Macro Strategy Report

H22025 Macro Strategy Report: Growth originates from internal drivers

Global Economy – Global economic growth is expected to weaken in the H2 2025 due to the burden of tariffs

On April 2, 2025, the US announced reciprocal tariffs on imports from over 90 trading partners. However, the enforcement was temporarily postponed to July 9 and subsequently to August 1. In response, many countries sharply increased their exports to mitigate the potential negative impacts, creating a short-term boost to global economic growth in the H1. We revised our forecast for global economic growth in 2025 down from 2.7% to 2.3%.

In the US, slowing economic growth coupled with rising inflation will complicate the Fed's rate-cut decision. Nevertheless, we maintain our view that the FEDwill lower its policy rate by 50bps.

In China, we assume economic growth to decelerate in H2 2025 as US reciprocal tariffs begin to weigh on manufacturing and exports.

Vietnam Macroeconomy – Public investment and retail & services will be the main drivers of economic growth in H2 2025

TVS Research maintains our 2025 GDP growth forecast for Vietnam at 7.2%. While the export turnover growth forecast was revised down to 9.8% (from the previous 11.0%) due to the impact of tariffs on US and global consumer demand, domestic drivers are expected to offset this decline. We believe that accelerated public investment disbursement and stronger retail & service activity compared to H1 2025 will be the key growth drivers in H2 2025.

Monetary Market - Exchange rate pressures are expected to ease in H2

TVS Research believes the SBV will adopt a flexible monetary policy stance to support economic growth, thereby maintaining low interest rates through the end of 2025.

TVS Research forecasts the average USD/VND exchange rate to increase by approximately 3.5% in 2025. The pace of VND depreciation is expected to slow in H2 2025 as USD supply improves thanks to stronger FDI inflows and remittances toward year-end. Additionally, a potential FEDrate cut would narrow the interest rate differential between the VND and the USD.

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1. Global Economy

Global economic overview in H1 2025 and full-year 2025 outlook

The US's new tariff policy may slow global economic growth in 2025.

In the base scenario presented in our 2025 Macro Strategy Report, we forecasted that the US would primarily target import tariffs at China, Canada, and Mexico, applying moderate rates. However, in H1 2025, the US implemented reciprocal tariffs on a global scale, covering most of its trading partners and imposing significantly higher rates. This series of events is expected to drive up global commodity prices and, over the longer term, reduce production, thereby lowering household incomes and weakening global consumer demand.

Although some countries have reached preliminary tariff agreements with the US, the applied tariff rates remain significantly higher than those at the beginning of 2025. Meanwhile, countries without agreements may be subject to tariff levels equivalent to those announced by the US on April 2. We believe that tariff negotiations between the US and its trading partners will be time-consuming and are likely to extend beyond the August 1, deadline set by President Trump.

In addition, escalating geopolitical tensions between Israel and Iran have further destabilized the Middle East, disrupting cargo transportation through the Suez Canal and driving up oil prices and shipping costs in recent months.

Due to the increase in US import tariffs compared to the beginning of the year, coupled with the ongoing geopolitical tensions in several regions around the world, TVS Research has revised its forecast for global economic growth in 2025 downward to 2.3%, from the 2.7% projected in its 2025 Macroeconomic Strategy Report.

Table 1: Global economic outlook for H2 and full-year 2025

	H1 2025				H2 2025				2025			
	US	China	EU	Global	US	China	EU	Global	US	China	EU	Global
GDP (%)	1.8 - 2	5.2	1.5	2.6	1.4	4	0.3	N/A	1.6 - 1.7	4.5	0.5	2.3
Inflation (%)	2.5	0.4	2.2	3.5	2.7	0.6	2.5	N/A	3	0.5	2.7	6.2
PMI	50	51	50	>50	49	48	45.6	48	49.5	50	47.5	>50
Export (%)	5 - 6	18 - 19	2.5	N/A	4 – 4.5	8 - 10	N/A	N/A	4.5	12 – 13	N/A	N/A
Import (%)	14 - 15	11	2.7	N/A	7 – 8	6	N/A	N/A	10 – 11	8 – 9	N/A	N/A
Policy Interest rate (%)	4.25	3.35	2	N/A	4.25	3.35	1.75	N/A	3.75	3	2.75	N/A

Source: TVS Research

Table 2: Tariff rates US imposed on Vietnam and assumed levels applied to other countries

Tariff rates imposed on Vietnam and other countries, based on assumed level announced on April 2 [%]

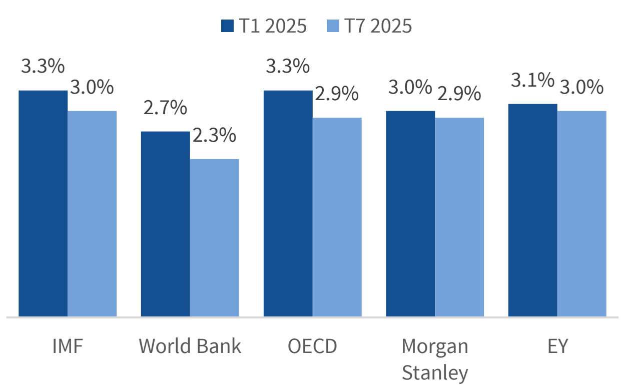
Type of Commodities	China after 12/5	India	Indonesia	Malaysia	Philippine	Singapore	Korea	Taiwan	Thailand	Vietnam
Animal products	55.2%	26.2%	19.0%	25.3%	17.1%	10.0%	25.0%	32.2%	36.1%	20.0%
Vegetable products	58.1%	27.9%	19.2%	25.5%	17.3%	10.0%	25.0%	33.8%	40.3%	20.0%
Foodstuffs	65.2%	32.2%	22.4%	31.8%	22.0%	10.0%	25.7%	41.0%	39.8%	20.0%
Mineral products	60.9%	26.0%	19.0%	25.1%	17.0%	10.0%	25.0%	32.0%	36.0%	20.0%
Chemicals/ Pharma	51.3%	27.6%	20.4%	28.3%	17.5%	10.0%	25.0%	33.7%	36.8%	20.0%
Plastics / Rubber	57.6%	29.6%	20.2%	30.7%	17.1%	10.0%	25.0%	36.1%	36.9%	20.0%
Raw Hides and Leathers	79.7%	33.2%	23.2%	35.9%	20.8%	10.0%	25.0%	39.0%	41.0%	20.0%
Wood products	57.2%	27.4%	19.2%	27.5%	17.9%	10.0%	25.0%	32.5%	36.1%	20.0%
Texiles	60.8%	35.1%	31.7%	35.8%	30.1%	10.0%	25.0%	39.8%	46.9%	20.0%
Footwear and Headgear	53.9%	35.0%	32.0%	33.0%	25.1%	10.0%	25.6%	37.2%	45.2%	20.0%
Stone/Glass/Gems/Jewellery	58.8%	27.8%	19.6%	28.2%	17.2%	10.0%	25.0%	34.6%	36.3%	20.0%
Metals	59.6%	27.2%	19.3%	27.1%	17.2%	10.0%	25.0%	35.0%	36.2%	20.0%
Machinery / Electrical	52.4%	26.1%	19.1%	25.2%	17.2%	10.0%	25.0%	32.4%	36.1%	20.0%
Electronics	52.4%	26.1%	19.1%	25.2%	17.2%	10.0%	25.0%	32.4%	36.1%	20.0%
Transportation	64.9%	27.2%	19.4%	26.0%	17.2%	10.0%	25.0%	34.4%	36.3%	20.0%
Toys and Sports Equipment	42.5%	26.4%	19.0%	26.7%	17.2%	10.0%	25.0%	34.8%	36.1%	20.0%
Musical Instruments	56.1%	29.7%	19.0%	26.0%	17.0%	10.0%	25.0%	34.3%	36.0%	20.0%
Furniture	56.1%	28.3%	19.2%	25.3%	17.7%	10.0%	25.0%	32.8%	36.8%	20.0%
Other Manufacturing	56.1%	28.3%	19.1%	25.3%	17.4%	10.0%	25.0%	32.9%	36.2%	20.0%

Note: India and Thailand are currently engaged in trade negotiations with the US

Source: MUFG, White House, PIIE, TVS Research (as of July 16)

Figure 1: International institutions have revised down their global economic growth forecasts in response to the impact of the US's newly implemented tariff policy

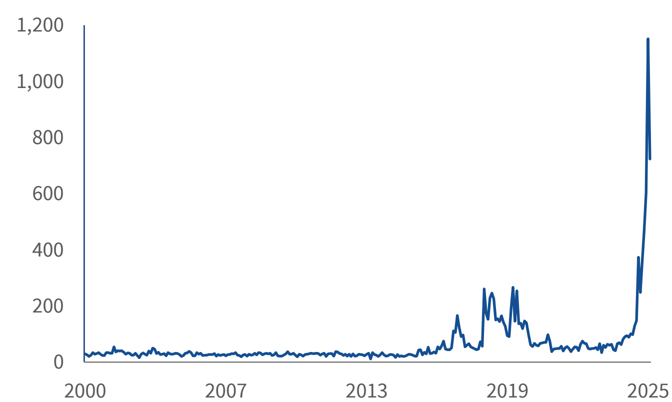
Global GDP forecasts for 2025 by major international institutions [%]



Source: WB, TVS Research

Figure 2: Many institutions assess that geopolitical volatility in 2025 has reached its highest level on record

Geopolitical risk index [points]



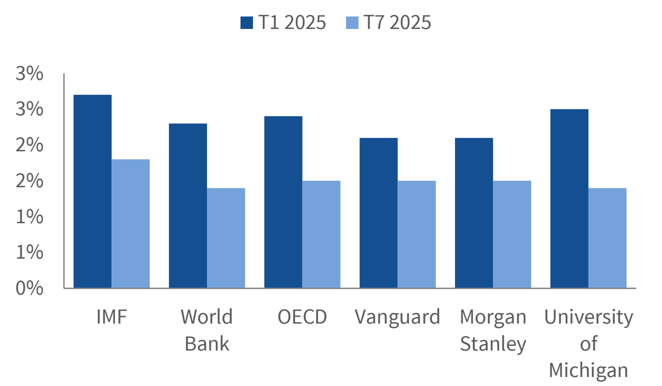
Source: Bloomberg, TVS Research

Weakened consumer spending could significantly dampen US economic growth in 2025.

