Monthly Updates on Macroeconomics and Financial Market

Hanoi, November 2024

Prepared by Economic and Financial Market Analysis Team

BE GREATER

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Vietnam's resilient economic prospects in 2025 amid global risks and uncertainties

Section 1

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Executive Summary

Global Economy:

- *Global growth is expected to maintain a stable trajectory. But several emerging risks, such as geopolitical tension and expected trade fragmentation, might create a bumpy road to the stable inflation path.*
- *In the US, Trump's upcoming trade and tax policies could reverse inflation trend; it is expected to stable through first half of 2025 due to new policy implementation extensive timelines. The concern of inflation hike becomes more pronounced only after these policies are fully implemented, possibly in the second half of 2025.*
- *The US job market could potentially see positive effects from the anticipated policies under Trump. With the expected policy shifts, Fed rate cuts path may be slowed down.*
- *Meanwhile in the EU, although the 3Q24 GDP growth is stronger than expectation, the outlook is tempered by concerns over US trade policies with compelling impact on major countries such as Germany, Ireland and Italy.*
- *The EU is anticipated to explore supportive trade measures, and the ECB is expected to maintain an easing monetary stance*

Vietnamese Economy:

- *In 2025, we anticipate that Vietnam's exports would grow by 12.7% as global demand improves. The trade policies implemented by President Trump concerning Vietnam are expected to have long-term effects that warrant careful monitoring.*
- *Manufacturing activity exhibits positive improvement following Typhoon Yagi. We anticipate that the increase in new orders would support the continued growth of Vietnam's manufacturing sector in 2025.*
- *The total value of newly registered FDI and additionally registered for adjustment FDI in 10M24 reached USD 24 billion, increasing by 14.0% YoY. We expect that Vietnam would continue attracting attention from foreign investors.*
- *Expansionary fiscal policy in 2025 is anticipated to stimulate economic growth.*
- *The average CPI for 2025 is forecasted to fluctuate in the range of 3.5 – 4.0%.*
- *The USDVND exchange rate is forecasted to fluctuate between 25,200 and 25,450 in the remaining months of 2024. In 2025, the VND is likely to depreciate against the USD.*
- *In short-term, interbank interest rates are forecasted to remain between 4-6%, while deposit interest rate are expected to increase slightly. 6-month deposit interest rate of G14 is forecasted to remain around 4.5% in 2025.*

Section 2

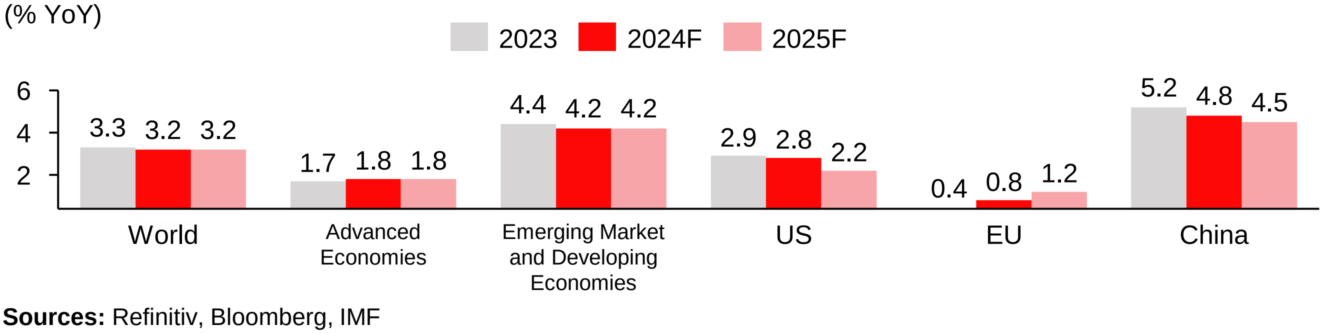
Global Economy

Global growth remains steady amid stable inflation, though risks are mounting. In the US, inflation is expected to stable through first half of 2025; however, Trump's upcoming trade and tax policies could reverse this trend. With the expected policy shifts, Fed rate cuts path may be slowed down. Meanwhile, the EU is tempered by concerns over US trade policies, likely prompting the EU to explore supportive trade measures, and the ECB is expected to maintain its easing monetary policy.

Global growth is expected to maintain a stable trajectory amid the ongoing stable inflation path, but several emerging risks appear

The global economic outlook for the coming years reflects a stable yet regionally varied landscape. According to the recent international IMF report, advanced economies are expected to maintain steady growth, with robust performance in the services sector offsetting slower manufacturing activity. Conversely, while growth projections for developing economies have been revised downward, these regions are anticipated to sustain resilience in 2025, driven in part by a shift in manufacturing production toward emerging markets, particularly China and India, as advanced economies face waning competitiveness. A stable growth trend is observed amid stable inflation. The pace of inflation overall with the recent declining trend of global oil prices and shipping costs is creating a more favourable condition in the last four months. We observe improved adaptation among the majority of countries and continue to anticipate a stable inflationary trend in short-term. However, there are potential risks, such as geopolitical tension and trade fragmentation, might create a bumpy road to the stable inflation path. Volatile oil prices – illustrated by a 15% surge following recent Middle East conflicts recently in October – and the possibility of the new US president Trump's expected import tariffs could disrupt global supply chains, escalate import costs, and prolong inflationary pressures. Such conditions could prompt central banks to slow down monetary easing, thereby hampering economic recovery efforts.

Figure 1: Global GDP growth forecast



Sources: Refinitiv, Bloomberg, IMF

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Global Economy *(Cont.)*

The US economic outlook is marked by a high degree of changes following the recent election, in which Donald Trump returned to the presidency and the Republican Party gained control of both the Senate as well as the House. These developments are anticipated to shape significant aspects of the economy, including inflation, GDP growth, the labor market, consumer demand, supply chains, and the Federal Reserve's monetary policy direction. Above all, inflation is likely to be a central focus under the new administration.

Trump's expected policies are creating inflationary worries

Concerns over inflationary pressures arising from potential policies under Trump's administration have garnered attention from economists, including those at institutions like Moody. Moody estimated that the policies could elevate the annual US inflation rate to approximately 3.6% by 2025. Key factors contributing to these economists' forecasts include a proposed increase in tariffs on all US imports by 10-20% and a more significant hike on imports from China by 60%. These changes could lead to heightened prices. Additional policy elements like lowered corporate taxes resulting from the Tax Cuts and Jobs Act (TCJA), which boost investment and spending, along with stricter immigration rules aiming to shrink the workforce (potentially leading to wage hikes) through the deportation of unauthorized immigrant labourers, further add to the growing inflationary expectations .

Figure 2: Key expected policies during the Trump presidency in the 2025-2029 term

Policies	Detail of the policies
Trade and Tariffs	• Impose a universal baseline tariff of 10-20% on all imported goods. • Impose a 60% tariff on all goods imported from China and revoke China's Permanent Normal Trade Relations (PNTR).
Personal and corporate taxes	• Continue large-scale tax cuts: Extend the 2017 tax cuts indefinitely. Exempt social security benefits, tips, and overtime pay from taxation. Reduce corporate tax rate from 21% to 15%.
Immigration	• Crack down on illegal immigration: Deport current illegal immigrants in the US. End automatic citizenship for children of illegal immigrants. Ban birth tourism. Possibly restart border wall construction with Mexico. • End Biden-era asylum programs

Sources: Bloomberg, Moody, PIIE, Committee for a Responsible Federal Budget, Penn Wharton, CNN, TCB Market Research

Section 2

Global Economy *(Cont.)*

We anticipate that the inflationary effects of the new policies will likely become noticeable by the latter half of 2025

We see that the manifestation of these inflationary pressures is likely to emerge gradually, with visible impacts anticipated toward the latter part of 2025. Historically, new policy implementation timelines in the US have been extensive, involving detailed legislative processes and administrative stages before taking effect. For instance, the process of implementing tariffs typically spans between 8 to 14 months. In 2017, it took 11 months from the investigation to the effective date for steel and aluminum tariffs, and around 9 months for solar panel tariffs. Similarly, significant tax reforms, such as the TCJA of 2017, required approximately nine months from the initial proposal to enactment. Immigration policy changes, especially those focused on deportation and workforce reduction, tend to be even more complex and drawn-out due to the legal processes, resource requirements, and potential for lengthy legal challenges. On the other hand, the most plausible immediate impact might come from a significant tariffs increase on China imports if the new president want to levy them immediately during his first days, since many authorities, such as Section 301*, have been carefully prepared during the 2017-2021 presidency term. Some major research houses such as JPMorgan believe that there is a likelihood that these tariffs on China might be effective in 2Q25. Consequently, while concerns about rising inflation due to Trump's policies in the 2025-2029 term are well-founded, it is reasonable to expect that these pressures will not be immediately evident in early 2025. Instead, they will likely become more pronounced only after these policies are fully implemented, possibly in the second half of 2025.

