 2026 reclassification and continued progress towards meeting MSCI criteria. The FTSE upgrade alone is predicted to attract US \$6 billion in redirected foreign inflows, providing a meaningful boost to liquidity and serving as a powerful re-rating catalyst for the country's equity market.¹
- **CHINA'S TRANSFORMATION AS A PRECEDENT:** Vietnam today stands where China did two decades ago: Transitioning from export-led growth toward a more diversified, market-driven economy supported by pro-market reforms and rising domestic consumption. With similar structural foundations and early-stage market depth, Vietnam appears poised to follow a comparable path of expansion.
- **ACCESS THAT REQUIRES EXPERIENCE:** Despite growing scale and liquidity, the market remains complex, under-researched, and difficult to access. These aspects make experienced specialists with deep networks and nuanced understanding essential partners for capturing Vietnam's inefficiencies and alpha potential.



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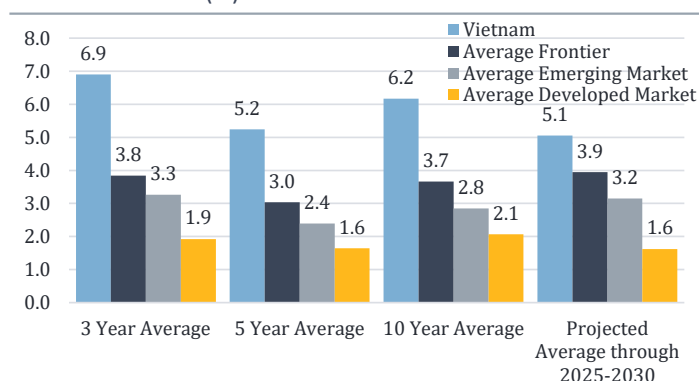
A DUAL ENGINE DRIVING OUTSIZED SUSTAINABLE GROWTH

An Economic Powerhouse. Vietnam has been a standout in an era of economic deceleration. Over the past three years, real GDP expanded at an average annual rate of 6.9%—nearly double the pace of the average emerging market and more than three times that of developed markets.² Even when compared with the typically high-growth frontier markets, Vietnam’s performance ranks at the very top, second only to Niger. This rapid expansion builds on a longer trend. Over the past decade, Vietnam’s GDP has grown at an average annual rate of 6.2%, underscoring both momentum and resilience.³ Looking ahead, the trajectory remains equally compelling, with IMF forecasts for 2025–2030 projecting Vietnam to remain among the fastest-growing economies across frontier, emerging, and developed markets.

Such frontier-level growth has historically come with the cost of macroeconomic instability, as seen in peers like Kenya and Nigeria. However, Vietnam offers a strikingly different profile. According to the World Bank’s latest governance indicators, the country’s political stability is on par with that of the United States and significantly stronger than some established emerging markets like Saudi Arabia, Brazil, China, and India.⁴ Monetary policy has followed a modern framework since 2016, keeping inflation anchored within a 2–3.5% band for over a decade. Meanwhile, the debt-to-GDP ratio has been trending lower, ranking the lowest among regional peers in 2024.⁵

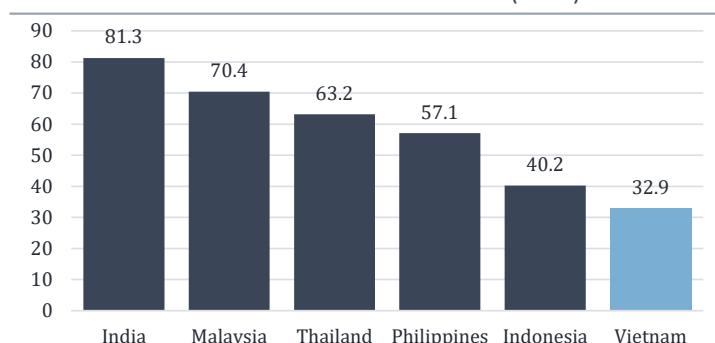
Consistent Growth Leadership Across Markets