Due to Trump's new tariff policy, several economic institutions revised down their US GDP growth forecast in 2025 to 1.4%–1.6% YoY from 2.3%–2.7% earlier this year. The main reason is the weakening of consumption, the key growth driver of the US economy, as (1) goods prices have surged in 2025 amid higher import costs, (2) household spending has declined following a 2.3% drop in incomes, according to a Yale University survey.

Figure 3: Major economic institutions have all downgraded their forecasts for US economic growth compared to earlier this year

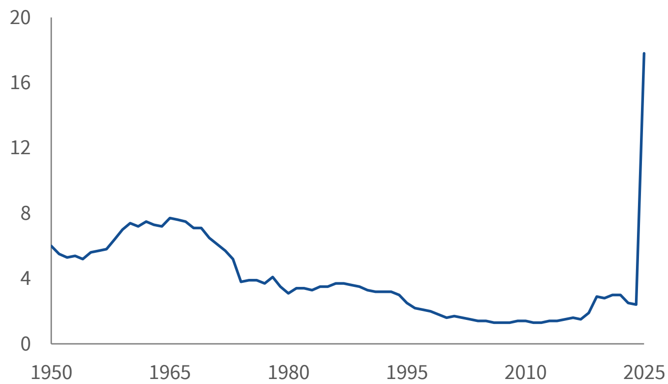
US GDP growth forecast for 2025 [YoY, %]



Source: BLS, S&P Global, TVS Research

Figure 4: The current import tariff rates in the US have surged following the implementation of the new trade policy, potentially driving inflation back up

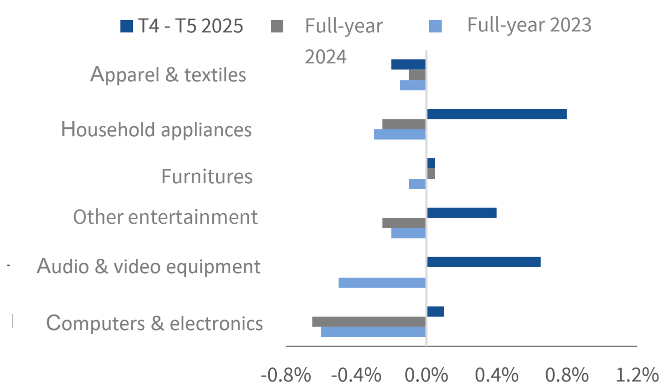
Effective import tariff rate in the US [%]



Source: Bloomberg, TVS Research

Figure 5: Prices of certain goods at US retail chains rise following the imposition of tariffs on Chinese imports

Retail price fluctuations of selected product categories in the US at Walmart across different periods [MoM, %]



Source: BLS, S&P Global, TVS Research

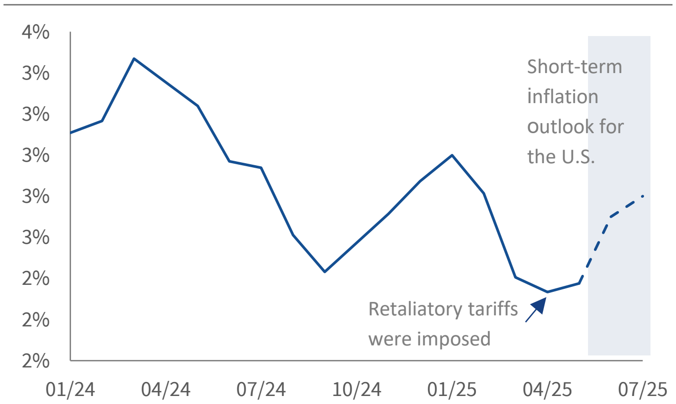
Figure 6: The sharp decline in the consumer confidence index signals weaker US spending

The consumer confidence index surveyed by the University of Chicago [points]

Source: TBL, Bloomberg, TVS Research

Figure 7: Inflation in the U.S. may rebound

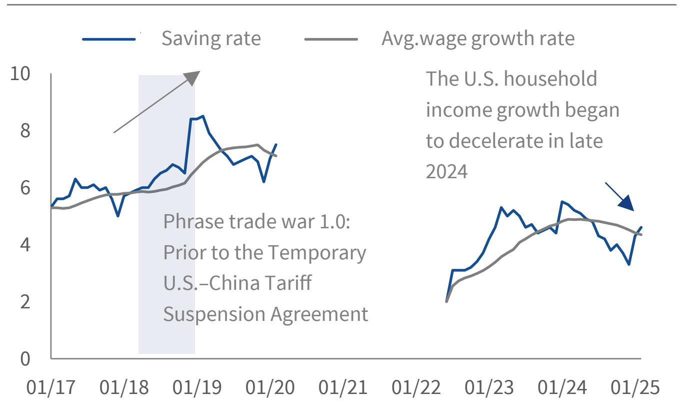
CPI fluctuations in the U.S. during the period from 2024-Q3 2025F [YoY, %]



Source: Cleveland FED, TVS Research

Figure 8: Rising savings reduce purchasing capacity

U.S. household saving rate and average wage growth rate [YoY, %]



Source: FRED, TVS Research

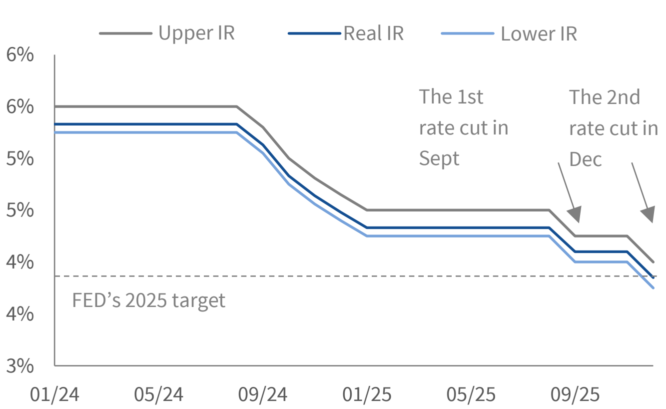
We maintain the view that the FEDmay cut interest rates by up to 0.5%, bringing the federal funds rate down to 3.75%–4% in 2025.

According to a survey conducted in June 2025, most FEDmembers shared the view that interest rate cuts are unlikely to occur as early as initially guided at the beginning of the year. Given the economic slowdown and the potential surge in US inflation driven by rising import tariffs, we believe the FEDwill maintain its current policy stance—continuing to monitor economic developments and waiting for more data to assess the impact of the tariff policy before taking any concrete action. The final deadline for tariff negotiations is expected to be August 1; so, we believe the FEDmay begins to act as early as the September meeting.

In addition, President Trump's "One Big and Beautiful Bill" (OBBB) is expected to increase the US fiscal deficit by approximately USD 250 billion in 2025 alone, and by around USD 500 billion over the 2026–2034 period. TVS Research believes that a sustained rise in the fiscal deficit will reduce the government's capacity to allocate spending toward social welfare programs, thereby affecting public benefits and household incomes. This, in turn, could exert negative pressure on the economy and may prompt the FEDto take action to intervene and support economic activity.

Figure 9: The FEDmay lower interest rates by no more than 0.5% in 2025 to support economic growth

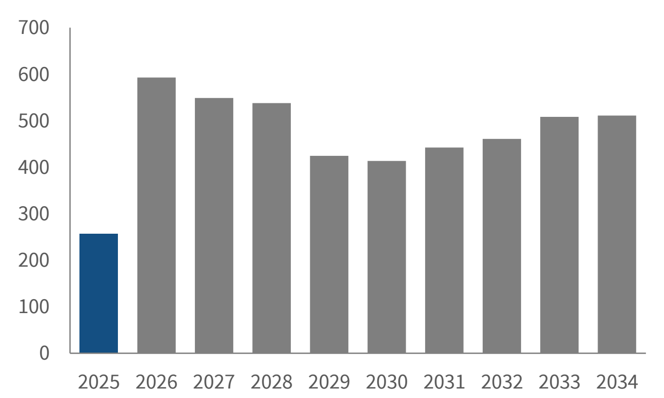
The Fed's target interest rate for 2025 and the long term [%]



Source: FRED, TVS Research

Figure 10: The OBBB Act will raise US government spending and widen the budget deficit

Projected increase in the U.S. budget deficit under the OBBB Act, 2025–2034 [USD billion]



Source: Axios, TVS Research

We revised down our growth target for China to 4.5% for 2025, due to the negative impact of the new US tariff policy.