**Section 301 of the Trade Act of 1974 grants the Office of the United States Trade Representative (USTR) a range of responsibilities and authorities to investigate and take action to enforce U.S. rights under trade agreements and respond to certain foreign trade practices.*

Figure 3: Key policy events during the Trump presidency in the 2017-2021 term

Policies	Detail of the policies	Start Date/ Investigation Date	Complete Date/ Implementation Date
Import Tariffs	Solar Cells/Modules	May/2017	Feb/2018
	Steel	Apr/2017	Mar/2018
	Aluminum	Apr/2017	Mar/2018
	Chinese import products (4 stages)	Aug/2017	Jul-Sep/2018 & Sep/2019
Tax Cuts and Jobs Act (TCJA)	Lowered the corporate tax rate from 35% to 21%, increased the standard deduction, limited state/local tax deductions.	Proposals: Apr/2017	Jan/2018
Immigration	Build the US-Mexico border wall	Jan/2017	Have not fully completed
	End the Deferred Action for Childhood Arrivals (DACA) program	Sep/2017	Not achieved full removal of the program, due to the Supreme Court and pressure from the public

Sources: Bloomberg, Refinitiv, US Congressional Research Services, NYT, The White House, TCB Market Research

Section 2

Global Economy *(Cont.)*

Despite resilient US October CPI numbers, anticipated inflationary trend is expected to not increase strongly through 2024 and early 2025, before the implementation of Trump's policies

While the inflationary pressure is expected to not appear until the above-mentioned policies of the US President Trump are implemented, the October's CPI result show resilient numbers at 2.6% year-over-year (YoY). Core CPI rise by 0.3% month-over-month (MoM) in October, which keeps the annual core inflation rate at 3.3% YoY. Key drivers of this inflationary pressure include rising shelter prices, increased transportation services, and persistent growth in services prices. We expect the inflation trend to not increase strongly in 2024 and early 2025 due to the lower pressure of the energy prices as well as the lingering effect of high interest environment is still curbing demand in interest-sensitive sectors. Thus, the stable inflation path persist in short-term, before the implementation of Trump's policies.

Figure 4: US YoY monthly CPI

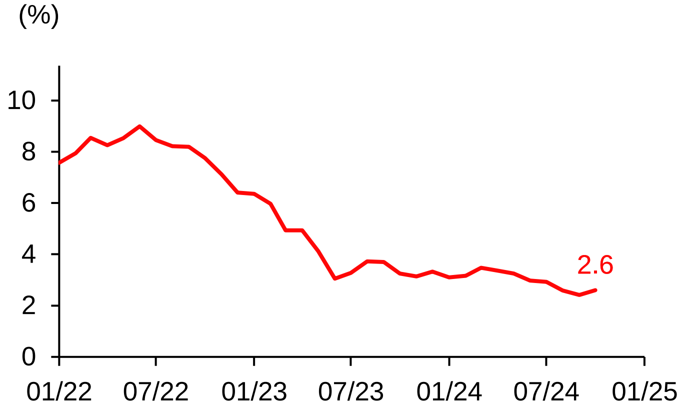
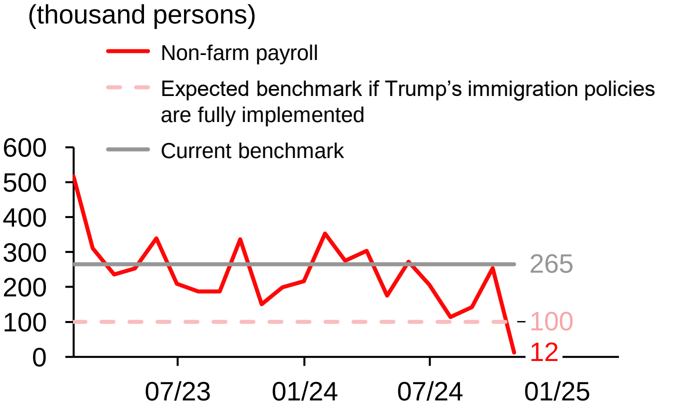


Figure 5: US monthly non-farm payroll



The US labour market remains resilience in October

As for the US labor market, it currently exhibits resilient unemployment and may faces potential major changes from anticipated policy under Trump presidency. The US labor market show signs of deceleration in October but remains resilience. Nonfarm payrolls increased by a mere 12,000 jobs, marking the smallest gain since December 2020 and falling significantly short of economists' expectations of 100,000. This sluggish growth is attributed to one-off factors such as hurricanes and labor strikes, notably at Boeing. Despite the slowdown in job creation, the unemployment rate has remained steady at 4.1%.

Overall, the job market could potentially see positive effects from the anticipated policies under Trump

Looking ahead, Trump's proposed policies are positioned to have a considerable impact on the labor market. His immigration strategy includes terminating Biden-era asylum programs, implementing executive actions to restrict certain illegal immigration types, and potentially executing large-scale deportations. These measures could …

Sources: Bloomberg, Refinitiv, JPMorgan, TCB Market Research

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Global Economy *(Cont.)*

… reduce the labour force, particularly in sectors heavily reliant on illegal immigrant workers, such as agriculture, construction, leisure and hospitality, and retail. Less workers means more jobs on the market, which will improve the overall US employment. According to JPMorgan, these actions could even reduce the breakeven level of employment to pre-pandemic levels, around 100,000 per month, down from the current estimated pace of 265,000 per month that was mentioned in our previous report (Report link). This means that a lower rate of job creation would be needed to maintain a stable unemployment rate, potentially leading to better overall job market. However, we continue to see that the process for Trump's immigration policies to fully implemented might be lengthy based on our mentioned above reasons. As of November 11th, with no definitive implementation date set for the anticipated policies, the Bloomberg consensus still expect that the unemployment rate remains resilient at 4.3% in 4Q24 and 2025.

Figure 6: US unemployment rate and forecast

(%, forecasted by Bloomberg)

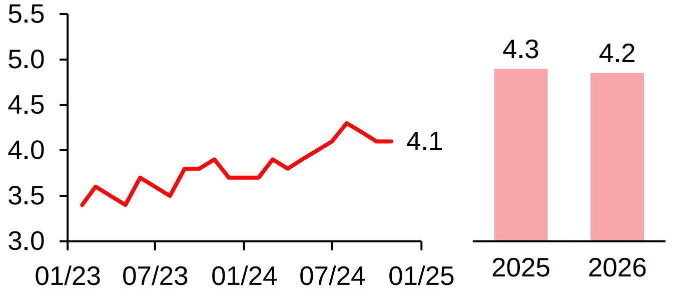
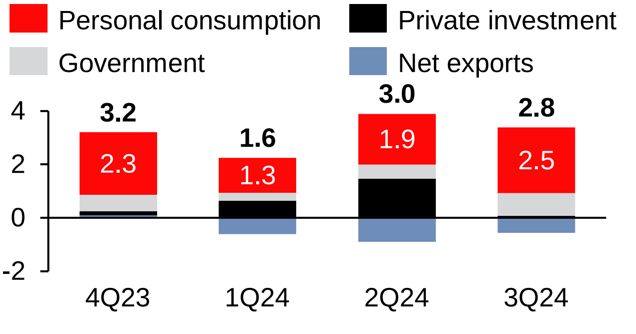


Figure 7: US GDP growth by components

(SAAR QoQ, %)