Real GDP Growth (%)



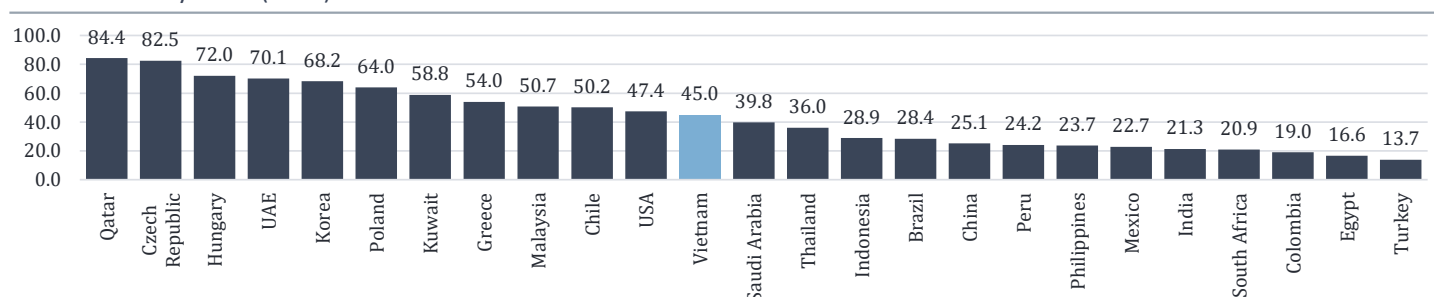
Regional Standout in Fiscal Discipline

General Government Gross Debt as % of GDP (2024)



Political Stability Beyond Emerging Market Peers

Political Stability Index (2023)



Source: IMF Data Mapper as of April 2025. World Bank Political Stability Index as of July 1, 2025. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

Vietnam’s Growth Engines. Beneath Vietnam’s exceptional economic performance lies a clear foundation: A decisive shift toward market liberalization and a private sector increasingly central to the economy’s expansion.

In a significant departure from the state-led model of the 1950s–1980s, Vietnam has pivoted its economy in recent years toward a market-oriented framework powered by private sector dynamism and supported by rising foreign direct investment (FDI). As of 2023, the domestic private sector accounted for 50% of GDP and almost 85% of total employment.⁶ Over the past decade, Vietnam has also recorded one of the sharpest increases in FDI relative to emerging market countries, with inflows rising almost 120% between 2014 and 2024.⁷ Government policies offering tax incentives, exemptions, and streamlined administrative processes have become common place and have been instrumental in strengthening Vietnam’s investment appeal. This policy shift has created the conditions for Vietnam’s structural growth drivers—exports and domestic consumption—to flourish.



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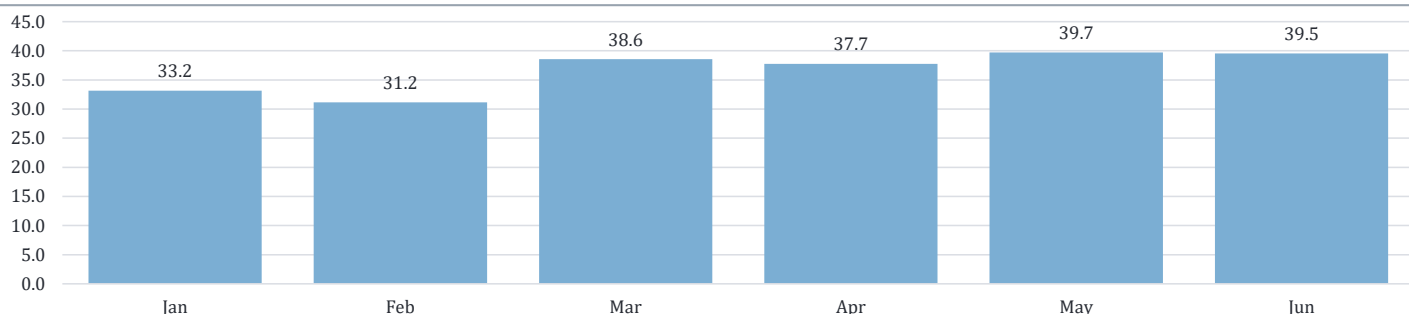
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Exports have played a defining role in Vietnam’s transformation, fueling global supply chain integration and sustaining rapid growth. The country has become a key beneficiary of the “China+1” manufacturing strategy, with multinational firms diversifying production into Vietnam to tap its cost competitiveness, improving infrastructure, and expanding trade agreements. The strength of the export industry became evident amid widespread trade friction in 2025, when on April 2, the United States government announced 46% tariffs on Vietnamese exports on liberation day. Vietnam responded swiftly, negotiating an early deal rate and securing one of the most favorable tariff adjustments worldwide. At the same time, Vietnam is expanding trading relationships with other countries and trade blocs, now holding the largest number of trade agreements relative to regional peers.⁸ Preliminary data from the first half of 2025 further underscores this resilience, indicating that export volumes have not only failed to decline amid trade uncertainty, but have continued to expand.⁹