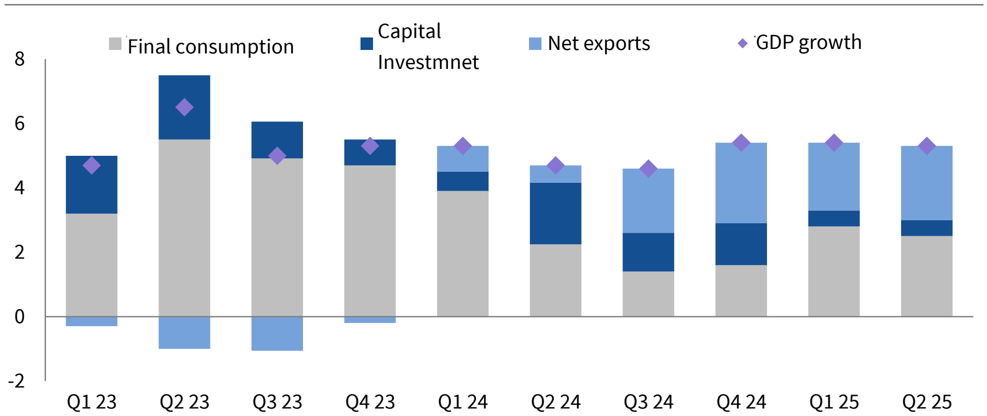
China's economic growth in H1 2025 remained positive, supported by front-loaded exports ahead of the US tariffs. Net exports continued to rise in Q1 2025, extending the momentum from Q4 2024 and contributing to GDP growth of 5.4% in Q1 and 5.3% in Q2. In contrast, imports remained weak as domestic consumption demand showed little improvement. As a result, core price pressures eased, and with declining food and energy prices, consumer prices fell in early 2025.

In response to rising uncertainty in US trade policy, the Chinese government introduced additional fiscal support measures and continued monetary easing, as announced since Q4 2024. However, the real estate market in China has remained weak, with no clear signs of recovery in housing demand. According to a World Bank (WB) survey, housing prices in major Chinese cities continued to decline, reaching their lowest levels since 2018 as of the end of Q1 2025.

In the 2025 Macroeconomic Strategy Report, we assessed that China would likely face a maximum tariff of 25% from the US. However, the actual reciprocal tariff currently reached as high as 55%, posing a significant downside risk to China's economy due to the impact on exports. For 2025, TVS Research forecasts that China's GDP growth will slow to 4.5%, down from the earlier projection of around 4.8% at the beginning of 2025. This downward revision reflects the negative impact of US tariff policy on China's export sector, as well as weakening global consumption demand starting in H2 2025. A soft labor market and a sluggish real estate sector continue to weigh on domestic consumption. We believe the Chinese government will maintain an accommodative monetary policy stance to support consumption in the latter part of the year.

Figure 11: China's economic growth in Q1 relied heavily on exports, while the property market and public investment continued to weaken.

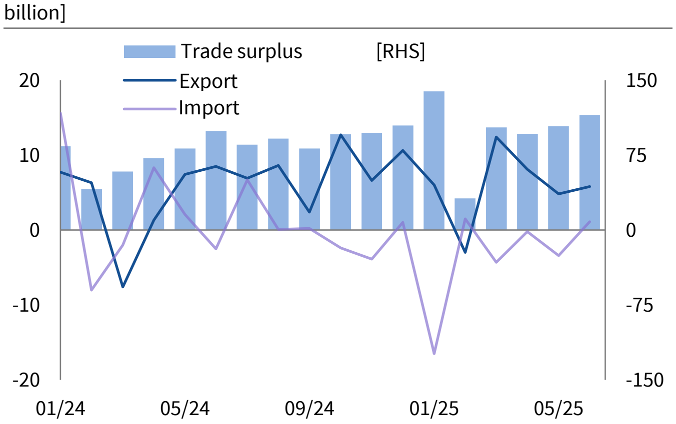
China's economic growth from 2023 - H1 2025 [YoY, %]



Source: WB, TVS Research

Figure 12: China's merchandise exports surged in H1 2025, primarily driven by front-loading activities aimed at avoiding impending retaliatory tariffs from the U.S.

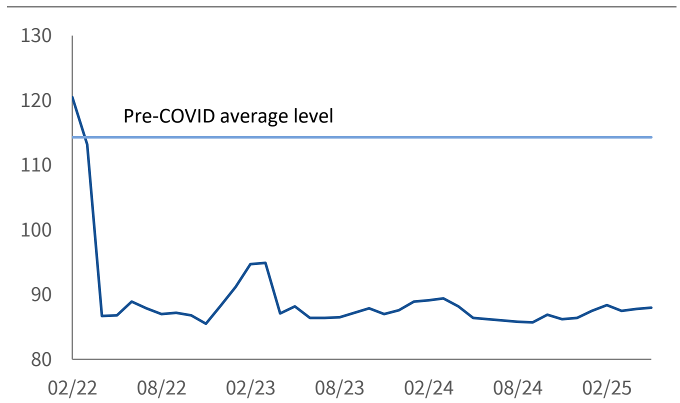
China's export-import growth [YoY, %, left axis] and trade surplus [USD billion]



Source: Bloomberg, TVS Research

Figure 13: Retail activity in China remains weak, as reflected in a flat consumer confidence index hovering near its lowest level in years.

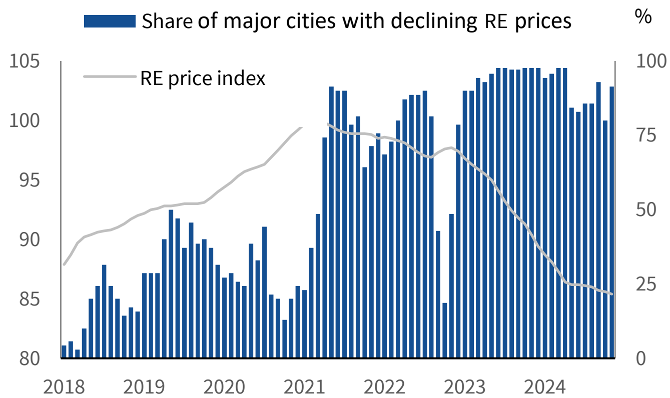
China's Consumer Confidence Index [points]



Source: Bloomberg, TVS Research

Figure 14: China's real estate market remains frozen, as housing prices in major cities continue to decline

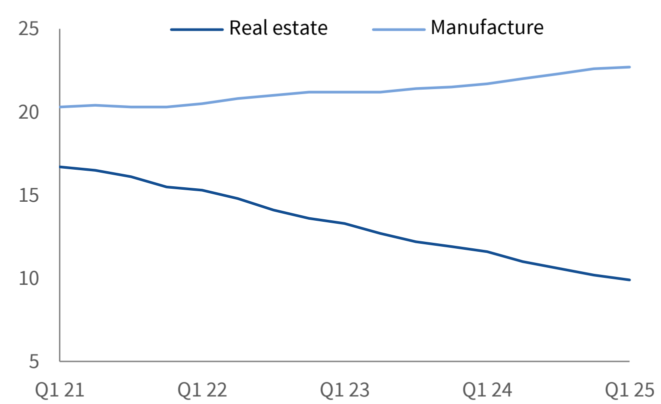
Share of major Chinese cities with declining property prices [%, left axis] and China Property Price Index [points, right axis]



Source: WB, TVS Research

Figure 15: Capital investment in China has primarily favoured manufacturing over real estate.

China's fixed asset investment as a percentage of GDP [%]



Source: WB, TVS Research

2. Vietnam economy

Macroeconomic overview in H1 2025 and full-year 2025 outlook

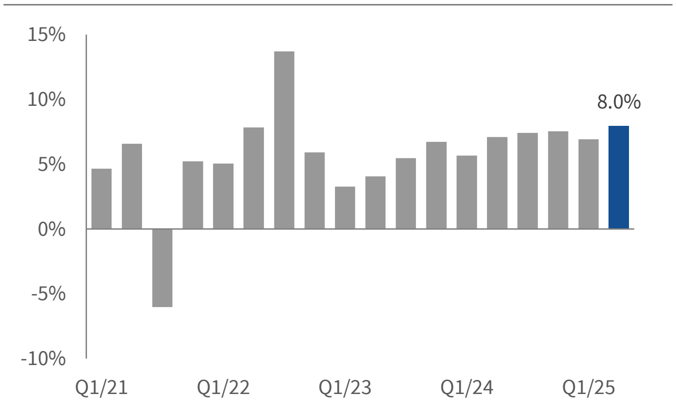
GDP grew impressively by 7.5% YoY in H1 2025.

In the first two quarters of 2025, Vietnam's GDP grew by 7.5% YoY, with Q1 and Q2 recording growth rates of 6.9% YoY and 8.0% YoY, respectively. The main drivers were the Industry & Construction sector (+8.3% YoY) and the Services sector (+8.1% YoY), which together contributed 94% to overall growth.

In H1 2025, GDP growth exceeded our expectations as the Industrial sector expanded strongly, driven by increased output to meet front-loading demand from US businesses amid tariff risks. Meanwhile, the Services sector benefited from stimulus policies, a sharp rise in international tourist arrivals (+20.7% YoY), and improved domestic purchasing power. The Agriculture, Forestry & Fisheries sector also recorded solid growth of 3.9% YoY in H1 2025, supported by favorable weather conditions.