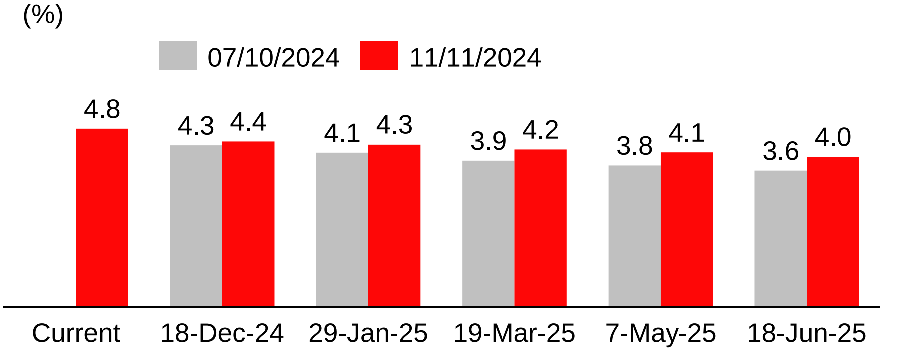
While the Fed continue cut 25 bps in November, the possibility of slow down in the Fed rate cut trajectory started to rise

Amid easing inflation pressures and resilient labour market, the Federal Reserve reduced the Fed rate by 25 bps to a target range of 4.5% to 4.75% in early November. This decision followed the third quarter's GDP growth of 2.8% QoQ, a slight deceleration from the previous quarter's 3.0% increase but better than market expectation. In the recent meeting, while the Fed believes that the economy is strong, emphasising a stable labour market and controlled inflation trajectory, it still indicated a readiness to adapt if market conditions materially shift. The prospect of a second Trump presidency introduces potential challenges for the Fed's policy framework. Analysts express concerns that increased political pressure could compromise the Fed's independence, with attempts to influence interest rate decisions to stimulate growth, potentially at…

Sources: Bloomberg, Refinitiv, BLS, BEA, TCB Market Research

… the expense of higher inflation. Proposed policies, such as tariff increases and tax cuts that we stated previously, may exacerbate inflationary pressures, complicating the Fed's mandate to balance price stability with maximum employment. Additionally, potential conflicts between the administration and the central bank could lead to financial market volatility. Despite all the concerns, Chair Powell stated that it is not legally permitted for the president to demote at-will any of the other governors with leadership positions. Nevertheless, we believe that the inflationary pressure expectation in the upcoming years remains intact, indicating a possible slow down in the Fed rate cut trajectory. Currently, the market maintains its anticipation of the Fed rate decreasing trend, albeit with reduced likelihood of the next rate cut as compared to the consensus before the president election.

Figure 8: Market Fed funds rate expectation



In the EU, although the 3Q24 GDP growth is stronger than expectation, …

In the third quarter of 2024, the EU saw modest GDP growth of 0.4%, marking a slight improvement over previous quarters and better than expectation yet reflecting continued economic challenges. Growth rates varied significantly across key economies: Germany grew by 0.2% QoQ, narrowly avoiding recession, while France and Spain saw stronger performances, with France benefiting from Olympic-related activity and Spain posting a leading quarterly growth. Key influences on this performance include the European Central Bank’s (ECB) recent interest rate cuts, which aimed to counter economic stagnation by lowering the deposit rate to 3.25%. This easing occurred alongside inflation’s decline to 1.7% in September, temporarily relieving consumer pressures. Germany, however, faces persistent structural issues, including high energy costs and increased competition from China’s automotive industry, which weighed on its growth. While events …

Sources: Bloomberg, Refinitiv, BEA, BLS, TCB Market Research

Global Economy *(Cont.)*

… like the Olympic Games temporarily boosted some economies, structural issues in major economies, particularly Germany, could impede sustained expansion. The third quarter thus underscores both resilience and persistent vulnerabilities within the EU's economy, highlighting the need for strategic adjustments to support long-term growth.

Figure 9: EU GDP growth in 3Q24 by country

(QoQ, %)

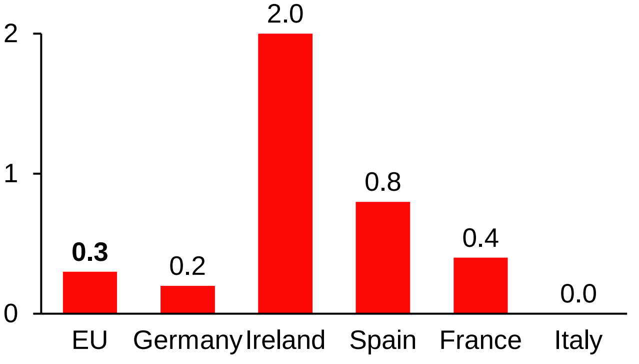
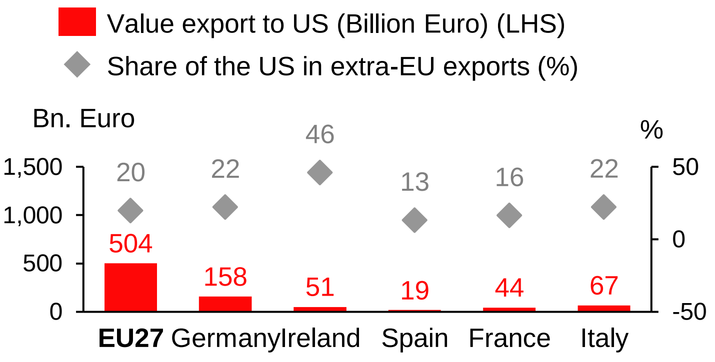


Figure 10: Export to US by EU country in 2023

(%, Billion Euro)



… the EU faces cautious outlook and tempered growth as the new US president's trade policies pose significant challenges

Looking ahead, the EU's outlook remains cautious, with challenges likely to temper growth. The new US president's expected policies, notably on trade, are anticipated to have a substantial negative effect on the EU economy. A key concern is the proposed increase in tariffs, specifically a potential 10% to 20% tariff on global imports. Germany, Ireland and Italy are more vulnerable to a trade war than France and Spain due to their greater reliance on exports to the US. As for Germany, its economy is heavily reliant on its manufacturing sector, which is likely to bear the brunt of any trade conflict. *Figure 11* shows that Germany has a significantly larger share of industry in its GDP than France and Spain. A trade war would likely disrupt global supply chains and reduce global demand for manufactured goods, disproportionately impacting Germany's economic output. In addition, Germany's recent political turmoil complicates its ability to respond effectively to the potential trade war. The lack of a stable Germany government, triggered by disagreements over fiscal policy, underscores the challenges in coordinating a national response to the economic fallout from the tariff tensions. Thus, Germany are likely to experience a more pronounced growth slowdown. German Bundesbank President Joachim Nagel anticipates that the potential economic harm from Trump's tariffs could amount to a 1% reduction in Germany's GDP. With the Germany major influences, the EU as a whole also faces significant risks.

Sources: Bloomberg, Refinitiv, Eurostat, European Commission, CNN, TCB Market Research

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Global Economy *(Cont.)*

Figure 11: EU share of industry component in GDP

(% of GDP)

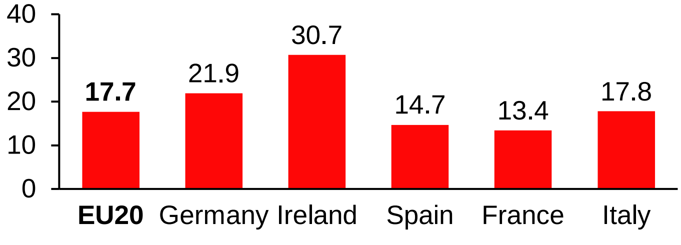
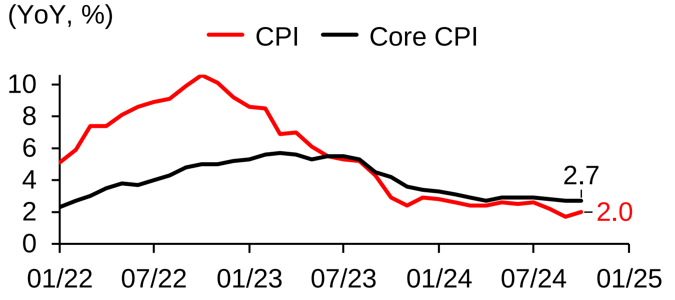


Figure 12: EU inflation

(YoY, %)



The EU is anticipated to employ supportive trade policies while the ECB is expected to maintain an easing monetary stance

In respond to the projected complex and challenging economic outlook, the EU is likely to mitigate the negative impact through a more supportive trade policies and the ECB is expected to continue its easing monetary policy path. Given the deep-rooted historical ties, the EU is anticipated to simultaneously seek concessions by offering to buy more US goods and supporting US policy towards China. The ECB is expected to prioritize addressing the anticipated slowdown in economic activity more than the inflation's path. As of October, inflation remains stable, close to the ECB target of 2%. Thus, we believe that the central bank is likely to accelerate and deepen interest rate cuts, aiming to provide economic stimulus and counter negative sentiment. The market is pricing that ECB would lower the deposit rate to 2.00% in mid 2025, according to Reuters.