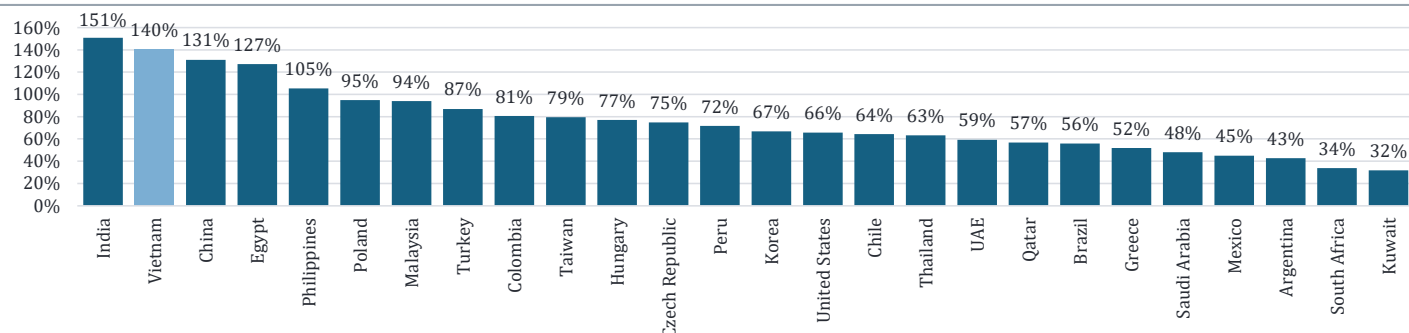
Resilient Export Performance Amid Global Trade Volatility

Vietnam’s Preliminary Export Volume of Goods (2025)



A Decade of Rapid Wealth Expansion:

Growth in Purchasing Power Parity (PPP) over last 10 years (2014-2024)



Source: Export numbers from Vietnam General Statistics Office as of September 15, 2025. Purchasing Power Parity (PPP) growth calculated from IMF Data Mapper data as of April 2025. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

At the same time, the domestic sector has emerged as a powerful complement to exports. Favorable demographics, rapid urbanization, and a rising middle class are reshaping the Vietnamese economy, with clear effects on consumer demand. With 40% of the population now urban and a median age of 33, Vietnam’s consumers are younger, wealthier, and increasingly oriented toward higher-quality goods and services.¹⁰ Purchasing power parity per capita has risen by 140% in the past decade, an increase second only to India among emerging markets, underscoring this consumption story’s structural depth.¹¹

Given the strength of both the export and domestic sectors, Vietnam’s development path presents a much more stable and long-term trajectory than a traditional frontier market but with still more room to expand than an emerging market.