Figure 16: Q2 2025 GDP growth reached a multi-year high, second only to Q2 2022

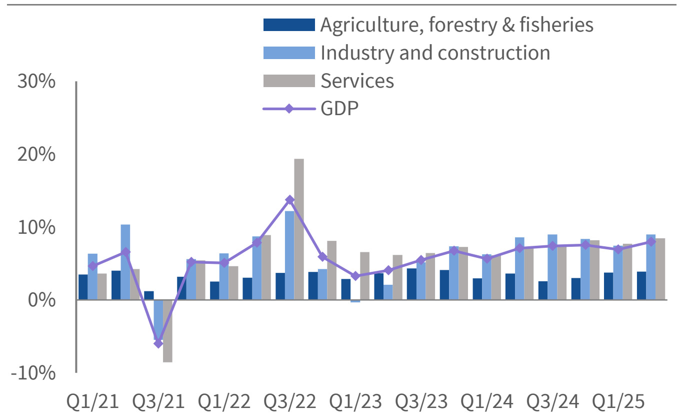
Vietnam's Quarterly GDP Growth from Q1 2021 - present [% YoY]



Source: Fiin-ProX, TVS Research

Figure 17: The industry & construction sector and the services sector were the main contributors to GDP growth in H1 2025

Vietnam's Quarterly GDP Growth by Key Sectors from 20 – present [% YoY]



Source: Fiin-ProX, TVS Research

TVS Research forecasts GDP growth in H2 2025 at 7.0%, as exports are expected to be weaker than previously projected.

TVS Research forecasts GDP growth in H2 2025 to reach only 7.0% YoY, following a downward revision in export growth compared to earlier projections. As a result, the full-year GDP growth forecast for Vietnam in 2025 is maintained at 7.2%. The key drivers of economic growth in H2 2025 include:

Public investment activity: The government continues to accelerate public investment disbursement, aiming to achieve 100% of the 2025 plan. As of the end of June, the total allocated public investment capital for 2025 reached VND 966 trillion, up 22.9% compared to the allocation plan for 2025.

Retail sales of goods and services: Retail activity is expected to strengthen in H2

2025, supported by (1) lending rates remaining at low levels, (2) the 2% VAT reduction policy being extended through 2026 and expanded to cover sectors such as transportation and information technology, and (3) notable improvements in both income levels and employment since early 2025.

Our GDP forecast for H2 2025 carries downside risks in the event of:

US reciprocal tariffs imposed on other countries are significantly lower than those applied to Vietnam

Domestic consumer sentiment turns out to be less positive than expected due to concerns over weakening export prospects, sustained high exchange rates, and heightened inflation risks in H2 2025

Figure 3: Vietnam's Macroeconomic Indicators, 2020–2025F

Macro Index	Unit	2020	2021	2022	2023	2024	2025F	2026F
GDP growth	% YoY	2.9%	2.6%	8.0%	5.1%	7.1%	7.2%	7.2%
Consumer Price Index (average)	% YoY	3.2%	1.8%	3.2%	3.3%	3.6%	3.5%	3.8%
Export growth	% YoY	7.0%	19.0%	10.4%	-4.5%	14.3%	9.8%	10.0%
Import growth	% YoY	3.7%	26.5%	8.0%	-8.7%	16.7%	11.0%	10.5%
Retail sales growth of goods and services	% YoY	2.6%	-3.8%	19.8%	9.6%	9.3%	10.0%	11.0%
Growth in public investment disbursement	% YoY	34.7%	-7.9%	19.8%	21.2%	3.3%	35.0%	30.0%
Growth in realized FDI	% YoY	-2.0%	-1.2%	13.5%	3.5%	9.4%	10.0%	8.0%
Growth in registered FDI	% YoY	-25.0%	9.5%	-11.2%	32.1%	-3.0%	0.0%	5.0%
Deposit interest rate [12-month term]	%	6.0%	5.5%	5.6%	6.5%	4.8%	5.0%	5.5%
Growth in credit	% YoY	13.6%	12.2%	13.6%	14.2%	15.1%	16.0%	14.0%
USD/VND exchange rate [annual average]	VND/USD	23,223	22,934	23,429	23,839	25,053	25,929	26,967
Foreign exchange reserves	Tỷ USD	94.8	109.4	86.5	89.0	80.0	75.0	85.0

Source Fiin-ProX, GSO, TVS Research

Note: Deposit rates are calculated based on the average rates of the following bank groups — SOCBs: Agribank, BID, CTG, VCB; Group 1: MBB, TCB, VPB, ACB; Group 2: HDB, TPB, VIB, MSB

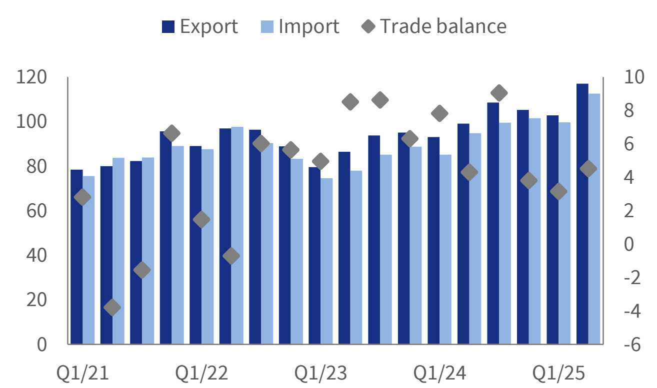
Import and export turnover surged in H1 2025, driven by stockpiling activities from US businesses in anticipation of risks related to reciprocal tariffs.

Vietnam's export and import turnover in H1 2025 reached USD 219.8 billion (+14.4% YoY) and USD 212.2 billion (+17.9% YoY), respectively. The temporary deferral of reciprocal tariffs until July 9 triggered a stockpiling effect among US businesses, resulting in an increase in Vietnam's exports to the US in Q2 2025 (+33.6% YoY).

Import turnover from China also rose correspondingly during this period. Notably, key product groups—Computers & Electronic Devices, Machinery & Equipment, and Mobile Phones—accounted for over 51% of Vietnam's total trade with the US and China in Q2 2025 (see Chart 19). This highlights Vietnam's reliance on importing raw materials and finished goods from China for re-export to the US. We view this as a material risk factor, especially considering the US announcement to impose a 40% tariff on foreign-origin goods labeled as Vietnamese.

Figure 18: Import-export turnover surged in Q2 2025 as U.S. firms stockpiled inventories

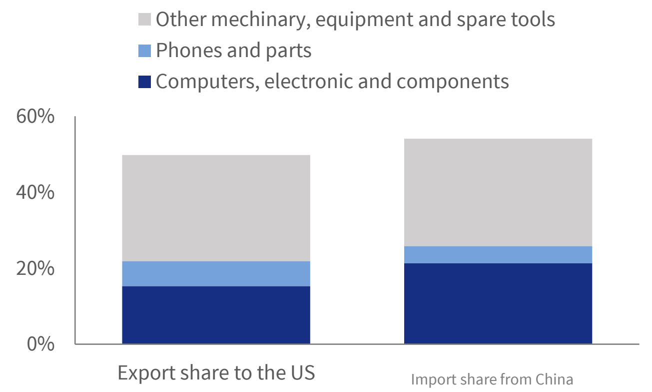
Quarterly import-export turnover [USD billion, left axis] and trade surplus [USD billion, right axis] from Q1 2021 – present



Source: GSO, TVS Research

Figure 19: The top 3 product categories account for over 50% of exports to the U.S. and imports from China

Share of the Top 3 Product Categories in Vietnam's Exports to the U.S. and Imports from China in Q2 2025 [%]



Source: Tổng cục Hải quan, TVS Research

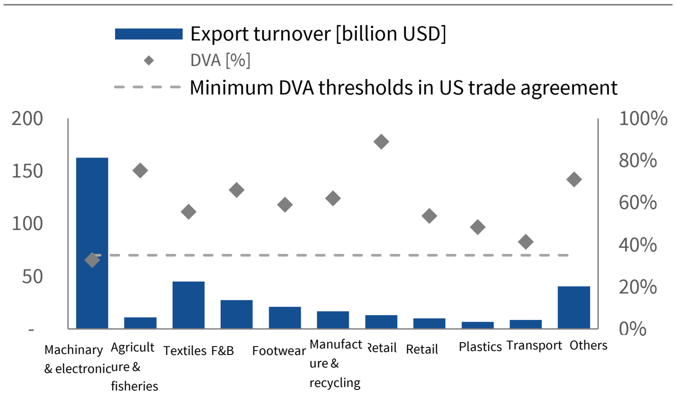
We have revised down our forecast for Vietnam's export growth in 2025 to 9.8% YoY, reflecting the impact of US tariff policy on export performance in H2 2025.

TVS Research has revised its forecast for Vietnam's export turnover growth in 2025 down to 9.8% YoY (from the previous projection of 11%), due to the impact of tariffs dampening consumer demand in both the US and global markets.

For the U.S, based on current information regarding Vietnam's tariff rate and our assumptions on other countries, we estimate that Vietnam's export turnover to the US will decline by 10.0%–11.0% YoY in H2, bringing 2025 export growth to the US down to 7.0%–8.0% YoY. It should be noted that the extent of the decline in both export value and market share will also depend on US consumer demand prospects, the relative tariff rate imposed on Vietnamese goods versus other countries, and the actual increase in product prices resulting from tariffs.