Figure 13: EU GDP growth forecast by Bloomberg

(YoY, %)

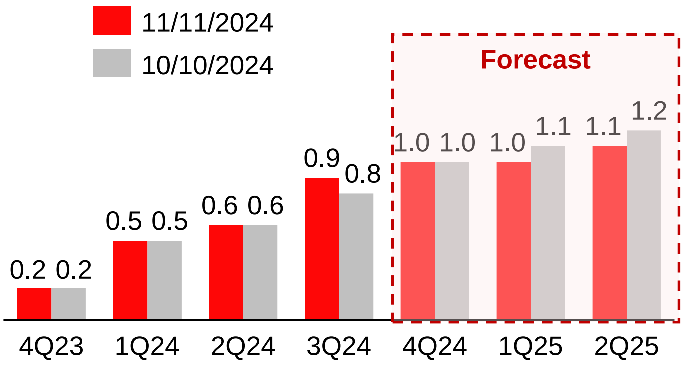
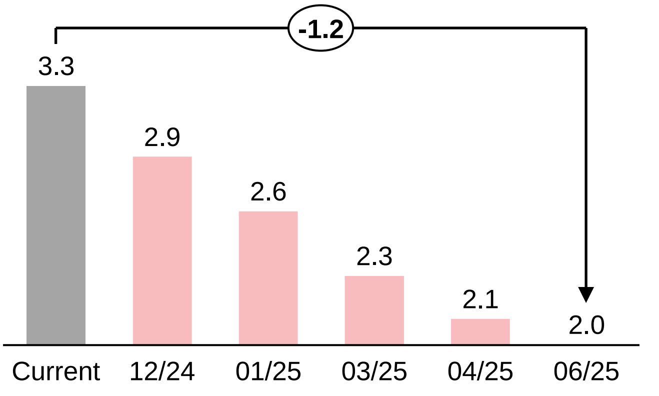


Figure 14: Market ECB implied rate expectation

(%)



Sources: Bloomberg, Eurostat, Refinitiv, European Commission

Vietnamese Economy

In 2025, trade and production activities are anticipated to continue their recovery. The USDVND exchange rate could face pressure, with limited potential for further reductions in interest rates. The large public investment disbursement plan is expected to be the main driver supporting economic growth. In particular, the newly implemented tariff policies under the Trump administration are likely to have long-term effects on the Vietnamese economy and need to be closely monitored.

There is an increasing risk of tariffs being imposed on key export items from Vietnam to the US.

Trump's presidency raises concerns about new trade policies that may affect Vietnam, especially given that Vietnam is a major trading partner for both the US and China. In the first ten months of the year (10M24), Vietnam maintained a trade surplus with the US, amounting to USD 86.1 billion, while simultaneously recording a trade deficit of USD 66.9 billion with China. During his previous term, President Trump enacted policies aimed at reducing the US trade deficit, and we assess the likelihood of protective measures being reinstated. This may include investigations into trade practices, potentially resulting in tariffs on selected imported goods from Vietnam. Notably, sectors such as electrical equipment, machinery, textiles, and wood products, which have the highest export values to the US, are also major import items from China. Nevertheless, we expect that the impact and tariff levels of this policy may be alleviated through negotiations between Vietnam and the US as trade activities between the two countries become more balanced.

Figure 15: Top 10 countries with the highest trade surplus with the US in 2023

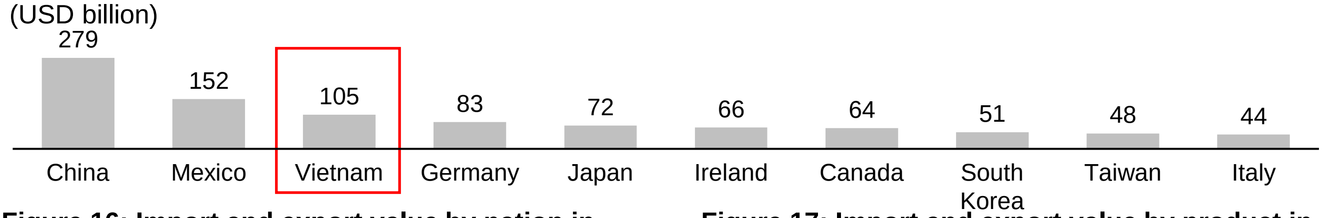


Figure 16: Import and export value by nation in 10M24

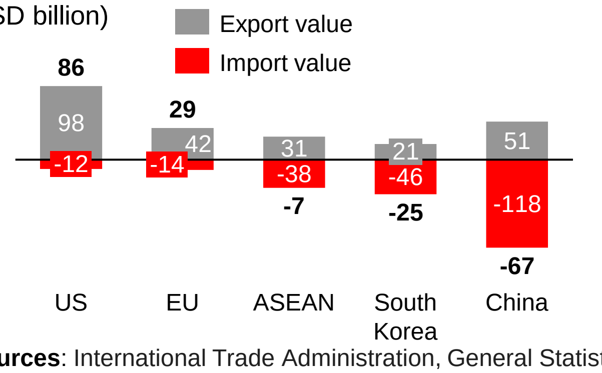
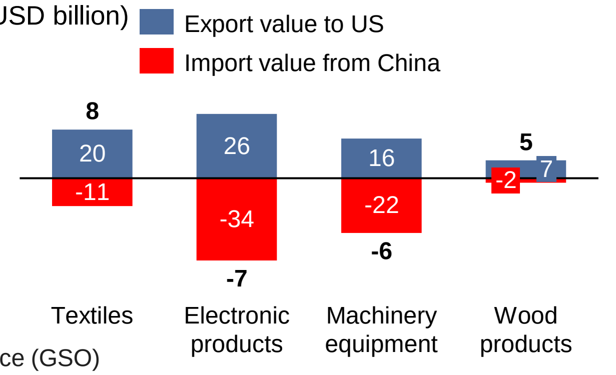


Figure 17: Import and export value by product in 10M24



Sources: International Trade Administration, General Statistics Office (GSO)

Section 3

Vietnamese Economy *(Cont.)*

The trade policies implemented by President Trump concerning Vietnam are expected to have long-term effects that warrant careful monitoring.

Furthermore, it is undeniable that, following Trump's previous term, Vietnam has benefitted from the US-China trade war. Specifically, Vietnam's export market share to the US has significantly increased for items such as furniture, electronics, and textiles... In 10M24, these items recorded double-digit export growth, indicating a strong recovery. This has contributed to a total trade surplus of USD 23.3 billion. In 2025, we anticipate that Vietnam's exports would grow by 12.7% as global demand improves. President Trump's intention to impose high tariffs on imported goods is projected to take approximately 8-14 months to be implemented (based on historical data). Thus, the impact of the new policies may only affect the latter months of 2025. In the long term, Vietnam's trade activities would be contingent upon the specific measures enacted by President Trump regarding Vietnam. Accordingly, we will also need to closely monitor developments to provide specific assessments.