FRONTIER INEFFICIENCY MEETS EMERGING MARKET SCALE

The confluence of frontier and emerging market factors evident in Vietnam’s economy is also present in its equity market. While still relatively unloved, undiscovered, and inefficient like a frontier market, the Vietnamese equity market offers the size, depth, diversity, and accessibility characteristic of more established emerging markets. That balance between untapped potential and structural maturity creates an unusually fertile landscape for alpha generation.

Large & Growing. Over the past decade, Vietnam’s equity market has undergone a remarkable expansion. The number of listed companies has grown by 82%, placing Vietnam second only to China among emerging markets in total number of listed stocks.¹² With 1,611 listed companies, the country even rivals some developed markets like the United Kingdom that lists 1,369.¹³ The



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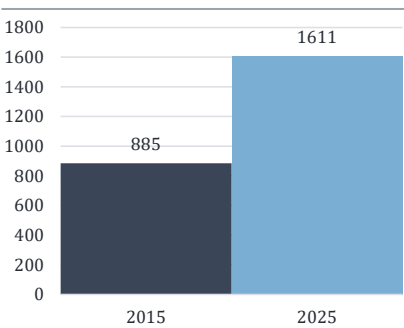
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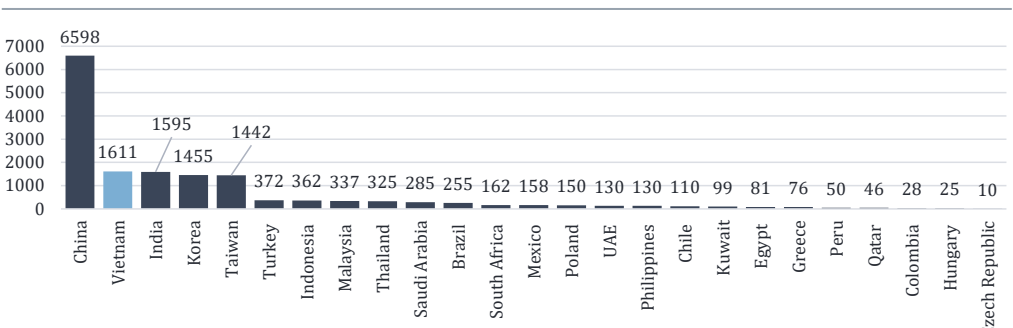
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market’s scale is mirrored in capitalization growth, with total market cap increasing from US \$54 billion in 2015 to US \$276 billion in 2025, surpassing that of several established EM peers and placing Vietnam firmly within the asset class’s mainstream.¹⁴

Listed Stocks Nearly Doubled in 10 Years
Total Number of Stocks in Vietnam



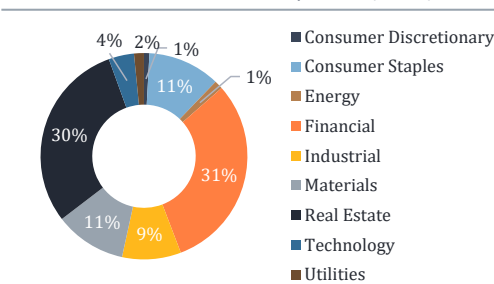
Second Largest Universe of Stocks Compared to Emerging Markets
Total Number of Stocks in the Universe (2025)



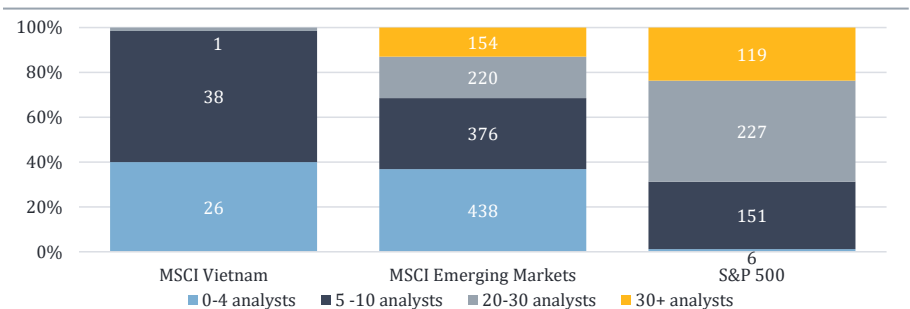
Source: Total Number of Stocks from Bloomberg EQS function as of July 31, 2025. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