Figure 20: Many Vietnam's export products exhibit a domestic value-added (DVA) ratio exceeding 40%

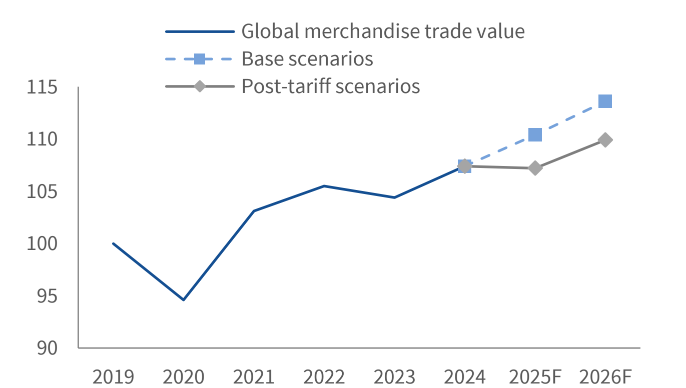
Domestic value-added ratios of Vietnam's export products [%-right axis] and export value by product groups [USD billion–left axis]



Source: ADB, TVS Research

Figure 21: WTO lowers global merchandise trade forecast following U.S. retaliatory tariff announcement

Global merchandise trade volume from 2019–2026F, indexed to 2019 trade value = 100 [index points]



Source: WTO, TVS Research

The government is ramping up fiscal policy through a sharp increase in recurrent spending and public investment activities.

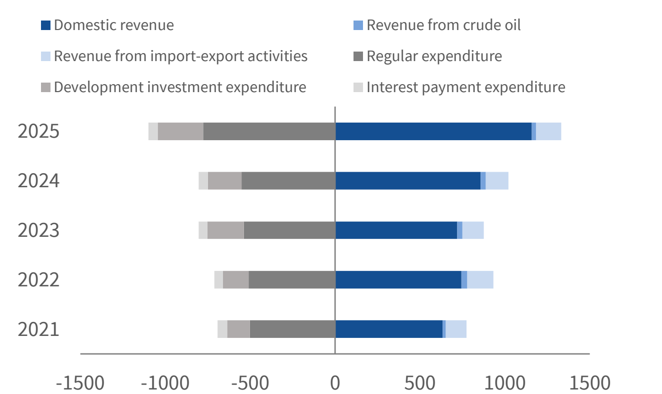
In H1 2025, state budget revenue reached VND 1.3 quadrillion (+28.3% YoY), fulfilling nearly 68% of the annual target, driven by a 33.3% increase in domestic revenue. State budget expenditure totaled VND 1.1 quadrillion (+38.5% YoY), with recurrent spending rising 40.8% to VND 776 trillion—mainly due to payments under the public payroll streamlining policy—while development investment expenditure grew 42.3% to VND 268 trillion, equivalent to 33.9% of the annual plan.

According to Ministry of Finance, total public investment capital allocated by the National Assembly for ministries and localities in 2025 is VND 825 trillion. However, with additional allocations from local governments and supplementary funding for national key programs totaling over VND 80 trillion, the overall capital plan for 2025 is raised to VND 969 trillion. Public investment disbursement in H1 reached VND 268 trillion (+42.5% YoY, equivalent to 29.6% of the annual plan, based on Ministry of Finance), exceeding the disbursement level recorded in the same period of H1 2024.

With the government's strong directive efforts to monitor and resolve obstacles in public investment projects—including the establishment of seven task forces to regularly review the progress of key projects—in pursuit of the 8.0% GDP growth target for 2025, TVS Research forecasts the public investment disbursement rate (13-month period through January 31) will reach 95–100% of the full-year plan, driving disbursed capital growth to 35%–40% YoY.

Figure 22: State budget revenue and expenditure surged in H1 2025 compared to the same period last year

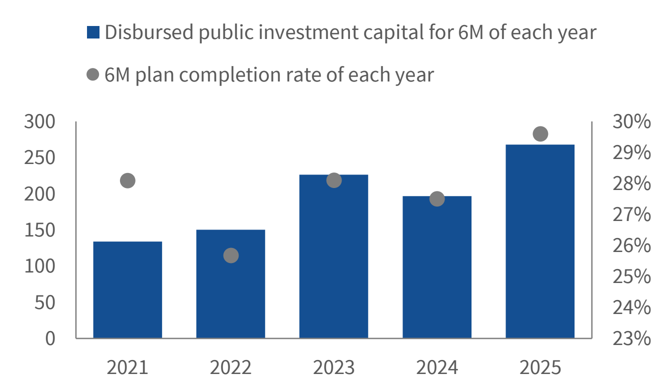
State budget revenue and expenditure in the first six months from 2021 to present [VND trillion]



Source: GSO, TVS Research

Figure 23: Public investment disbursement in June 2025 surged compared to the same period last year

Public investment disbursement H1 from 2021–2025 [VND trillion – left axis] and completion rate relative to the planned target [% – right axis]



Source: GSO, TVS Research

Regulatory and legislative reforms are laying the groundwork for a new era of growth and transformation.

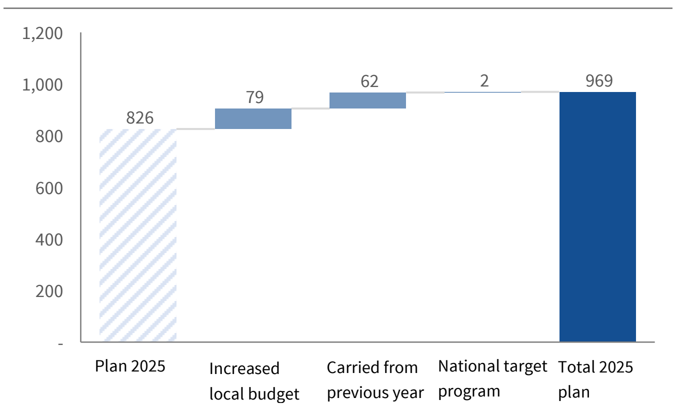
The year 2025 marks a significant institutional shift as the 15th National Assembly passed 34 Laws and 13 Resolutions during its 9th session, including several landmark decisions like constitutional amendments and the reorganization of administrative units. Among them, we identify 4 Resolutions as foundational "pillars" and 1 key amended Law that are critical to national reform and renewal:

- **Resolution 68/NQ-TW (04/05):** Promotes and supports the private sector as the main driver of economic growth, targeting 2 million enterprises by 2030, generating 85% of total employment, and 55%–58% to GDP. This policy is institutionalized through Resolution **198/2025/QH15,** introducing a comprehensive incentives-tax exemptions and reductions, land and credit support, to streamlined inspections and administrative fee cuts—aimed at unlocking innovation capacity, scaling operations, improving performance, and enhancing the quality of the private sector.

- **Resolution 66/NQ-TW (30/04):** Aims to streamline the administrative apparatus, reduce bureaucratic procedures, and enhance decentralization to ensure greater efficiency in governance and resource utilization.
- **Resolution 57/NQ-TW (22/12):** Drives breakthroughs in science, technology, innovation, and national digital transformation, with the goal of making Vietnam a developed country by 2045.
- **Resolution 59/NQ-TW (24/01):** Targets deeper international integration by becoming an official trading partner of BRICS and leveraging agreements like RCEP and CPTPP to boost exports.
- **Law No. 90/2025/QH15 (25/06):** Simultaneously amends eight key laws, notably revisions to the **Laws on Bidding, Public Investment, and PPP**, aimed at accelerating public investment disbursement by enhancing autonomy, decentralization, and revenue risk-sharing for private investors.

Figure 24: Total public investment plan for 2025 increased by over VND 140 trillion compared to the initial annual target

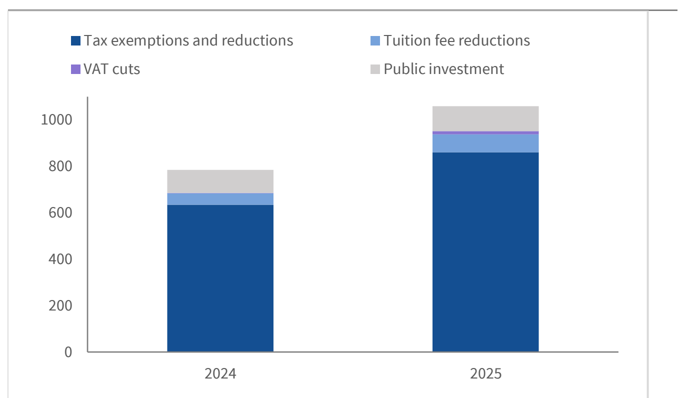
Adjusted public investment plan in 2025 [VND thousand billion]



Source: Ministry of Finance, TVS Research

Figure 25: Estimated fiscal policy expenditures in 2025 rose sharply compared to the same period in 2024

Estimated costs of government fiscal support policies in 2024 and 2025 [VND thousand billion]



Source: Ministry of Finance, TVS Research

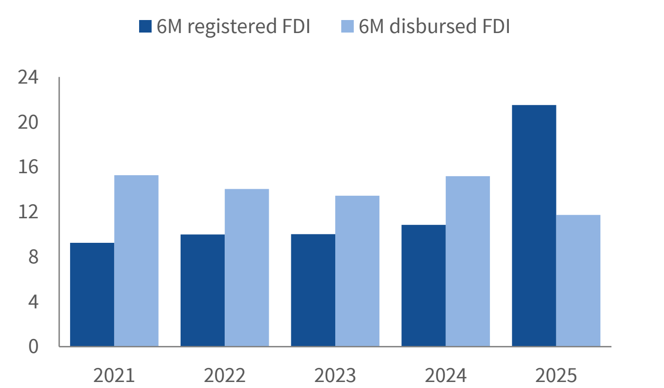
Registered and disbursed FDI capital exceeded expectations in H1 2025.