Figure 18: Change in export market share of items to the US in 2023 compared to 2016

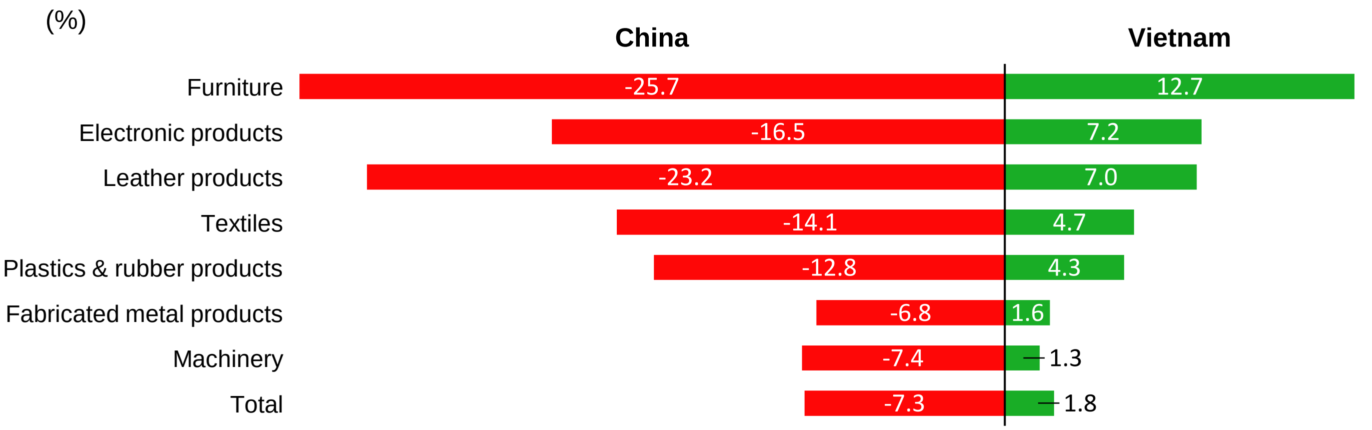


Figure 19: YoY trade growth by nation in 10M24

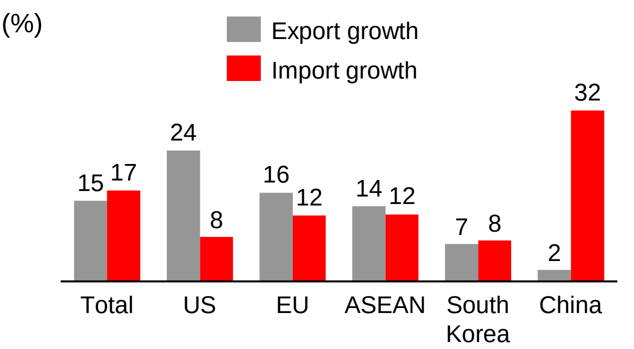
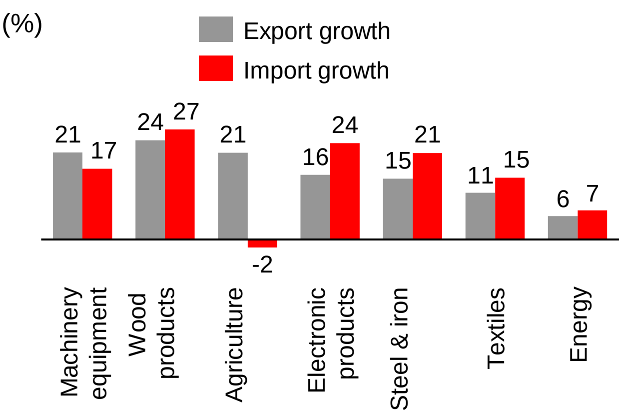


Figure 20: YoY trade growth by product in 10M24



Sources: General Statistics Office (GSO), TCB Market Research

Section 3

Vietnamese Economy *(Cont.)*

Manufacturing activity exhibits positive improvement following Typhoon Yagi.

As mentioned in recent reports, the impact of Typhoon Yagi will be short-term, affecting manufacturing activity only temporarily. According to S&P Global, the Purchasing Managers' Index (PMI) in October rose to 51.2, up from 47.3 in September, indicating a positive recovery in manufacturing activity. Specifically, both output and new orders have rebounded, allowing manufacturers to operate at maximum capacity in the final months of the year. Supply chain disruptions are still occurring; however, delivery times have lengthened to a lesser extent compared to September. Additionally, the Industrial Production Index (IIP) in October recorded a month-on-month increase of 4.0%, particularly in key manufacturing sectors, which confirms that the manufacturing industry has regained its momentum. We anticipate that the increase in new orders would support the continued growth of Vietnam's manufacturing sector in 2025.

Figure 21: Manufacturing PMI

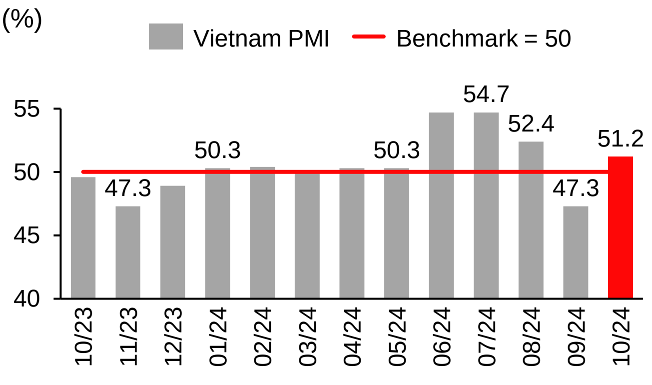
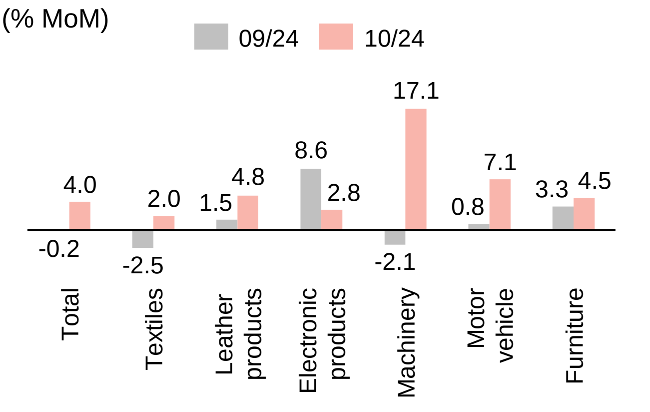


Figure 22: IIP by product



Domestic demand remains weak, with only the tourism sector recovering well.

The latest real retail sales figures are concerning, as they depict a gloomy picture of domestic demand. The Government has already implemented various policies to stimulate demand, such as lowering VAT and reforming State salaries; however, the impact of these measures has yet to become evident. On a positive note, the number of international tourists has rebounded, increasing by 11.3% MoM, as disruptions to travel and tourism activities have been resolved following the typhoon in the Northern provinces. We are optimistic that Vietnam is likely to achieve its target for international and domestic tourism in 2024 set by the Tourism Department. However, the plan for 2025 to welcome between 25 to 28 million international tourists (40% YoY increase) and 130 million domestic tourists (18% YoY increase) would present significant challenges for Vietnam, as competitive policies to attract tourism have not yet seen substantial breakthroughs.

Sources: GSO, S&P Global

Section 3

Vietnamese Economy *(Cont.)*

Figure 23: Real retail sales growth

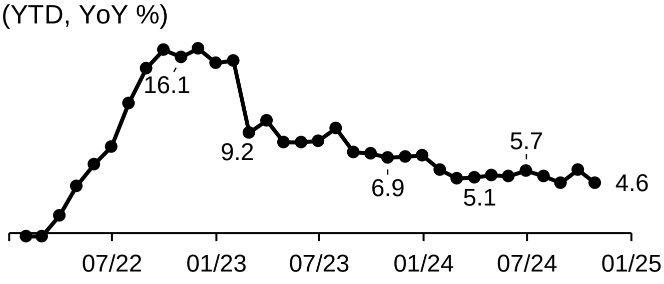
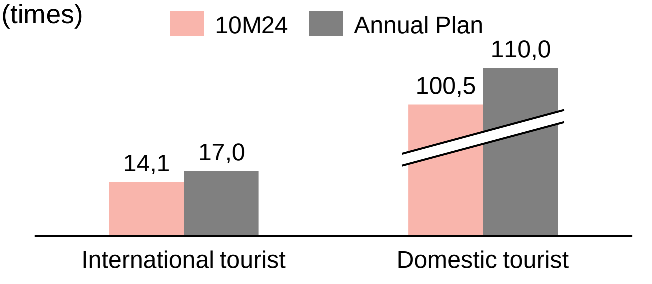


Figure 24: Number of international and domestic tourists



We expect that Vietnam would continue attracting attention from foreign investors.

Looking back from Trump's previous term to the present, Vietnam has been one of the countries benefiting from the shift in supply chains from Asian countries. In the near future, we expect that Vietnam would continue attracting foreign investors due to its existing advantages such as participation in many FTAs, low production costs, a young population, reasonable labor costs, a convenient geographical location, a stable business and political environment.