Broad and Diverse. Much like its economy, Vietnam’s equity market is far from a monothematic story. The MSCI Vietnam Index spans nine sectors, with no single sector accounting for more than 50% of the total exposure—a sharp contrast to even established markets like Taiwan where Technology dominates over 80%.¹⁵ Furthermore, the top 10 stocks account for only 55% of the index, creating breadth and dispersion of opportunities across industries and companies.¹⁶

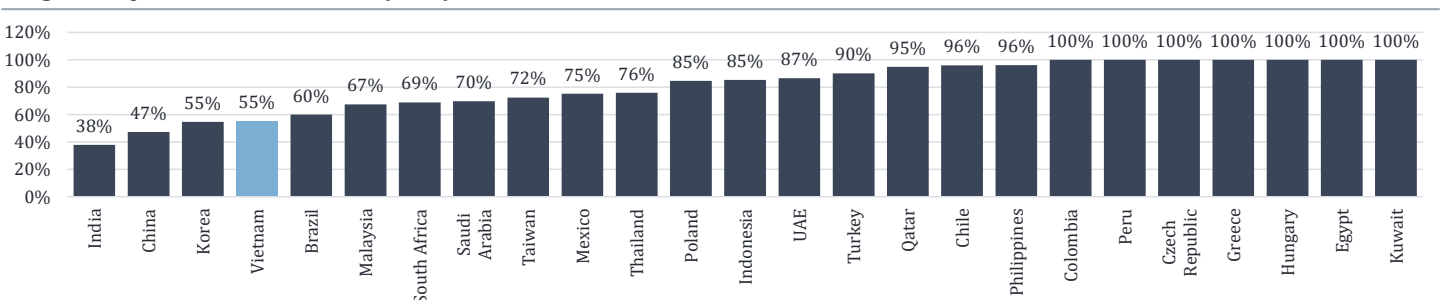
Sector Diversification Across the Index
MSCI Vietnam Index Sector Exposure (2025)



Few Analysts, Many Opportunities
Distribution of Analyst Coverage by Company (2025)



Broad Market Depth Beyond the Top 10 Names
Weight of Top 10 Stocks in the Index (2025)



Source: Sectors from MSCI as of September 30, 2025. Stock Weights from MSCI as of September 11, 2025. Analyst Recommendations from Bloomberg EQS Function as of September 26, 2025. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

Liquidity and Increasingly Accessible. Liquidity has improved substantially in recent years. The average daily trading volume of the Ho Chi Minh City Stock Exchange has surged to around 948 million shares so far in 2025, up from around 102 million shares a decade ago.¹⁷ In parallel, the average daily trading value has also risen to almost US \$920 million, positioning Vietnam to lead the ASEAN region in terms of liquidity.¹⁸ These improvements are reinforced by government efforts to enhance market accessibility, which have included removing prefunding requirements, implementing a modern trading system to shorten settlement cycles, and advancing plans to ease foreign ownership limits.



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As tradability and liquidity reinforce one another, this virtuous cycle continues to strengthen Vietnam's already large and growing equity ecosystem, making this one of the most compelling emerging market opportunities today.

Inefficient. Despite Vietnam's emerging market-level depth and liquidity, its equity market still exhibits frontier-style inefficiencies that create potential for alpha. As foreign participation has declined from around 15% in 2018 to around 10% in 2025, the market has been dominated by local retail investors who account for around 80% of trading volume.¹⁹ This retail skew drives mispricings and volatility that investors can exploit. Furthermore, research analyst coverage remains thin. 40% of MSCI Vietnam Index stocks are followed by fewer than five analysts compared with 37% in MSCI Emerging Markets Index and 1% in the S&P 500 Index.²⁰ Under-owned, under-researched, and largely overlooked by institutions, Vietnam retains elements of its frontier DNA—an inefficiency premium for those willing to look closer.