In H1 2025, registered and disbursed FDI reached USD 21.5 billion (+32.6% YoY) and USD 11.7 billion (+8.1% YoY), respectively. Total registered FDI significantly exceeded our earlier projections, which anticipated a slowdown due to tariff-related risks following Trump's inauguration in early 2025. The upside surprise was mainly driven by the real estate sector, which attracted USD 4.8 billion in registered FDI (+95% YoY), accounting for 22% of total FDI (up from 16% in the same period in 2024), thanks to strong interest in industrial parks and commercial real estate projects.

In addition, the US exclusion of computers, electronic devices, and machinery from reciprocal tariffs has temporarily boosted investor confidence in Vietnam, supporting continued growth in FDI inflows into the manufacturing sector. Registered FDI in processing and manufacturing reached nearly USD 12 billion (+15% YoY), accounting for 56% of total registered FDI, compared to 68% in H1 2024.

Figure 26: Both registered and disbursed FDI recorded positive growth in H1 2025

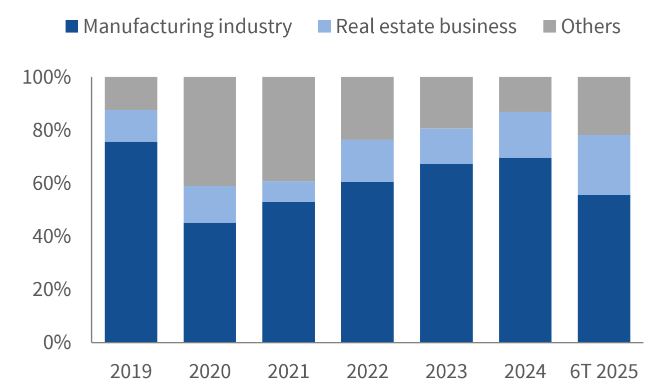
Total registered and disbursed FDI in the first six months from 2021 to present [USD billion]



Source: Foreign investment agency, TVS Research

Figure 27: The share of real estate business activities in registered FDI rose sharply in H1 2025

Sectoral composition of registered FDI by year and H1 2025 [%]



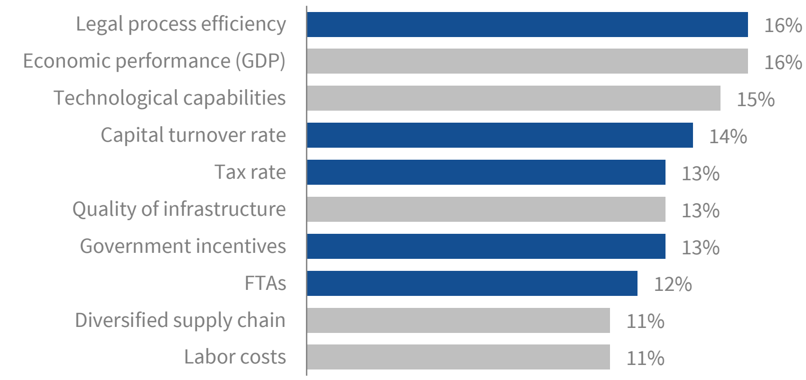
Source: Foreign investment agency, TVS Research

We believe that registered FDI inflows will decline in the second half of 2025.

We forecast registered and disbursed FDI in 2025 to reach USD 38 billion (+0% YoY) and USD 28 billion (+10% YoY), respectively. The US has yet to announce full tariff schedules for countries beyond Vietnam, China, the UK, and Indonesia, making it difficult for FDI enterprises to assess Vietnam's investment outlook, which may weigh on new FDI registrations in the short term. The US's new tariff approach distinguishes clearly between "locally manufactured" goods and those considered "transshipped," particularly from China. TVS Research believes this presents both opportunities and risks for Vietnam in attracting FDI in the short term—especially high-quality capital in the long term. Over the longer horizon, we maintain that Vietnam remains a top destination for FDI thanks to its political stability, abundant and skilled labor, improving infrastructure, and strong economic growth.

Figure 28: Tariffs are not the most critical factor for foreign investors when considering FDI

Factors considered by foreign investors when making FDI decisions [%]



Source: Kearney FDI Confidence Index, TVS Research

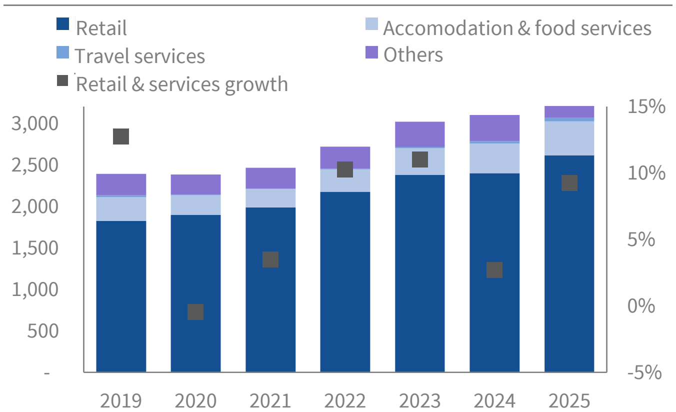
The Retail & Services sectors posted strong growth in H1 2025.

In the first half of 2025, Vietnam's retail and consumer services maintained strong growth momentum, reaching VND 416 trillion (+9.3% YoY), higher than the 8.9% growth in H1 2024. Modern retail channels such as supermarkets, convenience stores, and e-commerce continued to expand, with e-commerce revenue in Q1 exceeding VND 101 trillion, up 42% YoY (according to Metric).

Tourism activity was vibrant in H1 2025, with international and domestic tourist arrivals rising sharply by 20.7% YoY and 16.5% YoY, respectively. Key drivers included the launch of several new expressway projects that shortened travel times between destinations, as well as active promotion of Vietnam's image by tourism authorities via social media platforms.

Figure 29: Retail and service sectors maintained stable growth in the first half of 2025

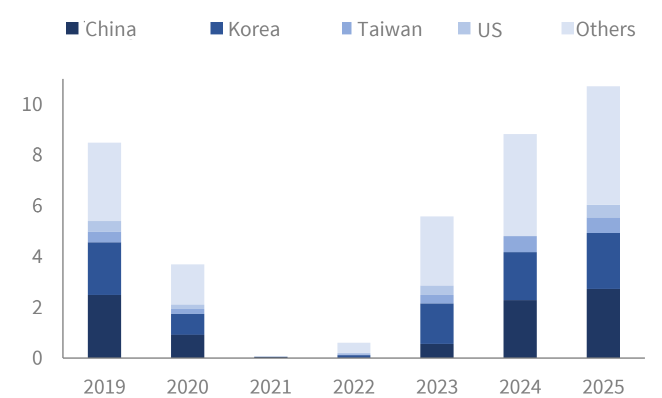
Revenue from retail and service sectors in H1 [VND thousand billion – left axis] and overall retail & service growth rate [% YoY – right axis] from H1 2019 - present



Source: GSO, TVS Research

Figure 30: Number of international visitors surged in H1 2025 thanks to local tourism stimulus policies

Number of international arrivals to Vietnam in the first half of each year from 2019 to present [million arrivals]



Source: GSO, TVS Research

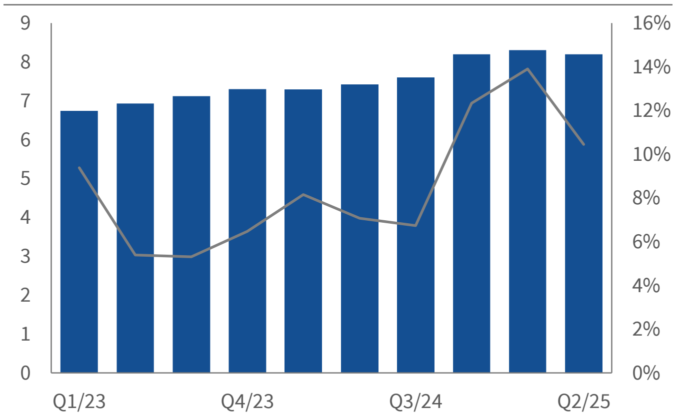
TVS Research expects retail and services to see stronger growth in H2 2025, supported by pro-consumption policies and continued momentum in tourism activity.

TVS Research forecasts retail sales to grow 10% YoY in 2025, driven by: (1) improved worker income and lower unemployment in H1; (2) continued government support through measures such as revisions to the Personal Income Tax Law, tuition fee exemptions, and infrastructure investment; and (3) low lending rates. In addition, major retail chains like WinMart (+318 stores) and Bach Hoa Xanh (+412 stores) have aggressively expanded their networks in H1, signaling strong potential for domestic consumption growth ahead.

In tourism, international arrivals to Vietnam in 2025 are projected to exceed 20 million (+15% YoY), surpassing the pre-COVID level of 18 million in 2019. In addition to sustained domestic drivers, Vietnam's tourism sector is also benefiting from its positioning as an alternative destination in the region amid ongoing border tensions between Thailand and Cambodia.