In 10M24, newly registered and additionally FDI achieved impressive growth of 14%, surpassing the compound annual growth rate for the period 2016-2023. This indicates that foreign investors are more optimistic about the business and production environment in Vietnam. However, newly registered and additionally FDI in the manufacturing sector in 10M24 decreased by 7% YoY due to lack of projects valued over USD 100 million in October. Additionally, October 2023 saw three large investment projects ranging from $500 million to $1.5 billion. Nevertheless, we still believe that Vietnam would continue to attract foreign investment, thanks to the recovery of the domestic manufacturing sector and the National Assembly passing three real estate laws that support the market and ease participation conditions for foreign investors.

Figure 25: Newly registered and additionally FDI

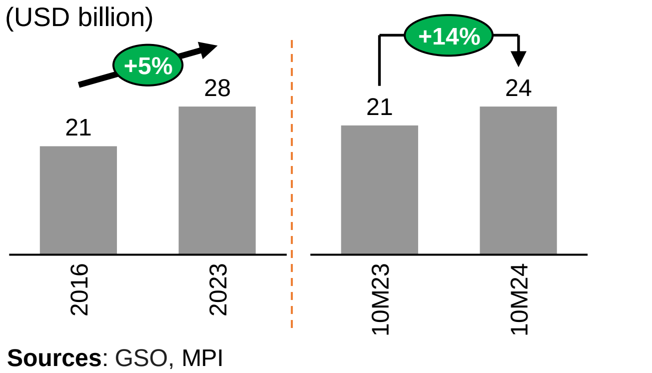
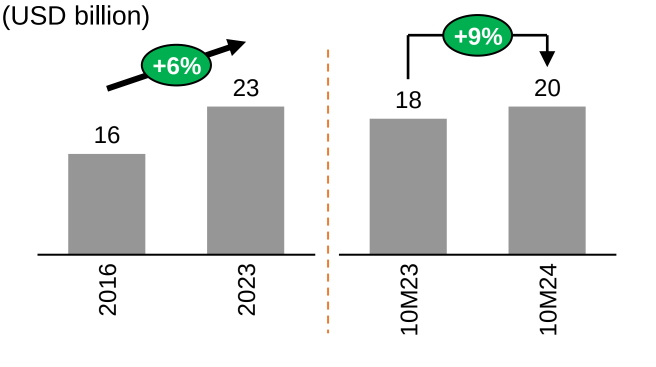


Figure 26: Disbursement FDI



Sources: GSO, MPI

Vietnamese Economy *(Cont.)*

Figure 27: Newly registered and additionally FDI accumulated from 2017 to 10M24 by country

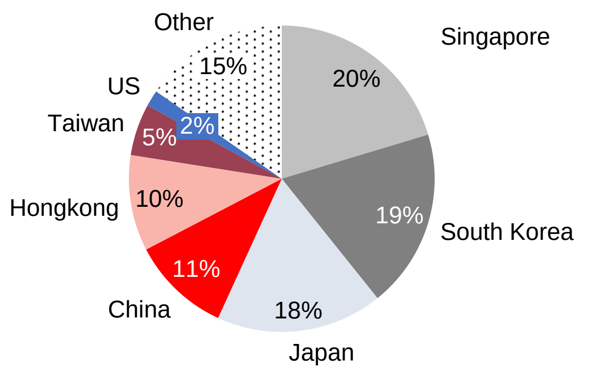
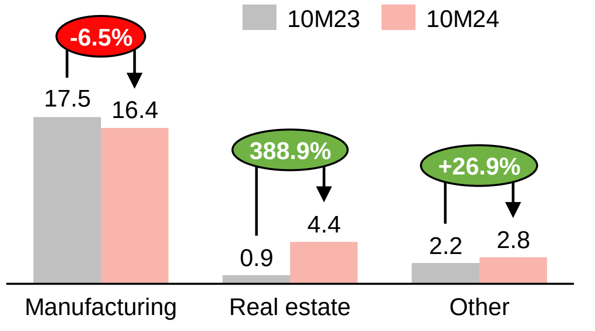


Figure 28: Newly registered and additionally FDI by country

(USD billion)



Public investment disbursement remains slow and achieving 95% of the Government's plan is quite challenging.

The state budget in 10M24 recorded a significant surplus of VND 254.5 trillion, reflecting a robust economic performance and stable government revenues. However, the disbursement of public investment remains sluggish, with development investment reaching only 53% of the government's 2024 target, showing a YoY decline of 11.5%. We find that efforts to boost public investment to support economic growth are not yet clear. According to the State Treasury report, there are still 326 projects with disbursement below 30% of the Prime Minister's plan, including 5 national projects and 82 projects that have not disbursed. We assess that achieving 95% of the 2024 plan would require a substantial effort in the remaining two months, presenting considerable challenges. Furthermore, good state budget revenue could be interpreted as the amount of money the Government withdrawing from the economy, which may impact growth in deposit as well as interest rate levels. We expect the government to implement more decisive measures to address existing bottlenecks and further boost public investment.

Figure 29: State budget balance

(VND trillion)

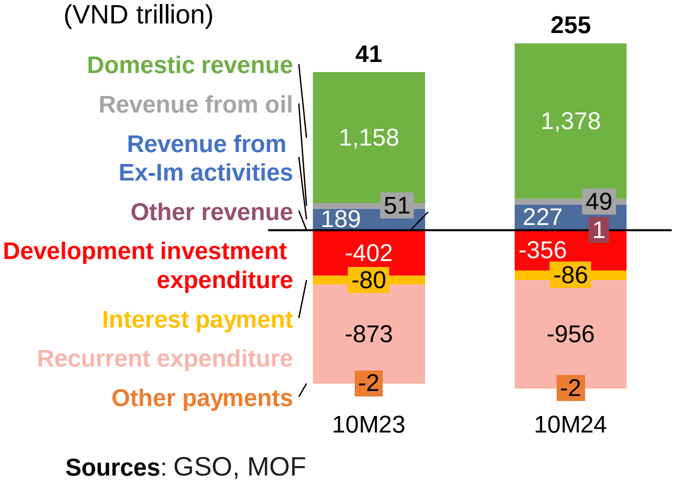
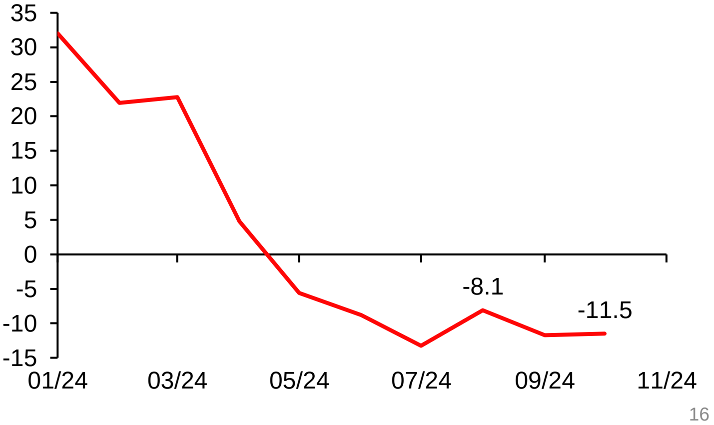


Figure 30: Public investment growth

(YTD, YoY %)

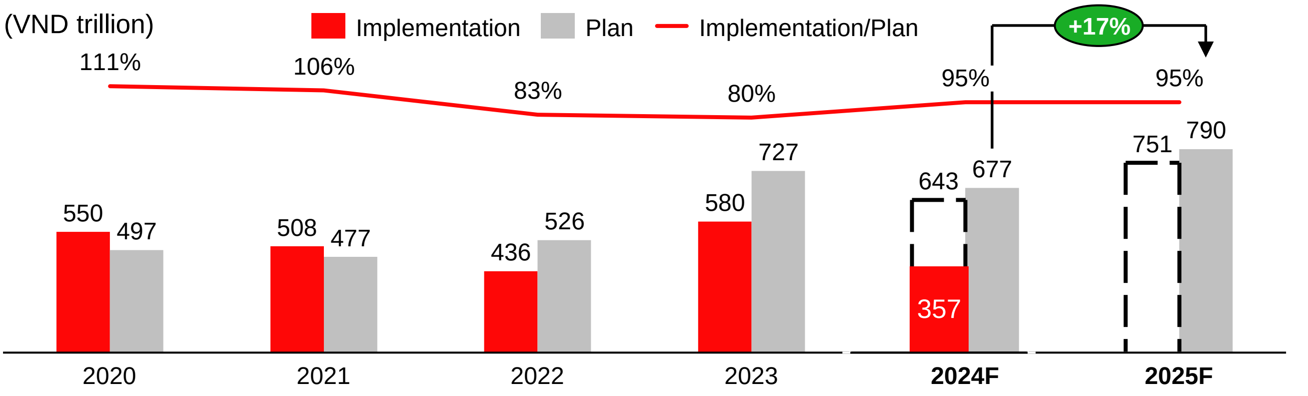


Sources: GSO, MOF

Section 3

Vietnamese Economy *(Cont.)*

Figure 31: Public investment



Expansionary fiscal policy in 2025 is anticipated to stimulate economic growth.