A KEY CATALYST ON THE HORIZON

Currently classified as a frontier market, Vietnam stands on the cusp of a long-awaited upgrade to emerging market status. On October 8th, index provider FTSE Russell announced plans to upgrade Vietnam to emerging market status effective September 21, 2026, and subject to an interim review in March 2026. Although the timing is more uncertain, an MSCI upgrade is also expected to follow. The Vietnamese government has made this upgrade an explicit policy objective and has already met nearly all of FTSE's requirements while continuing to make progress toward MSCI's criteria.

An emerging market upgrade would likely trigger substantial passive and active inflows as investors rebalance portfolios to include Vietnam within their emerging market allocations. Such a move would renew attention on a market that has long been overlooked by international investors. FTSE estimates that its upgrade alone could attract an initial US \$6 billion in redirected foreign inflows.²¹ These flows would represent a meaningful injection of liquidity relative to Vietnam's US \$276 billion market capitalization and could serve as a powerful re-rating catalyst for local equities.²²

As seen in previous MSCI reclassifications—such as Saudi Arabia's inclusion in 2018 when trading activity surged in the months leading up to the upgrade—markets often rally “on the rumor” in anticipation of incoming capital. Vietnam has followed a similar pattern, with the MSCI Vietnam Index up more than 50% year-to-date and outperforming all major Southeast Asian peers.²³ FTSE's announced upgrade has provided an additional boost to sentiment, and investors who anticipated this move have already benefited from the rally.

While a sharp rise often raises concerns about limited further upside, Vietnam's story appears different. After three years of muted performance, the market was overdue for a recovery. Moreover, the 2025 rally has been narrowly concentrated in a handful of sectors and companies, leaving many parts of the market with meaningful upside potential—including consumer-related areas tied to domestic growth.

Even after this year's strong gains, valuations remain attractive relative to both emerging and developed markets on a price-to-earnings basis. With corporate earnings growth projected at 25% for 2026, well ahead of the 15% expected for emerging markets, the outlook for Vietnam's equity market remains equally compelling.²⁴

CHINA'S TRANSFORMATION AS A PRECEDENT

Two decades ago, China was in a position remarkably similar to Vietnam today—straddling the line between frontier and emerging market characteristics in both its economy and equity market. China's evolution since 2005 offers a compelling parallel for projecting Vietnam's potential long-term trajectory.

Twenty years ago, China similarly boasted a strong export-led economy gradually giving way to a rising domestic growth story. Many of the goods once manufactured in and exported from China have since shifted to Vietnam under the “China + 1” dynamic, reinforcing the link between the two. In both cases, this structural shift has been supported by pro-market government policies and socioeconomic drivers—favorable demographics, rapid urbanization, and the expansion of a middle class. Though Vietnam's population is smaller, the underlying growth architecture is strikingly alike.

The equity market parallels are also telling. China's number of listed companies in 2005 was only slightly below Vietnam's today. Liquidity differences reveal Vietnam's significant growth potential as the country continues opening its markets. The dramatic expansion in China's equity market depth, market cap, and liquidity levels underscores how much room Vietnam has to grow as it advances along a similar path.