Figure 31: Workers' incomes have improved significantly since early 2025

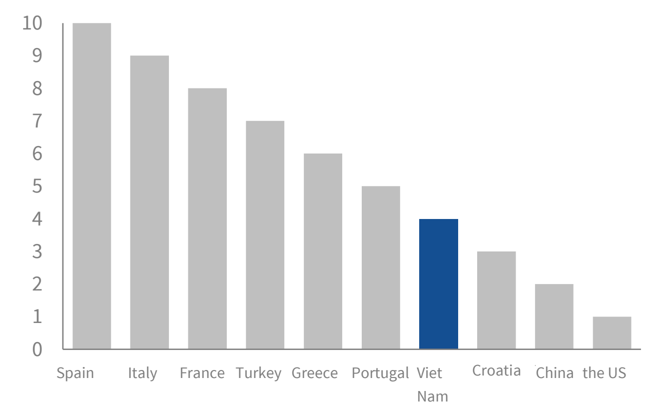
Average monthly income of workers [VND million – left axis] and quarterly growth rate [% YoY – right axis] from Q1 2023 to present



Source: GSO, TVS Research

Figure 32: Vietnam ranked 6th in global travel search volume by international tourists in the first half of 2025

Ranking of the 10 countries with the fastest-growing travel search volume worldwide in the first half of 2025 [index points]



Source: Google Destination Insights, TVS Research
Note: A score of 10 indicates the highest search volume, decreasing gradually to 1

Inflation remained well-contained at low levels in H1 2025, creating room for further expansionary fiscal and monetary policies.

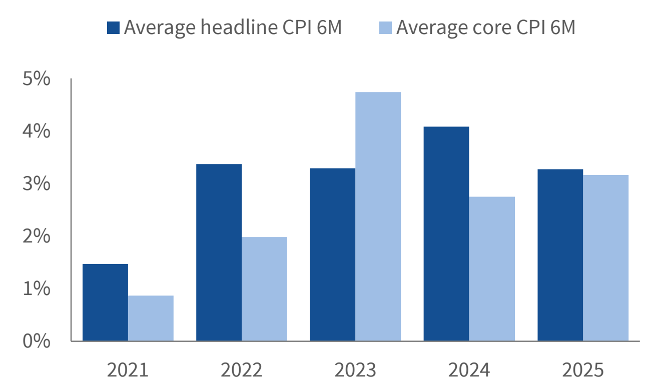
In the first half of 2025, Vietnam's average headline CPI rose 3.3% YoY, remaining below the government's control target of 4.5%.

The main contributors to the overall CPI increase were: Food & Catering Services (+3.6% YoY), with the Food subcategory up 4.1% YoY—adding 0.8 percentage points to CPI—as pork prices remained elevated due to ongoing disease outbreaks that slowed supply recovery; and Housing & Construction Materials (+6.4% YoY), contributing 1.2 percentage points to CPI, driven by (1) high housing prices pushing up rental rates, (2) a 4.8% hike in retail electricity prices, and (3) rising construction material costs amid supply shortages.

In contrast, the Transport category saw a 4.8% YoY decline in H1 2025, as domestic gasoline prices dropped in line with global oil prices amid weaker demand in major markets and a significant increase in oil supply.

Figure 33: Average CPI in H1 2025 was 3.3%, allowing policy flexibility in H2

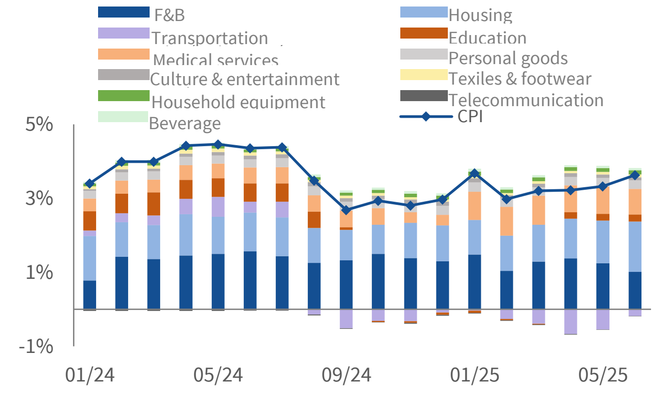
Average core CPI & headline CPI in H1 from 2021 - present [% YoY]



Source: FiinPro-X, TVS Research

Figure 34: Food and food service group contributed the most to the headline CPI increase in H1 2025

Contribution of major categories to headline CPI [%]



Source: FiinPro-X, TVS Research

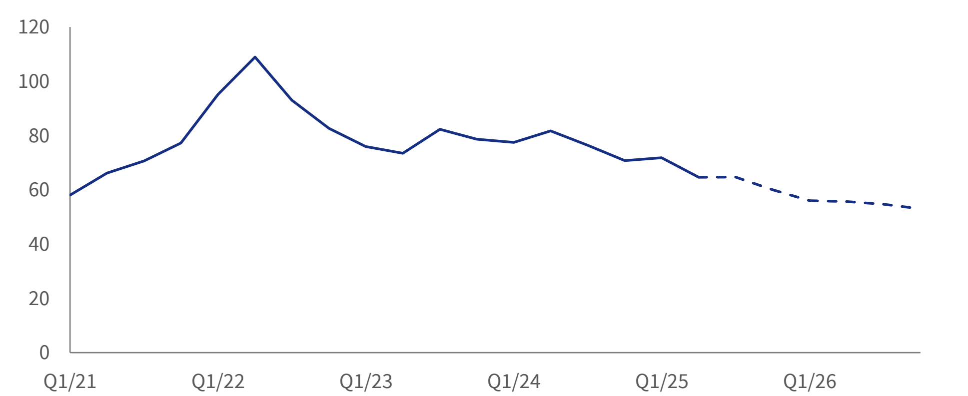
TVS Research forecasts Vietnam's average CPI in 2025 to reach 3.5%.

TVS Research forecasts Vietnam's average CPI for 2025 to reach 3.5% YoY. Inflationary pressures are expected to rise in Q3 2025 due to: (1) increased demand for electricity and water during the hot season, which will raise living and dining-out costs (Housing & Construction Materials and Food Services together account for over 26% of the CPI basket); and (2) persistently high pork prices as disease outbreaks remain unresolved, pushing up the Food sub-index (which holds a 21% weight in the CPI).

However, the tuition fee exemption policy for students from preschool through high school, effective from September 2025, will help ease inflationary pressure starting in Q4. In addition, global oil prices are expected to continue declining in H2 2025 and into 2026, driven by rising global oil reserves (according to OPEC+) and weaker demand in major import markets due to slowing economic growth.

Figure 35: Global WTI oil prices are projected to decline in 2025 and 2026

Quarterly WTI crude oil prices from Q1 2024 - Q4 2025 [USD/barrel]



Source: EIA, TVS Research

Monetary Market

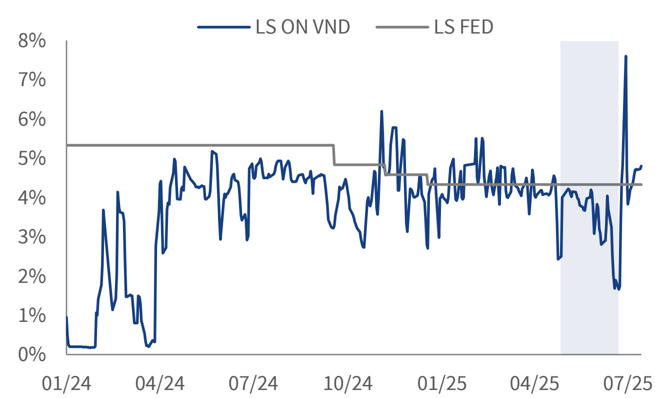
Exchange rate pressure on the USD/VND may ease in the second half of the year as the FED cuts interest rates and domestic USD supply increases.

In H1 2025, the USD/VND selling rate at SBV rose to 26,254 VND, up 3.1% YTD, mainly due to: (1) increased imports of production materials to support exports ahead of the effective date of US retaliatory tariffs; (2) repayment needs of maturing debts by the State Treasury (which purchased nearly USD 1.9 billion in H1 2025); and (3) global macroeconomic instability—particularly geopolitical tensions in the Middle East—leading to higher demand for safe-haven assets such as USD and gold (the black market–official exchange rate spread widened notably from mid-April to early June).

Looking ahead, TVS Research expects downward pressure on the USD/VND exchange rate to ease, supported by increased USD supply from FDI inflows and remittances toward year-end—factors that should also help rebuild Vietnam's foreign reserves, currently at their lowest levels in years. However, risks remain for further VND depreciation in H2 if: (i) the FEDdelays rate cuts, (ii) Vietnam's trade surplus underperforms expectations, and (iii) heightened geopolitical tensions boost demand for gold and USD. As a result, TVS Research projects the average USD/VND exchange rate to depreciate by around 3.5% YoY in 2025.

Figure 36: Interest rate differentials between VND and USD are among the key drivers of the sharp rise in the USD/VND exchange rate

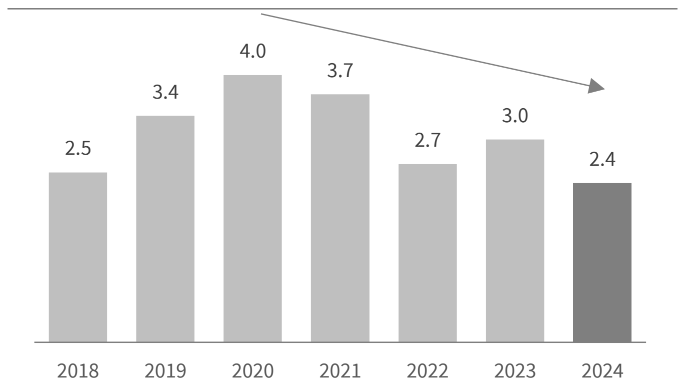
Interest rates of USD and VND [%]



Source: FiinPro-X, TVS Research

Figure 37: Vietnam's foreign exchange reserves continue to decline, currently at the lowest level since 2018, indicating limited intervention capacity through this channel

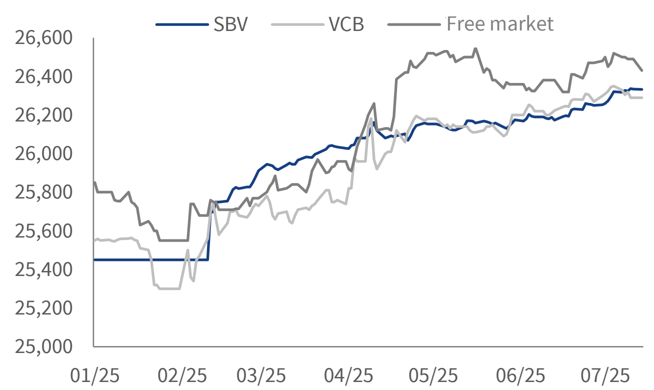
Vietnam's foreign exchange reserves measured in months of imports [months]



Source: Bloomberg, TVS Research

Figure 38: The USD/VND exchange rate rose in H1 mainly due to surging import demand and hoarding behavior

USD selling rates quoted by SBV, VCB, and the unofficial market [VND]



Source: FiinPro-X, TVS Research

Figure 39: The U.S. dollar may continue to weaken following the Fed's rate cuts in H2 2025

U.S. Dollar Index (DXY) [index points]

Source: Bloomberg, TVS Research

TVS Research forecasts that interest rates will remain stable throughout H2 2025.