In November, the National Assembly approved a public investment disbursement plan for 2025, amounting to VND 790 trillion. This represents an increase of nearly VND 112 trillion, or 17%, compared to the 2024 plan. We believe that such an ambitious target for 2025 would impose considerable pressure on the disbursement of public investment in the upcoming year. Consequently, the state budget deficit for 2025 is estimated to rise by VND 82 trillion in comparison to 2024. The expansionary fiscal policy is expected to become an important driver for Vietnam's economy to grow steadily and sustainably, as well as have a positive spillover effect on most other sectors of the economy in the long term.

Figure 32: MoM inflation contribution

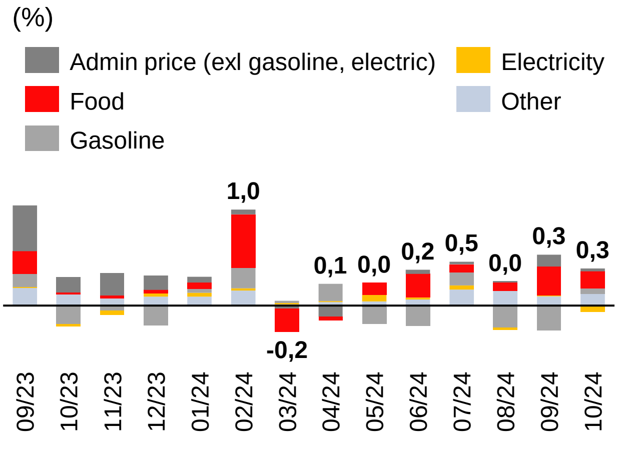
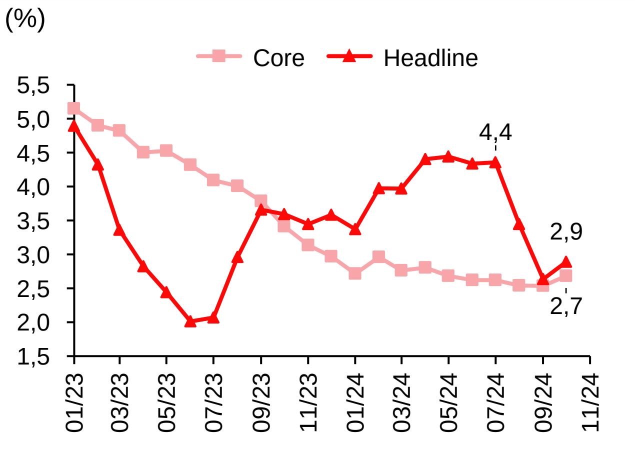


Figure 33: YoY Headline and core inflation



The average CPI for 2025 is forecasted to fluctuate in the range of 3.5 – 4.0%.

The CPI in October increased by 0.33% MoM, as food prices continued to rise due to the impact of storms and floods, along with adjustments in housing rental prices. However, the average inflation in 10M24 was only 3.8% YoY. In the coming time, we forecast that

Sources: GSO, MOF

Section 3

Vietnamese Economy *(Cont.)*

CPI would only increase by about 3.0%, thanks to stable hog price and the prices of state-controlled goods not seeing significant increases. Accordingly, the average CPI for 2024 is forecasted to fluctuate in the range of 3.5% - 4.0%. However, a risk to inflation that we need to monitor is the volatility of oil prices, especially if geopolitical tensions in the Middle East escalate. In the context of a stable economy, we also expect the average CPI for 2025 to fluctuate in the range of 3.5% - 4.0%.

Figure 34: Changes of regional currencies compared to USD

(Data on November 13 versus November 5)

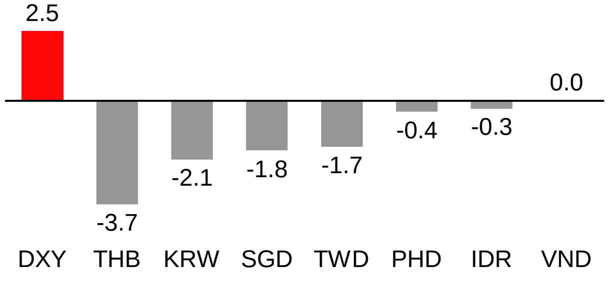
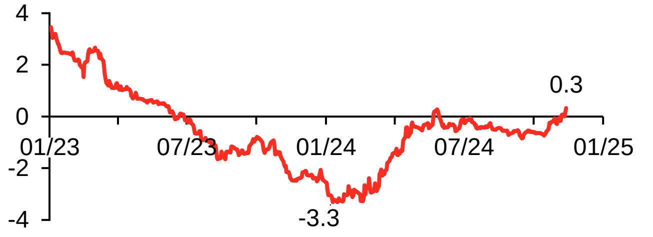


Figure 35: Interbank interest rate differential between VND and USD for 3-month term

(%)



The USDVND exchange rate is forecasted to fluctuate between 25,200 and 25,450 in the remaining months of 2024.

Following the US election results, with Trump becoming President and the Republican Party controlling both the Senate and the House, the US Dollar Index (DXY) rose by 2.5% to 106. Despite pressure from the strengthening US dollar, USDVND exchange rate only fluctuated between 25,300 and 25,400, supported by two main factors. ***Firstly***, the interbank interest rates differential between VND and USD has narrowed and even turned positive. ***Secondly***, some foreign currency inflows into Vietnam are anticipated from sources such as exports, FDI disbursements and remittances. In the remaining months of 2024, we forecast that USDVND would fluctuate in the range of 25,200 to 25,450 due to continued pressure from external factors, including the possibility of further increases in the DXY. However, as Tet approaches, foreign currency inflows into Vietnam, such as FDI disbursements and remittances would increase seasonally, helping to alleviate pressure on USDVND exchange rate.

In 2025, the VND is likely to depreciate against the USD.

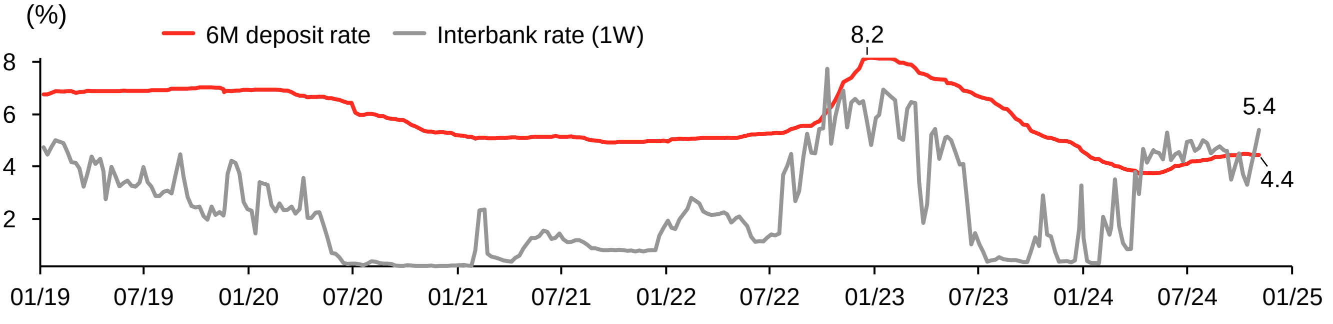
Looking ahead to 2025, with plans to implement import taxes and reduce domestic taxes, it is unlikely that inflation in the US would decrease; in fact, it may rise. The increasing US government debt is expected to lead to higher interest rates and a stronger USD. Consequently, the VND is anticipated to depreciate against the USD,

Sources: GSO, Bloomberg, Reuters ,TCB Market Research

Vietnamese Economy *(Cont.)*

particularly in the latter half of 2025. This depreciation is attributed to the new tariff policies proposed by Trump, which would necessitate approximately 8-14 months of study prior to implementation. In our baseline scenario, we forecast that average USDVND exchange rate may increase by 1.5% to 2% in 2025. However, the global macroeconomic context next year would be quite unpredictable and we will need to closely monitor developments for more specific assessments

Figure 36: 6M deposit interest rate of G14 and interbank rate



Interbank interest rates are forecasted to remain between 4-6%, while deposit interest rate are expected to increase slightly.