Déjà Vu? Vietnam Today Mirrors China's Growth Profile Two Decades Ago

	Vietnam 2025	China 2005	China 2025
Median Age	33	32	40
Urbanization Rate	40%	38%	66%
GDP per Capita (USD)	\$4,805	\$1,780	\$13,687
Total Number of Stocks	1,605	1,574	8,596
Population	102.2 million	1.3 billion	1.4 billion
Nominal GDP	\$490 billion	\$2.3 trillion	\$19.2 trillion
Market Capitalization	\$276 billion	\$421 billion	\$14.5 trillion
Average Daily Trading Volume (number of shares)	948 million	2.7 billion	120.7 billion
Average Daily Trading Value (USD)	\$918 million	\$1.6 billion	\$224.8 billion

Source: UN Population Division Data Portal 2024 Revision accessed on October 8, 2025. IMF Data Mapper as of April 2025. World Bank as of July 1, 2025. Bloomberg EQS function. World Federation of Exchanges for Market Cap data where China data reflects Shanghai and Shenzhen exchanges and Vietnam data reflects data of the Ho Chi Minh Exchange. Average daily trading volumes and values in China are for the Shanghai and Shenzhen exchanges and in Vietnam are of the Ho Chi Minh Exchange. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

This comparison highlights Vietnam's early-stage depth and growth potential. Just as China's economic and capital-market liberalization unleashed exponential expansion, Vietnam stands at a similar inflection point. Realizing that potential will depend on key catalysts, with the long-awaited emerging market status upgrade serving as the next major trigger for equities.

ACCESS THAT REQUIRES EXPERIENCE

Despite meaningful progress in scale, liquidity, and market infrastructure, Vietnam remains a complex and evolving market. It is still under-owned and under-researched, in part due to its ongoing frontier status in the MSCI index. Few foreign investors have meaningful experience investing in Vietnam, and the market rarely appears in global emerging market portfolios—even those with flexibility for off-benchmark positions. While some frontier market managers include Vietnam within their mandates, investing through such vehicles often brings exposure to a broader set of frontier economies that lack Vietnam's structural and institutional strengths. For investors seeking to harness Vietnam's unique position between frontier and emerging markets, a dedicated specialist remains the most effective point of access.

Specialists bring the market knowledge and access required to navigate an environment that has only recently become more liquid and transparent. They understand the nuances of policy shifts, trading dynamics, and corporate behavior that are often opaque to foreign investors. Most importantly, they combine long-term research coverage and established relationships within Vietnam's corporate ecosystem, positioning them to identify mispricings and capture alpha in a market that continues to reward information and insight over scale.

CONCLUSION

As emerging markets investors, we are always looking for the next opportunity within this asset class. Vietnam presents an attractive economic story alongside compelling equity market opportunities. While the country remains out of the MSCI Emerging Markets Index, ABS has been travelling to Vietnam on an ongoing basis since 2019, building a network and relationships with the country's investment community. We have been invested in Vietnam since 2017 via a frontier specialist, and in early 2025 partnered with our first dedicated Vietnam specialist. The pace of transformation and the breadth of opportunity in recent years have been remarkable, and we are excited to participate in Vietnam's next chapter and continue uncovering compelling investments in collaboration with our specialist partners.



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¹ FTSE.

² IMF Data Mapper. Real GDP Growth. As of April 2025. Accessed on October 3, 2025.

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³ IMF Data Mapper. Real GDP Growth. As of April 2025. Accessed on October 3, 2025.

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⁸ Vina Capital. Data compiled by Maybank IBG Research.

⁹ Vietnam General Statistics Office. As of September 15, 2025.

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¹¹ IMF. Data Mapper. Purchasing Power Parity. April 2025.

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¹² Bloomberg EQS Function. Number of stocks in Vietnam as of July 31, 2025 and July 31, 2015.

¹³ Ibid. As of July 31, 2025.

¹⁴ World Federation of Exchanges.

<https://www.world-exchanges.org/> As of October 2015 and August, 2025.

¹⁵ MSCI. As of September 30, 2025.

¹⁶ MSCI. As of September 11, 2025.

¹⁷ Bloomberg HP Function. Data as of December 31, 2024 to September 29, 2025 and as of December 31, 2014 to December 30, 2015.

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²⁰ Bloomberg. EQS Function. As of September 26, 2025.

²¹ FTSE.

²² World Federation of Exchanges.

<https://www.world-exchanges.org/> As of August, 2025.

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²⁴ Bloomberg. As of October 9, 2025.