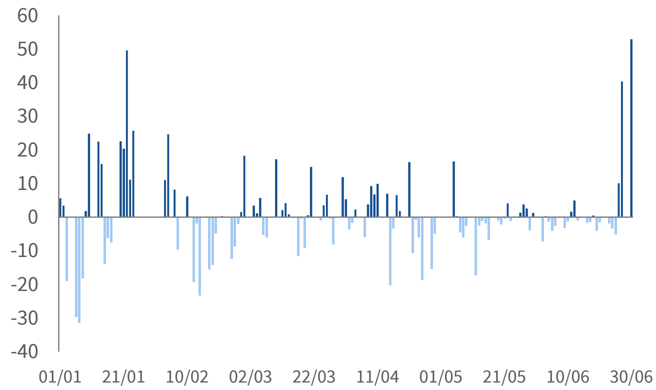
In H1 2025, the State Bank of Vietnam conducted a net injection of VND 90 trillion but remained flexible in its open market operations to maintain system liquidity and support credit growth. Notably, SBV absorbed liquidity aggressively in late April as interbank rates fell sharply—putting pressure on the exchange rate—and injected significant funds in late June to accommodate increased capital demand at quarter-end. Interbank interest rates remained generally stable during H1 2025, ranging between 3.8% and 4.5% for overnight tenor.

Deposit rates rose in February and March; however, the Prime Minister issued an official directive to lower and maintain them at low levels. By the end of Q2 2025, 12-month deposit rates at major commercial banks remained between 4.6% and 5.4%, staying within historically low ranges.

In H2 2025, TVS Research expects market interest rates to remain stable. The SBV is likely to continue flexible open market operations (OMO) to ensure system liquidity and support low interest rates. However, short-term fluctuations in deposit rates may occur at specific banks with strong credit growth, particularly in the final quarter of the year. Meanwhile, we believe lending rates will remain at current low levels for an extended period as banks seek to support economic growth.

Figure 40: SBV conducted net injection of over VND 90 trillion in H1 2025

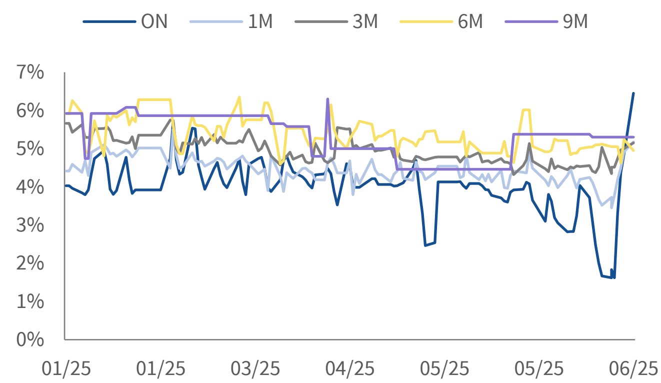
Daily net open market operations from January 2025 - present [VND thousand billion]



Source: FiinPro-X, TVS Research

Figure 41: Average interbank interest rates declined in June 2025

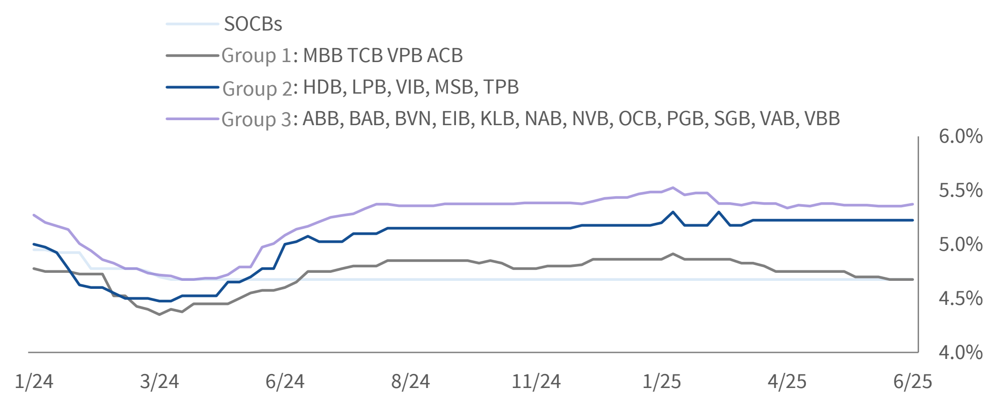
Interbank interest rates by tenor from January 2025 - present [% per annum]



Source: FiinPro-X, TVS Research

Figure 42: Deposit interest rates at commercial banks remained unchanged in June compared to the previous month

12-month interest rates at commercial banks [% per annum]



Source: Wifeed, TVS Research

Note: SOCBs: Agribank, BID, CTG, VCB

3. Vietnam Macro Index forecast

Index	Unit	2020	2021	2022	2023	2024	2025F	2026F
GDP and employment								
GDP	Billion USD	346	369	404	421	476	528	585
GDP growth	% YoY	2.9%	2.6%	8.0%	5.1%	7.1%	7.2%	7.2%
Unemployment rate	%	2.3%	3.2%	2.3%	2.3%	2.2%	2.2%	2.2%
Inflation								
Headline inflation, average	% YoY	3.2%	1.8%	3.2%	3.3%	3.6%	3.5%	3.8%
Production & consumption								
Manufacturing PMI (year-end)	Points	51.7	52.5	46.4	48.9	49.8	49.0	51.0
Index of industrial production	% YoY	9.5%	8.7%	0.2%	5.8%	8.4%	5.0%	8.0%
Retail sales of goods & services	Trillion VND	5,060	4,789	5,680	6,232	6,391	7,030	7,803
Growth in retail sales of goods & services	% YoY	2.6%	-3.8%	19.8%	9.6%	9.3%	10.0%	11.0%
Trade & Investment								
Export	Billion USD	282.7	336.3	371.3	354.7	405.5	445	489
Export growth	% YoY	7.0%	19.0%	10.4%	-4.5%	14.3%	9.8%	10%
Import	Tỷ USD	262.7	332.2	358.9	327.5	380.8	422	466
Import growth	% YoY	3.7%	26.5%	8.0%	-8.7%	16.7%	11%	10.5%
Trade surplus	Billion USD	19.9	3.3	12.1	28.3	24.8	23	23
Public investment disbursement	Trillion VND	467.3	430.6	515.9	625.3	684.4	920	1196
Public investment disbursement growth	% YoY	34.7%	-7.9%	19.8%	21.2%	3.3%	35%	30%
Registered FDI	Billion USD	28.5	31.2	27.7	39.3	38.2	38	40
Registered FDI growth	% YoY	-25.0%	9.5%	-11.2%	32.1%	-3.0%	0%	5%
Realized FDI	Billion USD	20.0	19.7	22.4	23.2	25.4	27.9	30.2
Realized FDI growth	% YoY	-2.0%	-1.2%	13.5%	3.5%	9.4%	10%	8%
Monetary market & exchange rate								
Policy interest rate	%	4.0%	4.0%	6.0%	4.5%	4.5%	4.5%	5.0%
Credit growth	% YoY	13.6%	12.2%	13.6%	14.2%	13.8%	16.0%	14.0%
M2 money supply	Trillion VND	12,111	13,402	14,227	15,074	16,129	18,548	20,959
Growth of M2 money supply	% YoY	14.5%	10.7%	6.2%	6.0%	7.0%	15.0%	13.0%
Foreign exchange reserves	Billion USD	94.8	109.4	86.5	89.0	80.0	75.0	85.0
12M deposit interest rates of the 4 state-owned commercial banks at year-end	%	5.8	5.5	7.4	5.0	5.5	5.7	6.5
Average annual USD/VND exchange rate	VND	23,223	22,934	23,429	23,839	25,053	25,929	26,967

Source GSO, Fiin-ProX, Statista, Bloomberg, TVS Research

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The recommendations of Buy, Sell, or Hold for stocks are determined based on the expected total return, which is the sum of the difference between the target price and the current market price of the stock, plus the expected dividend yield. Specific definitions for each recommendation level are as follows:

Recommendation ratings	Defination
BUY	Expected stock total return over 1 year > 20%
HOLD	Expected stock total return over 1 year is between -10% to 20%
SELL	Expected stock total return over 1 year < -10%

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