Under exchange rate pressure, the State Bank of Vietnam (SBV) would be ready to sell USD when needed to ensure smooth market transactions. Additionally, the SBV can regulate VND liquidity by issuing notes to absorb excess VND from the system, while providing liquidity to banks in need through open market operations (OMO). The 1-week interbank interest rate is anticipated to remain between 4-6%, helping to limit the demand for long forward foreign currency. We assess that this measure by the SBV would support stable exchange rates and interest rates. Accordingly, the 6-month deposit interest rate of G14 is forecast to increase slightly in remaining months of the year.

6-month deposit interest rate of G14 is forecasted to remain around 4.5% in 2025.

In 2025, with the unpredictable fluctuations of exchange rates, we believe that there is limited room for further reductions in interest rates. However, with the expectation that public investment disbursement in 2025 would be better than in 2024, deposit growth could reach over 13% YTD, gradually narrowing the gap between deposit and credit growth. Therefore, we forecast that the 6-month deposit interest rate of G14 may remain stable around 4.5%, continuing to support the economy.

Sources: SBV, Reuters, TCB Market Research
Note: G14 consists of 14 joint-stock commercial banks

Section 4

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Appendix

Updates on macroeconomics and financial market in the world

Indicators	Country	Unit	2022	2023		2024									
				11	12	01	02	03	04	05	06	07	08	09	10
Real GDP Growth	**US**	*%, YoY, Quarterly*			3.1			2.9			3.0			2.7	
	Eurozone	*%, YoY, Quarterly*			0.1			0.5			0.6			0.9	
	China	*%, YoY, Quarterly*			5.2			5.3			4.7			4.6	
	Japan	*%, YoY, Quarterly*			0.9			-0.9			-1.0				
CPI	**US**	*%, YoY, Monthly*		3.14	3.40	3.1	3.2	3.5	3.4	3.3	3.0	2.9	2.5	2.4	2.6
	EU	*%, YoY, Monthly*	5.46	2.40	2.90	2.8	2.6	2.4	2.4	2.6	2.5	2.6	2.2	1.7	
	China	*%, YoY, Monthly*		-0.50	-0.30	-0.8	0.7	0.1	0.3	0.3	0.2	0.5	0.6	0.4	0.3
	Japan	*%, YoY, Monthly*		2.80	2.60	2.2	2.8	2.7	2.5	2.8	2.8	2.8	3.0	2.5	
Fed funds target rate		*%. End of month*	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00	4.75
DXY		*Index. Monthly Average*	103.25	104.49	102.69	102.95	104.1	103.7	105.41	104.95	105.17	104.63	102.21	101.0	103.3
USD/CNY		*Index. Monthly Average*	7.08	7.22	7.15	7.17	7.19	7.20	7.24	7.23	7.25	7.26	7.15	7.08	7.09
10Y UST Yields		*%. Monthly Average*	3.96	4.51	4.05	4.05	4.23	4.21	4.51	4.48	4.31	4.25	3.87	3.72	4.09
WTI Oil price		*USD/barrel. Monthly Average*	77.66	77.38	72.06	73.86	76.61	80.4	84.4	78.6	78.7	80.48	75.43	69.37	71.56

Updates on macroeconomics and financial market in Vietnam

Indicators	Unit	2022	2023		2024									
			11	12	01	02	03	04	05	06	07	08	09	10
Real GDP growth	*%, Quarterly, YoY*	**5.05**		6.72			5.87			7.09			7.4	
IIP	*%, Monthly, YoY*	**1.50**	5.79	5.76	18.86	-6.81	4.13	6.30	8.90	10.92	11.23	9.50	10.84	7.02
Headline CPI	*%, Monthly, YoY*	**3.25**	3.45	3.58	3.37	3.98	3.97	4.40	4.44	4.34	4.36	3.45	2.63	2.89
Retail sales growth	*%, Monthly, YoY*	**9.60**	10.1	9.3	8.1	8.5	9.2	9.0	9.0	9.1	9.4	7.9	7.6	7.1
Registered FDI	*USD billion, Monthly*	**28.10**	2.30	5.20	2.2	1.8	1.7	2.6	1.7	3.5	2.2	2.0	3.5	2.4
Disbursed FDI	*USD billion, Monthly*	**23.20**	2.30	2.90	1.5	1.3	1.8	1.7	2.0	2.6	1.7	1.6	3.2	2.2
Trade exports	*USD billion, Monthly*	**355.5**	31.20	32.1	34.5	24.7	33.7	31.1	32.3	34.5	36.8	38.0	34.2	35.9
Trade imports	*USD billion, Monthly*	**327.5**	29.90	29.6	30.9	23.3	30.9	29.9	32.7	31.2	34.1	33.9	32.0	33.4
Trade balance	*USD billion, Monthly*	**28.00**	1.30	2.40	3.6	1.4	2.8	1.2	-0.4	3.0	2.7	4.1	2.2	2.5
Deposit growth	*%, YTD*	**10.85**	8.88	13.20	-1.29	-1.70	-0.90	-0.1	0.00	2.60	2.00	3.65		
Credit growth	*%, YTD*	**13.50**	9.15	13.78	-0.68	-0.75	1.42	2.01	3.43	6.10	5.93	7.31		
10Y Government bond yields	*%, Monthly Average*	**3.07**	2.56	2.26	2.25	2.32	2.50	2.78	2.80	2.80	2.79	2.73	2.68	2.67
1W Interbank rate	*%, Monthly Average*	**2.60**	0.71	0.82	0.43	2.53	1.32	4.20	4.55	4.84	4.79	4.64	4.14	3.81
6M Deposit rate**	*%, Monthly Average*	**6.44**	4.98	4.64	4.24	4.01	3.82	3.75	3.87	4.10	4.24	4.39	4.43	4.43
USD/VND	*Monthly Average*	**23,847**	24,321	24,283	24,476	24,520	24,724	25,153	25,446	25,443	25,370	25,026	24,624	25,058

Updated full-year forecasts for Vietnam

Indicators	Unit	2023		2024										Forecast
		11	12	01	02	03	04	05	06	07	08	09	10	2024
Real GDP growth	*%*		6.72			5.87			7.09			7.40		6.80
Headline CPI	*%, YoY. Average*	3.45	3.58	3.37	3.98	3.97	4.40	4.44	4.34	4.36	3.45	2.63	2.89	3.67
Deposit growth	*%, YTD*	8.88	13.20	-1.29	-1.70	-0.90	-0.1	0.00	2.60	2.00	3.65			10.60
Credit growth	*%, YTD*	9.15	13.78	-0.68	-0.75	1.42	2.01	3.43	6.10	5.93	7.31			14.00
USD/VND	*Average*	24,321	24,283	24,476	24,520	24,724	25,153	25,446	25,443	25,370	25,026	24,624	25,058	25,068
10Y Government bond yields	*%, 10Y, Average*	2.56	2.26	2.25	2.32	2.50	2.78	2.80	2.80	2.79	2.73	2.68	2.67	2.62
1W Interbank rate	*%, Average*	0.71	0.82	0.43	2.53	1.32	4.20	4.55	4.84	4.79	4.64	4.14	3.81	3.70

Sources: GSO. Customs. VBMA. Reuters. TCB Analysis

Notes:

* Estimated numbers

** Weighted average of 14 banks

The latest trade data updated by GSO. Previous data updated by Customs

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Economic and Financial Market Analysis
Corporate and Institutional Banking Group Division

TECHCOMBANK
Address: No. 6 Quang Trung, Hoan Kiem, Hanoi
Email: Tckh.ptkt@techcombank.com.vn
Website: https://techcombank.com/en/information/research